MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2011

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Financial highlights

• **Group gross sales under management**	$558.167 million
• **Group profit before income tax**	$5.988 million
• **Group profit for the year (after income tax)**	$4.116 million
• **Group total equity**	$74.975 million
• **Group total assets**	$189.564 million

Shareholder distributions	**2011** $'000	**2010** $'000
• Supplier shareholder rebate	250	250
• Bonus issue on supplier shareholder rebate	250	500
• Final gross dividend on “A” shares 4 cents per share (2010 : 8 cents per share)	479	886
• Final gross dividend on “D” shares 8 cents per share (2010 : 8 cents per share)	200	191
Total shareholder distributions in relation to the year ended 30 June	1,179	1,827

Chairman's review

Market Gardeners Limited, trading as MG Marketing, is a cooperative Company founded in 1923 to provide mutual support and endeavour for its participating grower-shareholders. As a cooperative business owned by more than 400 growers across New Zealand, the Company undertakes produce sales, marketing and distribution for its members as well as other suppliers in commercial trading with national retail chains and independent fruit and vegetable customers.

It is with pleasure that, on behalf of your Board of Directors, I can report on another satisfactory year of growth in New Zealand produce sales and revenue for Market Gardeners Limited, trading as MG Marketing (MG). In our 88th year of business to 30 June 2011 MG recorded the highest domestic sales volumes in its history, coupled with improved returns on most lines of fresh produce provided by our grower-shareholders and other suppliers.

Whilst our New Zealand operations enjoyed steady growth, the results were less favourable for MG's Australian operations. Cyclone Yasi in February devastated North Queensland crops and severely disrupted our supplies and sales of tropical fruit, especially bananas, in the Australian market. The flooding in Brisbane during January 2011 also caused significant damage and disruption to business. The drop in revenue and profitability caused by these natural disasters detrimentally affected MG's total group sales and profitability to 30 June, but a steady recovery is underway in the second half of the 2011 calendar year. More details about our Australian operations are provided later in this review.

The risk of bad weather impacting on production levels can and does affect our revenue streams in unpredictable ways. This however is the inherent nature of our industry and we often have to take the good with the bad. In New Zealand weather patterns kept some production at lower levels than normal and subsequently pushed values up. Whilst the year under review presented significant challenges to overcome, it is pleasing to report that MG continues to benefit from a carefully managed investment programme designed to improve our resources in people, facilities and supply capability. Our prime objective is to operate a grower-to-consumer distribution chain based on clear and timely information, a high level of cost efficiency and rapid adaptation to changing market needs. By necessity this is a continuing process, constantly being reviewed and fine-tuned by the Board of Directors and senior management. Its success is not guaranteed though and we will continue to seek new and better ways to add value for our growers' business, as well as for our retail partners.

The Company's long term business strategy is to maintain a three-pronged approach to group earnings – expanding and diversifying our domestic produce sales, developing our Australian grower-supplier operations in key areas, and reinforcing our position as the leading importer of tropical fruit varieties. This approach not only minimises risk factors in our line of business, but ensures a strong and resilient base from which MG can sustain income and profitability for the future. In this respect it is worth emphasising we are a multi-national commercial entity, with both national and offshore operations co-ordinated to deliver the best possible returns to shareholders and suppliers under all conditions.

It should not be overlooked, either, that as a cooperative organisation MG's greatest strength lies squarely with its participating grower-shareholders. As distribution lines come under increasing pressure from competing interests in the marketplace, the commitment and loyalty of our shareholder base is being repeatedly tested. To ensure our business success in this environment, it is vital that we uphold the basic philosophy of a grower-owned business – the more support the cooperative receives from its members, the greater the collective returns will be to everyone involved.

Chairman’s review (continued)

Financial Performance and Distributions

This year’s trading is highlighted on page two of this report and is further discussed in the ensuing Chief Executive’s report. Despite the difficult trading environment described above the MG Group has achieved a healthy level of gross sales under management, now exceeding $558 million (down from last year’s $573 million), total assets are now over $189 million and Group equity has grown to just under $75 million. As in the past Group cashflows have been reasonable and reflect the continued close management of all areas of the business, in particular debtor collection and bank funding.

As in 2010, an Annual Review (being a summarised version of the annual report) has also been produced. The review provides extracts from the Annual Report and shows only the key financial reports. If you would like a copy of the Annual Review or the full Annual Report 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: +643 3431794).

Based on the financial performance to 30 June 2011, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling $1.179 million. On 15 September 2011 the Board declared the following distributions in relation to the year ended 30 June 2011:

- 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 2011;
- Bonus issue – a one for one fully imputed taxable bonus issue on the “C” shares issued out of the above rebate. This amounts to $250,000 worth of “C” shares being issued (you receive one further “C” share 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 4 cents on every “A” share and 8 cents on every “D” share on issue. 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 2011 and continuing to hold, at the date of the 2011 Annual Meeting, the shares held at 30 June 2011. The above rebate, bonus issue and dividends represent $1.179 million being distributed back to MG’s loyal and supportive shareholders.

Domestic and International

Taken together, our domestic and international operations cover a very wide spread of climates, produce types and trading conditions. This diversity of growing and market environments is a core Company strength, giving us the ability to compensate for weather adversity and supply problems in any particular region or product category. The year in review provided a graphic example of this balance in action and its effects on MG as a whole.

In New Zealand our strong grower representation and an effective branch network enabled MG to improve the value of sales in a number of vegetable and fruit categories during the year. This scenario was some relief to the prevailing over-supply situation that remains a problematic issue for the industry. Your Company will continue to work with the growing community to better align production with consumer demand and respond quickly to market signals. Put simply, it means being well organised and adapting to fluctuating market conditions.

Our ability to gain competitive advantage in these situations is a direct reflection of years of work carried out, and continuing today, between MG staff and our nationwide grower-suppliers. At the retail level our account managers and sales staff provided the right signals for our procurement staff to communicate with growers on crop selection, sales volumes and packaging options. Growers who respond accurately to these market signals are in a position to gain the most in returns over the full course of a year. Underpinning this process is MG’s expertise and knowledge at both ends of the supply-chain, coupled with sufficient nation-wide resources to respond rapidly to shifts in pricing trends and product volumes.

Chairman's review (continued)

The Company's long standing import business produced another steady result, confirming our position as the predominant supplier of tropically-grown fruit for local consumers. This component of our operations continues to be a strategically critical element of our total business and highlights the importance of having strong international trade connections with global food companies such as Dole and Sunkist. Our partnerships with offshore operators give MG a solid platform for growth in established high-volume lines such as bananas, pineapples, citrus and grapes, as well as a range of seasonal and year-round produce not grown commercially in New Zealand.

Offshore, our North American base in California, headed by Doug Trask, performed satisfactorily during the year and returned creditable results. The operations run from this office provide opportunities to develop productive import and export links for Northern Hemisphere produce with a number of countries in the Asia-Pacific region. Our policy in this respect is to operate prudently and with minimal exposure to risk, but also with the intention of building profitable trade in and between offshore markets.

LaManna Group – Australia – A year in review

Tumultuous would describe the state of Australia's banana market in the second half of the reporting year. MG's subsidiary, LaManna Group, is reliant on locally-grown banana sales for two-thirds of its sales, although this ratio is decreasing as product diversification occurs. After six months of low prices due to over-production, the banana market was tipped on its head by Cyclone Yasi striking the main Queensland growing areas in February 2011. Production fell by 85 percent, sales plummeted and packing houses were closed. Prices skyrocketed for the small quantities that did reach consumers, but worthwhile trading volumes were simply unavailable.

In addition to this crisis, the devastating floods that hit Brisbane in January 2011 caused significant damage to LaManna's stock, equipment and warehouse facilities in this region. The impact effectively disrupted any normality in operating and trading activities for several months. A superb effort by the Company's staff enabled skeleton work to resume within 48 hours and allowed business to carry on in alternative premises. But it has taken many months for the coolstore, ripening and warehouse operations to return to full operating mode. Credit must go to LaManna for being the first Brisbane agent to pay growers for lost stock.

To mitigate against the cyclone risk in Queensland, LaManna has established a banana farming joint venture in the Northern Territory (close to Darwin). In a dire turn of events however, this venture also suffered damage from a rare cyclone which hit the Northern Territory, just a week after Cyclone Yasi. This event caused considerable farm damage and a three-month delay to the commercial harvesting programme. Despite these setbacks, the Darwin operations have recovered reasonably quickly. Consequently LaManna is on track to recover much of the lost ground throughout most of 2011 and is anticipating a return to optimal earnings for the current financial year.

Elsewhere in Australia, LaManna acquired the Fresh Crop business in the Sydney markets, a selling floor for non-banana produce that complements the existing banana-only market. Expansion of ripening and cool storage facilities were completed at the Adelaide facility and also at Fresh Choice in Perth. These moves enabled the Group to boost produce throughput and sales in two strategically important locations.

Despite the year's severe production and supply difficulties in the banana trade, MG is confident that LaManna's future is sound. Its diversification into other fruit and vegetable categories will spread business risk and reduce exposure to future tropical storms. Whilst bananas will continue to be a revenue mainstay, the LaManna Group's non-banana business has increased from 32 to 40 percent of total produce volume. Coupled with this broadening of growing, processing and distributing operations is LaManna's continuing management programme to streamline its operational network within and between the widespread markets serving Australian retailers and buyers. This work is ongoing and is designed to further improve business efficiencies as the LaManna Group expands its presence across Australia. It is in recognition of these positive steps that MG is pleased to have increased its shareholding in the LaManna Group from 92 to 96 percent.

Chairman’s review (continued)

Once again I would like to note my thanks to all LaManna Group staff for their contribution and effort in what has been a very testing year.

Annual Meeting

MG’s shareholders are invited to attend the Annual Meeting of the Company, to be held at the Novotel Auckland Ellerslie, 72 – 112 Greenlane East, Ellerslie, Auckland, on Wednesday 23 November 2011, commencing at 5.30 pm. This is an opportunity for members to meet with Directors of the Board as well as senior management staff and to discuss any topics of interest concerning the Company and its operations. Attendees will be able to participate in the formal meeting and be a part of the social gathering and dinner to be held from the conclusion of the Annual Meeting.

Retirement of Tom Treacy

The retirement of Tom Treacy from Market Gardeners Limited at the end of June this year marked the close of a remarkable career for one of the Company’s longest serving and most influential Chief Executive Officers. His strong leadership and unfailing dedication to MG’s progress in the modern era cannot be over-estimated.

During his tenure at the head of the Company for 23 years, Tom played a crucially important role in transforming MG from a largely supply-driven distribution chain to today’s market-driven operation responsive to the needs of retailers and consumers. His dynamic approach to industry changes and direct management style provided inspiration to many of the Company’s past and present senior managers and their teams of support staff. He also commanded great respect amongst MG’s expanding number of grower-shareholders. Some may not have agreed with Tom’s opinions and decisions at all times, but all readily acknowledged his resolute determination to implement policies and create new opportunities for the betterment of the Company as a whole.

There can be no doubt that his influence on MG’s growth and development over nearly a quarter of a century has been the defining feature in the Company’s current high standing and reputation in both national and international business arenas. On behalf of everyone at MG, I take this opportunity to wish Tom the very best of success and contentment for his well-earned retirement.

Directorate and Staff

It is appropriate to record a sincere expression of appreciation to my fellow members of MG’s Board of Directors, all of whom have fulfilled their governance role with commendable skill and capability. In a year marked by considerable turmoil in climatic conditions and by fiercely competitive pressure in sales and distribution channels, they have represented shareholders’ interests to a high degree of competence. The financial results are proof of their dedication to the success of our organisation.

In accordance with the Company’s constitution, Messrs Andrew Fenton and Brian Gargiulo retired by rotation and being eligible offered themselves for re-election. As no other valid nominations have been received, their re-election will be announced at the Annual Meeting on 23 November 2011.

It is fitting that I pay tribute to the very positive contribution made to MG by its senior executives during an often unpredictable and testing period. Our new Chief Executive Officer, Peter Hendry, replaced Tom Treacy at the start of the new financial year and has made an impressive start to his role. Peter’s extensive background with the Company and involvement in many of its strategic developments in recent years puts him in good stead to continue the mantle of expert team leadership and constructive direction for our domestic and offshore operations.

Chairman's review (continued)

In Australia our LaManna Group subsidiary continues to be headed by Bernard Treacy as Chief Executive Officer. Bernard and his team's abilities were well and truly put to the test after the February cyclone event decimated the banana growing sector. His local knowledge and industry skills are proving an essential ingredient for rebuilding LaManna's production capability and distribution operations to ensure a speedy recovery to the business.

I would also issue a special note of appreciation to MG's loyal and industrious Company Secretary and Chief Financial Officer, Duncan Pryor, and his finance and administration team. Their often unnoticed, but hugely important contribution to the Company's good health is worthy of recognition by every individual associated with MG and its financial interests.

Outlook

The disruptive weather events in the year under review in both New Zealand and Australian markets graphically demonstrate that we cannot insulate MG from unexpected and potentially damaging episodes. What we can do is be well prepared for such contingencies and be flexible enough to compensate in other areas before resuming full production at the earliest opportunity. The testing times experienced recently showed that MG is more than capable of accomplishing this objective, resulting in a satisfactory full year of sales and returns. But what of the future?

The year ahead will be no less challenging on several fronts. Our position as a significant supplier and distributor of fresh produce to retail sectors has been earned with considerable effort and attention to detail over many years. This position is not automatically assured, however. At any time supply allegiances and arrangements can be threatened with little or no warning. It is therefore imperative that MG continues to create for itself a preferred position in its chosen market places. This means co-ordinating all our growing and supply chain resources to ensure we are the most consumer responsive, competitively priced and highest quality producer of fruit and vegetables on a consistent, year-round basis.

We have the requisite physical resources well established, although continual improvement to our plant, equipment and logistical networks is the necessary way forward. We also have expert capability in terms of our human resources, with teams of seasoned and specialist staff in New Zealand, Australia and USA. Our support office has the necessary management resources to provide strong leadership at every level of MG's operations. In other words, the foundation exists to consolidate our domestic and overseas trading activities to the best of our combined abilities.

One thing we can be sure of is that buyers and consumers of fresh produce will continue to expect top quality at competitive pricing levels. Fruit and vegetable prices are coming under increasing scrutiny across all our markets as shoppers try to make their food dollars go further. Therefore we must operate our grower and distribution supply networks with the utmost efficiency, co-ordinating all our resources to maximise the value of what we produce and minimise the cost of doing so. Nothing less than a total application of our cooperative spirit under MG's banner will achieve this result. Looking ahead, I am confident that it can and will be achieved.

To close, I would like to sincerely thank all MG Shareholders and grower-suppliers for continuing to support the Company with their trade. Our cooperative business model is grower-owned and relies implicitly on your loyalty to the make the enterprise a success. I also acknowledge the ongoing support of our many local, national and international customers for maintaining strong business links with MG. To all our staff in New Zealand, USA and Australia, I offer my thanks for a job well done in what was a demanding year for everyone. Your Company is in very good heart, and I wish you all every success at personal and business levels in the year ahead.

B P Gargiulo

Brian Gargiulo, MBE
Chairman
15 September 2011

Chief executive officer's report

A most encouraging result based on record sales volumes in the New Zealand market was the highlight of the financial year to 30 June 2011 for Market Gardeners Limited, trading as MG Marketing (MG). The lift in our domestic earnings stems directly from targeted investments your Company has made in recent times to enhance grower support services, develop new procurement programmes, improve its distribution efficiency and manage closer links with key customer groups.

It is gratifying to report that these strategic investments on behalf of MG grower-shareholders are paying dividends in terms of improved sales volumes and revenue at the domestic level. For the year in review, MG experienced a number of ups and downs in trading patterns, but this is a result of the unpredictable nature of intensive horticulture production. What is important is that investment decisions being made by your Company are based on long term policies and are producing satisfactory long term results.

This is my first report in the role of Chief Executive Officer, having taken over from Tom Treacy on his retirement at the end of June 2011. It should be acknowledged that MG's investment programme has been largely driven to date through Tom and his management team's clear vision of how the Company must operate to succeed as a wholesaler and distributor of produce. With the support of MG's Board of Directors I am determined to maintain this programme's direction and impetus, always with the core objective of positioning MG's services so as to optimise returns for our grower-shareholders.

In New Zealand and Australia we are up against very strong competitive forces who are also seeking a bigger slice of the fresh produce supply chain between the farm gate and the consumer plate. These include new entrants to the industry, alternative buying and selling methods, and direct approaches by retailers to primary producers. In this environment it is essential for MG to create added value at both ends of the supply line, not just for growers but also for retail customers. MG's investment programme is designed to achieve this through continuously raising our already high standards for produce quality, exclusive variety development, storage technology, packaging and presentation and service delivery.

By adopting such a continual improvement programme, MG is taking a strong position to achieve growth and higher returns on average across our full range of produce. In our markets, price and margins will invariably be squeezed by over-production and seasonal factors. But with the ability to add value to our produce through timely arrival of the best produce available, we can undoubtedly secure customer satisfaction, gain repeat business and optimise grower returns. This is the fundamental principle underpinning MG's investment programme both for now and into the future.

Financial Overview

As is noted above, the result for the year is considered to be encouraging given the economic conditions. The key financial highlights are detailed on page two of this Annual Report and are discussed further in the Chairman's review.

The Group's gross sales under management have remained strong and exceeded $558 million this year, a reduction on last years $573 million. Group profit before income tax exceeded $5.9 million, a decrease on the prior year and reflects the poor market and weather related conditions experienced in Australia on the LaManna Group result (discussed in the Chairman's review) in contrast to the ongoing sound result coming from the New Zealand operations. This year's income tax expense totalled $1.8 million which is significantly down on the prior year's $3.9 million expense (which was inflated by the impact of the Government's decision to remove the depreciation deductibility on buildings with longer lives and resulted in a $1 million charge to the deferred tax liability, despite there being no actual capital gains tax in New Zealand).

Chief executive officer's report (continued)

Group equity has continued to strengthen and is now just under $75 million. Total assets have now grown to exceed $189 million of which $84 million reflects the Group's investment in its infrastructure of property, plant and equipment. As in prior years, Group cash flows from operations continue to be well managed and reflect the current economic environment which has required our business units to carefully watch and manage their accounts receivable / debtors.

The Chairman's review details the distributions that have been declared for the year to 30 June 2011 which again are a significant recognition of the performance of the MG Group. It is pleasing to note the continued support of the shareholders through their high level of reinvestment of their dividends back into more MG 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

As previously noted, your Company achieved record total sales volumes on the domestic front, as well as improved values on many fruit and vegetable lines due to periodic supply imbalances and produce shortages. It should be noted that our volume increase across the board was not huge, but nevertheless continued the steady growth trend in recent years. Our domestic turnover, for example, has grown 65 percent over the past six years for locally grown produce.

Some categories of produce have more or less followed this growth trend, while others being promoted by MG have increased sales throughput by considerably more over the same period. Targeted crop production and adding value to output are the crucial twin elements for business success. In MG's case both aspects were achieved during the year as a result of maximising our potential to grow saleable produce, adequately servicing growers and competently market what is grown. It is worth examining this process in more detail.

MG has invested heavily in a proactive scheme to work more closely with participating growers at source and with key customers in retail. We have established a team of procurement personnel, product development staff and account managers whose work is co-ordinated through our nine branch operations and encompasses the full length of the produce supply chain. We are continually looking for innovation and improvement in what we grow and how it is supplied to market. MG's people have the expertise and the experience to ensure that we can stay ahead of the competition. With willing support and active participation of shareholder-growers, it is a position we fully intend to maintain.

During the year MG's well-established retail produce brand, Nature's Pick, was freshened up with a new logo. The brand represents a wide range of produce varieties and has performed well for more than a decade, giving growers the opportunity to distinguish their products in the retail sector.

The Company's joint venture flower business, United Flower Growers (UFG), recorded a result below expectation in its first year of operation. The residual effects of recessionary economic conditions reduced demand for flowers and the business is working on strategies to lift sales volume in its nationwide markets.

Our Invercargill branch operation underwent refurbishment during the year. This project has completed MG's progressive upgrading and modernisation of all its storage and distribution facilities in nine locations. These investments enable your Company to uphold extremely high standards for receiving, storing, ripening and distributing fresh produce throughout New Zealand. The earthquakes in Canterbury during the year fortunately had minor effects on our local operations, but did cause personal disruption to staff at both Christchurch branch and Support Office.

Chief executive officer's report (continued)

Imports

On the imported fruit market MG continues to hold a dominant market share of all the major consumer categories. Our long-standing partnership with Dole continues to form an important component of our total operations and earnings. MG works closely with Dole to ensure New Zealanders are kept well supplied with the best quality tropical fruit lines which are not grown domestically, but which comprise a large part of people's diets and budgetary choices.

During the year a new Ethical Choice brand for Dole bananas was introduced to the market. This recognises the importance consumers place in sustainable production and highlights Dole's world-leading results in providing education, health and financial resources to communities where the fruit is farmed and packed. A further example of Dole's commitment to the local market was their status as the official fruit supplier to the Rugby World Cup in September and October 2011. MG has collaborated with Dole on several successful promotions for this event.

MG also retains strong and productive supply partnerships with other global companies specialising in tropical, sub-tropical and seasonal produce. These trading relationships are vital to our leadership role in the New Zealand market for imported varieties capable of adding value for the Company and providing market choice for consumers. Our USA operation plays a vital role in the success of our import programmes from North America and we continue to explore profitable trading opportunities throughout the Pacific Rim.

MG Staff

Our staff have continued to perform to exemplary standards during challenging times in the year under review. This was particularly so in Canterbury where employees and managers coped extraordinarily well in the aftermath of earthquake damage to their homes and disruptions to their normal way of life. MG is very well served by members of our dedicated and professional teams working for the best interests of grower-shareholders.

In the domestic market MG has restructured its senior management team. Grant Harford has joined the Company as national operations manager in Auckland, responsible for co-ordinating and supporting our nine branch activities nationwide. Jerry Prendergast is the new national key account manager in charge of MG's dealings with major retail clients. Jerry also retains his existing brand development manager's role. Both appointments reflect the importance MG places on the need to conduct business with the utmost efficiency and expertise at all operational levels of distribution, sales and marketing.

Your Company has also strengthened its grower service resources, with more staff providing grower advice and support in areas such as quality assurance, crop selection, procurement assistance and packaging advances. All our staff, whether in the field or in office support roles, welcome contact with MG grower-suppliers and are keen to help add value to what is produced.

As has been customary in past years, we are pleased to feature the names of all Group staff members on the cover of the 2011 Annual Review (the printed document which summarises key elements from this Annual Report), recognising the contribution they make to the business and as a critical asset of the Company.

Conclusion

In closing, it is timely to consider MG's history. The cooperative structure we operate under has served its grower-owners well since starting in 1923. Originally intended to pool growers' produce at auction and present a united front to buyers, the distribution sector has changed enormously in the ensuing 88 years. What has not changed is the fundamental principle behind our cooperative business model. In fact it is has more relevance today than at any time in the past.

Chief executive officer's report (continued)

This principle is to utilise our collective strength to combine and co-ordinate growing, marketing and sales resources. It is of greater importance today because competitive pressures on production and supply systems are stronger and more diverse than ever. Consumers expect more choices and year-round availability at the lowest possible prices. Higher quality standards, new packaging technology and cross-border trading add further to today's commercial realities facing domestic growers.

In such an environment it is vital for growers to achieve two goals. One is the ability to adapt to market forces and work together with a high degree of flexibility. This means being ready to respond to changing market signals. The other is to achieve economies of scale in which operating efficiency reduces overheads and boosts productivity. This means being well organised and collectively managed. In both respects our cooperative structure provides the best framework and the right incentives to attain these objectives. Put simply, unity is our biggest strength and the key to future success.

MG's performance during the year in review amply demonstrates all these factors coming together. Sales volumes and returns improved the most for grower-shareholders prepared to react quickly to market conditions and respond to advice on category selection, production volumes and practical ways to add value to produce. Economies and efficiencies within the cooperative as a whole enabled a satisfactory group surplus to be made, with financial benefits accruing to all members as owners. In addition, the diversity of our growing and sales operations beyond the domestic level provides assurance in not relying too heavily on one primary income source. With its current focus on national and international trading of fresh produce, your Company is well placed to achieve continued growth.

In this, my first report to the cooperative's members, I wish to express my appreciation to all grower-shareholders who have loyally supported MG's operations during an eventful year. Your commitment to our business is an essential ingredient of our commercial success. To our many customers in New Zealand and abroad, thank you for your custom and we look forward to continuing mutually rewarding relationships.

I would also take this opportunity to thank the Board of Directors, as well as MG's team of dedicated executive colleagues and all our hard-working staff members. Together they have contributed to a most positive and stimulating year. Finally I wish you all the best for a very successful and fulfilling year ahead.

Peter Hendry
Chief Executive Officer
15 September 2011

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2011.

For and on behalf of the Board of Directors:

B.D. Gargiulo, MBE	A.G. Fenton
Chairman	Director
15 September 2011	15 September 2011

Statement of comprehensive income

For the year ended 30 June

	Note	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Revenue – sale of goods	6	277,462	302,576	111,094	113,717
Cost of sales		237,102	258,983	87,633	91,364
Gross profit		40,360	43,593	23,461	22,353
Other operating income	7	1,932	1,640	1,152	953
Administrative expenses	8	10,019	8,732	6,749	5,643
Other expenses		24,802	25,251	9,122	9,213
Results from operating activities		7,471	11,250	8,742	8,450
Finance income		404	230	2,362	2,036
Finance expense		4,454	3,960	3,223	3,189
Net finance costs		4,050	3,730	861	1,153
Profit before equity earnings and income tax		3,421	7,520	7,881	7,297
Share of profit of equity accounted investees	13	2,567	632	-	-
Profit before income tax		**5,988**	**8,152**	**7,881**	**7,297**
Income tax expense	10	1,872	3,915	1,687	2,885
Profit for the year		**4,116**	**4,237**	**6,194**	**4,412**
Other comprehensive income					
Foreign currency translation differences for foreign operations		2,144	(979)	-	-
Changes in the fair value of land and buildings		-	5,444	-	1,563
Effective portion of changes in the fair value of cash flow hedges		(272)	(307)	(202)	(68)
Income tax on other comprehensive income	14	103	(742)	41	23
Other comprehensive income for the period, net of income tax		1,975	3,416	(161)	1,518
Total comprehensive income for the year		**6,091**	**7,653**	**6,033**	**5,930**
Profit attributable to:					
Owners of the company		4,114	4,117	6,194	4,412
Non-controlling interest		2	120	-	-
Profit for the year		**4,116**	**4,237**	**6,194**	**4,412**
Total comprehensive income attributable to:					
Owners of the company		6,089	7,533	6,033	5,930
Non-controlling interest		2	120	-	-
Total comprehensive income for the year		**6,091**	**7,653**	**6,033**	**5,930**

The significant accounting policies and notes to the financial statements on pages 18 to 45 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 2009	14,048	23,980	(95)	2,488	26,373	21,480	4,003	65,904
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	4,117	120	4,237
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	(211)	-	(211)	-	-	(211)
Translation of foreign operations	-	-	-	(979)	(979)	-	-	(979)
Acquisition of equity accounted investee	-	(821)	-	-	(821)	821	-	-
Net change in the fair value of land and buildings	-	4,606	-	-	4,606	-	-	4,606
Total other comprehensive income	-	3,785	(211)	(979)	2,595	821	-	3,416
Total comprehensive income for the period	-	3,785	(211)	(979)	2,595	4,938	120	7,653
Transactions with owners, recorded directly in equity								
Dividends	608	-	-	-	-	(1,129)	(258)	(779)
Shares issued	946	-	-	-	-	(900)	-	46
Shares surrendered	(791)	-	-	-	-	-	-	(791)
Balance at 30 June 2010	14,811	27,765	(306)	1,509	28,968	24,389	3,865	72,033
Balance at 1 July 2010	14,811	27,765	(306)	1,509	28,968	24,389	3,865	72,033
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	4,114	2	4,116
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	(214)	-	(214)	-	-	(214)
Translation of foreign operations	-	-	-	2,189	2,189	-	-	2,189
Total other comprehensive income	-	-	(214)	2,189	1,975	-	-	1,975
Total comprehensive income for the period	-	-	(214)	2,189	1,975	4,114	2	6,091
Transactions with owners, recorded directly in equity								
Dividends	463	-	-	-	-	(902)	(64)	(503)
Shares issued	760	-	-	-	-	(750)	-	10
Shares surrendered	(274)	-	-	-	-	-	-	(274)
Acquisition of non-controlling interest	-	-	-	-	-	-	(2,382)	(2,382)
Balance at 30 June 2011	15,760	27,765	(520)	3,698	30,943	26,851	1,421	74,975

The significant accounting policies and notes to the financial statements on pages 18 to 45 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 2009	14,048	15,671	(491)	15,180	10,689	39,917
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,412	4,412
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	(47)	(47)	-	(47)
Net change in the fair value of land and buildings	-	1,565	-	1,565	-	1,565
Total other comprehensive income	-	1,565	(47)	1,518	-	1,518
Total comprehensive income for the period	-	1,565	(47)	1,518	4,412	5,930
Transactions with owners, recorded directly in equity						
Dividends	608	-	-	-	(1,016)	(408)
Shares issued	946	-	-	-	(900)	46
Shares surrendered	(791)	-	-	-	-	(791)
Balance at 30 June 2010	14,811	17,236	(538)	16,698	13,185	44,694
Balance at 1 July 2010	14,811	17,236	(538)	16,698	13,185	44,694
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,194	6,194
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	(161)	(161)	-	(161)
Net change in the fair value of land and buildings	-	-	-	-	-	-
Total other comprehensive income	-	-	(161)	(161)	-	(161)
Total comprehensive income for the period	-	-	(161)	(161)	6,194	6,033
Transactions with owners, recorded directly in equity						
Dividends	463	-	-	-	(901)	(438)
Shares issued	760	-	-	-	(750)	10
Shares surrendered	(274)	-	-	-	-	(274)
Balance at 30 June 2011	15,760	17,236	(699)	16,537	17,728	50,025

The significant accounting policies and notes to the financial statements on pages 18 to 45 form part of and are to be read in conjunction with these financial statements.

Statement of financial position

As at 30 June

	Note	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
EQUITY					
Share capital	18	15,760	14,811	15,760	14,811
Reserves		30,943	28,968	16,537	16,698
Retained earnings		26,851	24,389	17,728	13,185
Total equity attributable to equity holders of the Parent Company		73,554	68,168	50,025	44,694
Non-controlling interest		1,421	3,865	-	-
Total equity		74,975	72,033	50,025	44,694
NON-CURRENT ASSETS					
Property, plant and equipment	11	84,391	85,620	34,913	37,295
Intangible assets	12	36,418	33,006	637	638
Investments in equity accounted investees	13	8,395	7,119	201	201
Investments in subsidiaries		-	-	1,231	1,231
Trade and other receivables	16	11,647	10,780	11,400	10,477
Deferred tax assets	14	3,394	2,605	1,520	1,697
Total non-current assets		144,245	139,130	49,902	51,539
CURRENT ASSETS					
Inventories	15	6,158	6,189	3,338	4,316
Trade and other receivables	16	33,138	32,672	69,952	66,789
Cash and cash equivalents	17	4,753	8,587	2,937	2,876
Non-current assets held for sale		1,270	-	1,270	-
Total current assets		45,319	47,448	77,497	73,981
Total assets		189,564	186,578	127,399	125,520
NON-CURRENT LIABILITIES					
Loans and borrowings	19	36,842	3,456	35,980	2,385
Trade and other payables	20	1,393	1,183	1,074	877
Deferred tax liabilities	14	4,118	4,210	1,667	1,685
Total non-current liabilities		42,353	8,849	38,721	4,947
CURRENT LIABILITIES					
Loans and borrowings	19	26,399	60,301	7,300	43,067
Trade and other payables	20	45,012	44,417	30,624	31,875
Taxation payable		825	978	729	937
Total current liabilities		72,236	105,696	38,653	75,879
Total liabilities		114,589	114,545	77,374	80,826
NET ASSETS		74,975	72,033	50,025	44,694

The significant accounting policies and notes to the financial statements on pages 18 to 45 form part of and are to be read in conjunction with these financial statements.

Statement of cash flows
For the year ended 30 June

	Note	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Cash receipts from customers		277,696	306,646	114,953	117,166
Dividends received		652	589	-	1,251
Interest received		425	230	272	170
Cash was applied to:					
Cash paid to suppliers and employees		(269,622)	(294,536)	(102,947)	(106,696)
Interest paid		(4,239)	(3,566)	(2,978)	(2,827)
Income tax paid		(1,777)	(3,639)	(1,718)	(1,569)
Net cash from operating activities	25	3,135	5,724	7,582	7,495
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		519	328	17	4
Proceeds from loans and advances		1,000	1,164	-	1,164
Cash was applied to:					
Acquisition of property, plant and equipment		(1,601)	(12,255)	(699)	(4,831)
Acquisition of equity accounted investees		-	(170)	-	(164)
Acquisition of business and subsidiaries, net of cash acquired		(2,856)	-	-	-
Loans and advances		(1,656)	(7,118)	(1,656)	(7,118)
Net cash (used in) investing activities		(4,594)	(18,051)	(2,338)	(10,945)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from issue of share capital		10	46	10	46
Proceeds from bank and other borrowings		4,111	17,779	1,500	13,709
Proceeds from loans and advances		1,068	461	679	105
Cash was applied to:					
Shares surrendered	18	(274)	(791)	(274)	(791)
Repayment of borrowings		(6,956)	(3,380)	(6,450)	(2,922)
Dividends paid		(504)	(675)	(448)	(411)
Loans and advances		(200)	(512)	(200)	(6,042)
Net cash (used in)/from financing activities		(2,745)	12,928	(5,183)	3,694
Net (decrease)/increase in cash and cash equivalents		(4,204)	601	61	244
Cash and cash equivalents at 1 July		8,587	8,181	2,876	2,632
Effect of exchange rate fluctuations on cash held		370	(195)	-	-
Cash and cash equivalents at 30 June		4,753	8,587	2,937	2,876

The significant accounting policies and notes to the financial statements on pages 18 to 45 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 2011 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 15 September 2011.

(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 12 – valuation and recoverable amount of intangible assets;
- Note 14 – recognition of deferred tax asset; and
- Note 18 – 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 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.

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 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 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.

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 became effective and were adopted for the preparation of the 2011 Group financial statements. They include:

- NZ IFRS 5 Amendments to Non Current Assets Held for Sale or Discontinued Operations. The amendments clarify the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in NZ IFRS 5. The amendments apply prospectively.

- NZ IAS 1 Amendments to Presentation of Financial Statements. The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. The amendments have no impact on the Group financial statements.

- NZ IAS 7 Amendments to Statement of Cash Flows. The amendments clarify that only expenditure that results in the recognition of an asset can be classified as cash flow from investing activities. The amendments have no impact on the Group financial statements.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

- NZ IAS 36 Amendments to Impairment of Assets. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in NZ IFRS 8 before applying the aggregation criteria of NZ IFRS 8. The amendments apply prospectively.

- NZ IAS 39 Amendments to Financial Instruments: Recognition and Measurement. The amendments provide guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in NZ IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedge forecast cash flows impact on profit or loss. The amendments apply prospectively.

A number of new standards, amendments and interpretations are not yet effective for the year ended 30 June 2011 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.

- 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 amended standard will be effective for the 2014 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 amended 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 amended 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 amended 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 amended standard will be effective for the 2014 Group financial statements.

- NZ IAS 24 Related Party Disclosures (revised 2009). The amended standard refines the definition of a related party. The standard will be effective for the 2012 Group financial statements.

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 11.

(b) Intangible assets

The fair value of brand assets acquired in a business combination was based on the discounted estimated royalty payments that have been avoided as a result of the brand being owned. The valuation was performed by independent valuers.

(c) Derivatives

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

5. Acquisition of a business

Business combinations – 2011

Effective 8 February 2011 the Group acquired the business assets of Fresh Crop Australia Pty Ltd. If the acquisition had occurred on 1 July 2010 the Directors estimate of the impact on consolidated revenue and consolidated profit for the period would have been $9,125,000 and $456,000 respectively.

The values of assets and liabilities recognised on acquisition are their estimated fair values. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Note	**Recognised values on acquisition $'000 2011**
Property, plant and equipment	11	1,639
Consideration - Cash		2,856
Goodwill on acquisition	12	1,217

6. 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 2011 gross sales under management for the Group were $558,167,000 (2010: $573,554,000) and for the Parent Company $333,068,000 (2010: $326,294,000).

Notes to the financial statements (continued)

7. Other operating income	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Bad debts recovered	3	-	3	-
Net gain / (loss) on sale of property, plant and equipment	41	166	91	(9)
Rental income	1,888	1,474	1,058	962
Total other income	1,932	1,640	1,152	953

8. Administrative expenses

The following items of expenditure are included in administrative expenses:

	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Donations	15	20	10	10
Auditor's remuneration comprises:				
For audit work:				
• to Market Gardeners Limited and subsidiaries (KPMG)	64	63	64	63
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	78	75	-	-
For other audited related services:				
• to Market Gardeners Limited and subsidiaries (KPMG)	2	7	2	7
• to Market Gardeners Limited (BDO)	5	5	5	5
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	36	31	-	-
Total auditor's remuneration	185	181	71	75

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 and taxation services.

9. Personnel expenses

	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Wages and salaries	37,384	38,501	20,172	19,403
Contributions to defined contribution superannuation plans	1,982	1,994	579	603
Increase/(decrease) in liability for long-service leave	34	316	21	(9)
Total personnel expenses	39,400	40,811	20,772	19,997

10. Income tax expense in the statement of comprehensive income

	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Current tax expense	2,742	3,212	1,485	2,073
Prior period adjustment to current tax	(92)	35	2	5
	2,650	3,247	1,487	2,078
Deferred tax - origination and reversal of temporary differences	(871)	(143)	113	(26)
Deferred tax – removal of tax depreciation on buildings	-	1,071	-	949
Deferred tax - reduction in tax rate	93	(260)	87	(116)
Tax credit/(expense)	(778)	668	200	807
Total income tax expense	1,872	3,915	1,687	2,885

Notes to the financial statements (continued)

10. Income tax expense in the statement of comprehensive income (continued)	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Profit before tax	5,988	8,152	7,881	7,297
Income tax using the Parent Company's domestic tax rate	1,796	2,446	2,364	2,189
Add/(deduct) taxation effect of:				
Difference in effective tax rate of equity accounted investees	567	229	-	-
Non-deductible expenses	150	705	77	430
Tax exempt income	(663)	(489)	(90)	(251)
Group loss offset	-	-	(777)	(277)
Current year losses for which no deferred tax asset was recognised	-	32	-	-
Under/(over) provided in prior periods	(71)	181	26	(39)
Deferred tax – removal of tax depreciation on buildings	-	1,071	-	949
Deferred tax – reduction in tax rate	93	(260)	87	(116)
Total income tax expense	1,872	3,915	1,687	2,885

Imputation credits				
Imputation credits at 1 July	3,270	2,607	3,161	2,522
New Zealand tax payments, net of refunds	1,651	1,569	1,628	1,545
Imputation credits attached to dividends paid and bonus issues	(673)	(906)	(673)	(906)
Imputation credits at 30 June	4,248	3,270	4,116	3,161
The imputation credits are available to shareholders of the Parent Company:				
Through the Parent Company	4,116	3,161	4,116	3,161
Through subsidiaries	132	109	-	-
Imputation credits at 30 June	4,248	3,270	4,116	3,161

11. Property, plant and equipment

Group	Note	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 2009		63,074	2,606	3,400	13,060	7,897	90,037
Additions		3,593	25	233	2,615	280	6,746
Acquisitions through business combinations		6,436	20	4	166	-	6,626
Transfer to trade and other receivables – finance lease		-	-	-	-	(1,993)	(1,993)
Transfer to investments in equity accounted investees	13	(2,147)	-	-	-	-	(2,147)
Disposals		(2)	(157)	(88)	(405)	-	(652)
Revaluations		1,032	-	-	-	-	1,032
Reclassification		2,078	-	127	3,578	(5,783)	-
Effect of movements in exchange rates		(497)	(74)	(43)	(354)	-	(968)
Balance at 30 June 2010		73,567	2,420	3,633	18,660	401	98,681
Balance at 1 July 2010		73,567	2,420	3,633	18,660	401	98,681
Additions		1,049	202	107	424	23	1,805
Acquisitions through business combinations	5	1,479	-	-	160	-	1,639
Transfer to assets held for sale		(1,270)	-	-	-	-	(1,270)
Disposals		(162)	(302)	(38)	(491)	(187)	(1,180)
Reclassification		-	-	-	121	(121)	-
Effect of movements in exchange rates		805	136	56	693	-	1,690
Balance at 30 June 2011		75,468	2,456	3,758	19,567	116	101,365

Notes to the financial statements (continued)

11. 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 2009	3,347	1,193	2,426	7,492	-	14,458
Depreciation for the year	1,172	244	486	1,201	-	3,103
Disposals	(1)	(92)	(119)	(216)	-	(428)
Revaluations	(3,771)	-	-	-	-	(3,771)
Reclassification	61	-	(53)	(8)	-	-
Effect of movements in exchange rates	(51)	(38)	(20)	(192)	-	(301)
Balance at 30 June 2010	757	1,307	2,720	8,277	-	13,061
Balance at 1 July 2010	757	1,307	2,720	8,277	-	13,061
Depreciation for the year	1,714	223	467	1,481	-	3,885
Disposals	(93)	(207)	(35)	(163)	-	(498)
Effect of movements in exchange rates	48	74	30	374	-	526
Balance at 30 June 2011	2,426	1,397	3,182	9,969	-	16,974
Carrying amounts						
At 1 July 2009	59,727	1,413	974	5,568	7,897	75,579
At 30 June 2010	72,810	1,113	913	10,383	401	85,620
At 1 July 2010	72,810	1,113	913	10,383	401	85,620
At 30 June 2011	73,042	1,059	576	9,598	116	84,391

Parent Company

	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 2009	27,841	303	2,370	3,294	7,897	41,705
Additions	1,074	10	63	1,238	280	2,665
Transfer to trade and other receivables – finance lease	-	-	-	-	(1,993)	(1,993)
Disposals	(2)	(1)	(88)	(184)	-	(275)
Revaluations	34	-	-	-	-	34
Reclassification	2,078	-	127	3,578	(5,783)	-
Balance at 30 June 2010	31,025	312	2,472	7,926	401	42,136
Balance at 1 July 2010	31,025	312	2,472	7,926	401	42,136
Additions	145	-	64	394	23	626
Transfer to assets held for sale	(1,270)	-	-	-	-	(1,270)
Disposals	-	(27)	(38)	(26)	(187)	(278)
Reclassification	-	-	-	121	(121)	-
Balance at 30 June 2011	29,900	285	2,498	8,415	116	41,214
Accumulated depreciation						
Balance at 1 July 2009	1,018	155	1,982	2,175	-	5,330
Depreciation for the year	465	30	266	478	-	1,239
Disposals	(1)	(1)	(119)	(78)	-	(199)
Revaluations	(1,529)	-	-	-	-	(1,529)
Reclassification	61	-	(53)	(8)	-	-
Balance at 30 June 2010	14	184	2,076	2,567	-	4,841
Balance at 1 July 2010	14	184	2,076	2,567	-	4,841
Depreciation for the year	478	25	202	823	-	1,528
Disposals	-	(13)	(35)	(20)	-	(68)
Balance at 30 June 2011	492	196	2,243	3,370	-	6,301

Notes to the financial statements (continued)

11. 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 2009	26,823	148	388	1,119	7,897	36,375
At 30 June 2010	31,011	128	396	5,359	401	37,295
At 1 July 2010	31,011	128	396	5,359	401	37,295
At 30 June 2011	29,408	89	255	5,045	116	34,913

Security
Property, plant and equipment forms part of and is security for bank loans and finance leases (refer to note 19).

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 $nil (2010: $nil).

Land and buildings
Land and buildings include leasehold improvements and leasehold entitlements. Land and buildings were revalued to net current value as at 30 June 2010 based on the valuations provided as at that date by the following registered valuers: Simes Ltd ($16,444,000), Duke and Cooke Ltd ($9,854,000), Truebridge Partners ($30,250,000), Blackmore and Associates ($3,220,000), Coast Valuations ($330,000), Chadderton Valuation ($1,000,000), Herron Todd White ($4,484,000), Valuecorp ($6,719,000).

Fair value
The Directors consider that the fair value of land and buildings is approximated by their carrying value. The most recent independent valuations were reflected in the 30 June 2010 financial statements. If the land and buildings were measured using the cost model then the carrying value would be $42,078,000 (2010: $42,177,000) for the Group and $11,071,000 (2010: $12,723,000) for the Parent Company.

12. Intangible assets

Group		Goodwill $'000	Brand $'000	Trademarks $'000	Total $'000
Cost					
Balance at 1 July 2009		20,447	13,718	9	34,174
Effect of movements in exchange rates		(707)	(458)	-	(1,165)
Balance at 30 June 2010		19,740	13,260	9	33,009
Balance at 1 July 2010		19,740	13,260	9	33,009
Acquisition through business combinations	5	1,217	-	-	1,217
Effect of movements in exchange rates		1,332	864	-	2,196
Balance at 30 June 2011		22,289	14,124	9	36,422
Accumulated amortisation and impairment losses					
Balance at 1 July 2009		-	-	2	2
Amortisation for the year		-	-	1	1
Balance at 30 June 2010		-	-	3	3
Balance at 1 July 2010		-	-	3	3
Amortisation for the year		-	-	1	1
Balance at 30 June 2011		-	-	4	4
Carrying amounts					
At 1 July 2009		20,447	13,718	7	34,172
At 30 June 2010		19,740	13,260	6	33,006
At 1 July 2010		19,740	13,260	6	33,006
At 30 June 2011		22,289	14,124	5	36,418

Notes to the financial statements (continued)

12. Intangible assets (continued)

Parent Company	Goodwill $'000	Trademarks $'000	Total $'000
Cost			
Balance at 1 July 2009	632	9	641
Acquisitions through business combinations	-	-	-
Balance at 30 June 2010	632	9	641
Balance at 1 July 2010	632	9	641
Acquisitions through business combinations	-	-	-
Balance at 30 June 2011	632	9	641
Accumulated amortisation and impairment losses			
Balance at 1 July 2009	-	2	2
Amortisation for the year	-	1	1
Balance at 30 June 2010	-	3	3
Balance at 1 July 2010	-	3	3
Amortisation for the year	-	1	1
Balance at 30 June 2011	-	4	4
Carrying amounts			
At 1 July 2009	632	7	639
At 30 June 2010	632	6	638
At 1 July 2010	632	6	638
At 30 June 2011	632	5	637

With the exception of $632,000 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. The recoverable amount of the Australian operation cash generating unit is based on value-in-use calculations. The calculation uses cash flow projections based on budgets approved by the Board to June 2013 and a discount rate of 10.5%. Cash flows beyond June 2013 have been extrapolated using a steady growth rate of 3.5% (a conservative growth factor based on CPI). The calculation supports the carrying amount of the recorded goodwill and the indefinite life brand. The value-in-use cash flow model is sensitive to the key assumptions. By way of example, if the weighted average cost of capital or free cash flows reduced by 10% this may give rise to an indication of potential impairment which would need to be considered.

The Group intangible brand asset which arises on accounting for a business combination is considered, after analysing the economic and other factors that give rise to the brand, to have an indefinite useful life.

13. Investments in equity accounted investees (associates)

The Group's share of profit in its equity accounted investees for the year was $2,567,000 (2010: $632,000).

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
2010				
Equity accounted investees in aggregate	10,717	6,450	70,247	924
2011				
Equity accounted investees in aggregate	15,156	7,508	93,079	5,171

Notes to the financial statements (continued)

	Group		Parent Company	
	2011	2010	2011	2010
13. Investments in equity accounted investees (associates) (continued)	**$'000**	**$'000**	**$'000**	**$'000**
Movements in carrying value of equity accounted investees:				
Balance at 1 July	7,119	4,523	201	37
Share of profit of equity accounted investees	2,567	632	-	-
Share of tax of equity accounted investees	(1,027)	(186)	-	-
Share of revaluation reserve of equity accounted investees	-	611	-	-
Dividends from equity accounted investees	(652)	(589)	-	-
Transfer from land	-	2,147	-	-
Cost of additional investment in equity accounted investees	-	170	-	164
Impairment in value of investment in equity accounted investees	-	(55)	-	-
Effect of movement in foreign exchange	388	(134)	-	-
Balance at 30 June	8,395	7,119	201	201
Amount of goodwill in carrying value of equity accounted investees:				
Balance at 1 July	4,909	2,859	-	-
Balance at 30 June	5,230	4,909	-	-

In October 2008 the Group undertook the purchase of land and business interests. The fair value measurement of this transaction was not completed until after 30 June 2009. The completion of the determination of fair value of the assets acquired has resulted in the reclassification of $2,147,000 from land to investment in associates in the prior reporting period (30 June 2010).

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment	-	-	(3,338)	(3,320)	(3,338)	(3,320)
Derivatives	317	290	(119)	(150)	198	140
Provisions	2,004	2,315	(661)	(740)	1,343	1,575
Other items	1,073	-	-	-	1,073	-
Tax assets/(liabilities)	3,394	2,605	(4,118)	(4,210)	(724)	(1,605)

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Parent Company	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Property, plant and equipment	-	-	(961)	(886)	(961)	(886)
Derivatives	317	290	(45)	(59)	272	231
Provisions	1,203	1,407	(661)	(740)	542	667
Tax assets/(liabilities)	1,520	1,697	(1,667)	(1,685)	(147)	12

Notes to the financial statements (continued)

14. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Group	**Balance 1 July 09 $'000**	**Recognised in Statement of Comprehensive Income $'000**	**Recognised in equity $'000**	**Balance 30 June 10 $'000**
Property, plant and equipment	(2,210)	(272)	(838)	(3,320)
Derivatives	44	-	96	140
Provisions	1,971	(396)	-	1,575
	(195)	(668)	(742)	(1,605)

Group	**Balance 1 July 10 $'000**	**Recognised in Statement of Comprehensive Income $'000**	**Recognised in equity $'000**	**Balance 30 June 11 $'000**
Property, plant and equipment	(3,320)	(4)	(14)	(3,338)
Derivatives	140	-	58	198
Provisions	1,575	(291)	59	1,343
Other items	-	1,073	-	1,073
	(1,605)	778	103	(724)

Parent Company	**Balance 1 July 09 $'000**	**Recognised in Statement of Comprehensive Income $'000**	**Recognised in equity $'000**	**Balance 30 June 10 $'000**
Property, plant and equipment	(674)	(214)	2	(886)
Derivatives	210	-	21	231
Provisions	1,260	(593)	-	667
	796	(807)	23	12

Parent Company	**Balance 1 July 10 $'000**	**Recognised in Statement of Comprehensive Income $'000**	**Recognised in equity $'000**	**Balance 30 June 11 $'000**
Property, plant and equipment	(886)	(75)	-	(961)
Derivatives	231	-	41	272
Provisions	667	(125)	-	542
	12	(200)	41	(147)

There are no unrecognised deferred tax assets and liabilities.

Notes to the financial statements (continued)

	Note	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
15. Inventories					
Inventory		6,158	6,189	3,338	4,316
Inventory subject to contract		684	1,094	684	1,094
Amount due to supplier		(684)	(1,094)	(684)	(1,094)
		6,158	6,189	3,338	4,316

In 2011 inventories recognised as cost of sales amounted to $207,918,000 (2010: $230,094,000) for the Group and $73,528,000 (2010: $76,925,000) for the Parent Company. In 2011 the Parent Company and Group write-down of inventories to net realisable value amounted to $nil (2010: $8,000). In 2011 the Parent Company and Group inventories stated at net realisable value amounted to $nil (2010: $27,000).

16. Trade and other receivables

	Note	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Non-current					
Finance lease receivables		2,076	2,383	2,076	2,383
Derivatives		407	462	160	159
Prepayments and other receivables		10,311	8,935	10,311	8,935
Provision for prepayments and other receivables		(1,147)	(1,000)	(1,147)	(1,000)
Total non-current trade and other receivables		11,647	10,780	11,400	10,477
Current					
Trade receivables	21	26,066	24,562	14,668	15,054
Receivable from subsidiaries		-	-	51,605	48,244
Prepayments and other receivables		6,788	7,813	3,395	3,194
Finance lease receivable		283	260	283	260
Derivatives		1	37	1	37
Total current trade and other receivables		33,138	32,672	69,952	66,789
Total trade and other receivables		44,785	43,452	81,352	77,266

Receivables for the Group denominated in currencies other than the functional currency comprise $11,286,000 (2010: $9,354,000) of trade receivables denominated in Australian dollars and $18,000 (2010: $13,000) 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 21.

17. Cash and cash equivalents

The effective interest rate on bank balances for the Group in 2011 was 6.58% (2010: 6.89%) and Parent Company in 2011 was 6.94% (2010: 7.28 %).

18. 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 2009	10,190	3,139	719	14,048
Shares issued	654	-	900	1,554
Shares transferred	807	(88)	(719)	-
Shares surrendered	(578)	(210)	(3)	(791)
Balance at 30 June 2010	11,073	2,841	897	14,811
Balance at 1 July 2010	11,073	2,841	897	14,811
Shares issued	473	-	750	1,223
Shares transferred	687	210	(897)	-
Shares surrendered	(241)	(33)	-	(274)
Balance at 30 June 2011	11,992	3,018	750	15,760

Notes to the financial statements (continued)

18. Capital and reserves (continued)

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).

"D" shares have been classified as 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 non-current liabilities under NZ IFRS and are excluded from the above table. Refer to note 19 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 2010 announcement of a $250,000 taxable rebate (capitalised into "C" shares), a bonus issue of two for one on this rebate amounting to $500,000 (capitalized into "C" shares) and a fully imputed taxable gross final dividend of 8.0 cents on all "A" and "D" shares, is accounted for in the year ended 30 June 2011.

"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)

18. 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 (2011)
On 15 September 2011, a taxable rebate of $250,000 was declared by the Directors for the year to 30 June 2011 (2010: $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 2011 Annual Meeting. The rebate will be accounted for in the period it is declared, namely the year ended 30 June 2012.

f) Bonus issue on supplier shareholder rebate (2011)
On 15 September 2011, the directors declared a one for one (1 for 1) bonus issue on the above "supplier shareholder rebate (2011)". The bonus issue will be accounted for in the period it is declared, namely the year ended 30 June 2012 (the bonus issue for the year ended 30 June 2010 was two for one (2 for 1)).

g) Final dividend
On 15 September 2011 the Directors declared a fully imputed taxable gross final dividend of 4 cents per "A" share and 8 cents per "D" share (2010: 8 cents per "A" and "D" share). This final dividend is to be issued from retained earnings upon completion at the 2011 Annual Meeting. The final dividend will be accounted for in the period the dividend is actually declared, namely the 30 June 2012 financial statements. No interim dividend was declared in the year to 30 June 2011 (2010: Nil).

19. 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 21.

	Group		Parent Company	
	2011 $'000	**2010 $'000**	**2011 $'000**	**2010 $'000**
Non-current liabilities				
Secured bank loans	33,474	-	33,474	-
Finance lease liabilities	862	1,071	-	-
Redeemable "D" shares	2,506	2,385	2,506	2,385
	36,842	3,456	35,980	2,385
Current liabilities				
Current portion of secured bank loans	26,013	59,967	7,300	43,067
Current portion of finance lease liabilities	386	334	-	-
	26,399	60,301	7,300	43,067
Total loans and borrowings	63,241	63,757	43,280	45,452

The bank loans are secured over land and buildings with a carrying amount of $73,042,000 (2010: $72,810,000) (see note 11).

As at 30 June 2010 the Group had secured bank loans totaling $59,967,000 due to Rabobank of which $44,305,000 were considered to be term debt and which had been disclosed as current secured bank loans as at 30 June 2010. This was the result of the Company identifying and notifying Rabobank in October 2010 of a potential breach of one of its financial covenants at 30 June 2010 which arose from year-end financial reporting adjustments. A waiver of this potential breach was received from Rabobank before the finalisation of the Company and Group's results for the 30 June 2010 financial year. The conditions giving rise to that breach were temporary and a waiver was received from Rabobank. Although the Directors considered that the $44,305,000 of secured loans shown as current debt was more appropriately classified as non-current debt, NZ Equivalents to International Reporting Standards (NZ IFRS) required the Group to classify the debt as current debt as at 30 June 2010. As at 30 June 2011 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 addition, notwithstanding the contractual arrangements with Rabobank, as a result of an Australian interpretation of Australian equivalents to IFRS, as at 30 June 2011, all Australian Rabobank borrowings (amounting to NZ$13,148,000) are classified as current. In addition to these financial statements the Board has prepared an Annual Review for distribution to its shareholders. The Annual Review (2011 and 2010) has been prepared on the basis that this debt is term debt.

19. Loans and borrowings (continued)

"D" shares have been classified as 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 is to 30 June 2013. The Board may, by giving 4 months notice, extend this term by successive periods of up to 5 years. At the end of each period, including the initial period, the Parent Company may elect to repay the "D" shares or renew the period (or a shorter period), or a combination of both renewal / repayment. In the event that the Parent Company elects to renew the "D" shares, each "D" shareholder has the right, within 20 business days, to give notice requiring the repayment of some / all of their "D" shares – this is subject to a minimum continued "D" shareholding in the event of a partial repayment. "D" shares may not be redeemed prior to 30 June 2013 and thereafter may only be redeemed at the conclusion of the extended period.

	Group		Parent Company	
20. Trade and other payables	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Non-current				
Derivatives	951	766	951	766
Employee benefits	442	417	123	111
Total non-current trade and other payables	1,393	1,183	1,074	877
Current				
Trade payables	39,716	39,254	27,376	28,719
Derivatives	181	199	181	199
Employee benefits	5,115	4,964	3,067	2,957
Total current trade and other payables	45,012	44,417	30,624	31,875
Total trade and other payables	46,405	45,600	31,698	32,752

Payables denominated in currencies other than the functional currency comprise $15,482,000 (2010: $20,039,000) of trade payables denominated in Australian dollars and $2,371,000 (2010: $2,318,000) of trade payables denominated in US dollars.

21. 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)

21. 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 Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

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

	Group		Parent Company	
Trade receivables	**2011 $'000**	**2010 $'000**	**2011 $'000**	**2010 $'000**
Not past due	25,189	23,572	14,899	15,234
Past due 1-30 days	830	868	145	165
Past due 31-60 days	289	245	33	36
Past due 61-90 days	217	38	24	14
Past due greater than 91 days	544	778	56	60
Total trade receivables (gross)	27,069	25,501	15,157	15,509
Impairment provision	(1,003)	(939)	(489)	(455)
Total trade receivables (net)	26,066	24,562	14,668	15,054
Provision for doubtful debts				
Opening provision	939	721	455	344
Bad debts written off	(53)	(124)	(28)	(69)
Increase in provision	117	342	62	180
Closing provision	1,003	939	489	455

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 2011	**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	63,241	63,843	3,224	23,487	3,107	34,025	-
Trade and other payables	45,273	45,273	42,345	2,486	91	210	141
Total financial liabilities	108,514	109,116	45,569	25,973	3,198	34,235	141
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	724	2,399	474	197	939	789	-
Group 2010							
Non-derivative financial instruments							
Loans and borrowings	63,757	64,583	60,285	313	612	3,373	-
Trade and other payables	44,635	44,635	41,799	2,419	88	205	124
Total financial liabilities	108,392	109,218	102,084	2,732	700	3,578	124
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	466	1,046	506	153	396	(9)	-

Notes to the financial statements (continued)

21. Financial instruments (continued)

Parent Company 2011	**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	43,280	43,681	100	7,400	2,706	33,475	-
Trade and other payables	30,566	30,566	28,981	1,462	11	51	61
Total financial liabilities	73,846	74,247	29,081	8,862	2,717	33,526	61
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	971	2,868	516	239	1,269	844	-
Parent Company 2010							
Non-derivative financial instruments							
Loans and borrowings	45,452	46,024	43,162	95	191	2,576	-
Trade and other payables	31,787	31,787	30,260	1,416	22	35	54
Total financial liabilities	77,239	77,811	73,422	1,511	213	2,611	54
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	769	1,515	528	175	441	371	-

Foreign currency exchange risk

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

	Group		**Parent Company**	
2011	**USD**	**AUD**	**USD**	**AUD**
Trading foreign currency risk	**$'000**	**$'000**	**$'000**	**$'000**
Due within 12 months				
Bank	144	1,546	4	282
Trade receivables	990	8,670	-	-
Trade payables	(3,096)	(8,565)	(2,242)	(623)
Net balance sheet exposure before hedging activity	(1,962)	1,651	(2,238)	(341)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	2,242	623	2,242	623
Net unhedged exposure	280	2,274	4	282
2010				
Trading foreign currency risk				
Due within 12 months				
Bank	250	4,753	2	386
Trade receivables	855	7,864	-	208
Trade payables	(2,756)	(9,121)	(1,848)	(760)
Net balance sheet exposure before hedging activity	(1,651)	3,496	(1,846)	(166)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	1,848	552	1,848	552
Net unhedged exposure	197	4,048	2	386

Notes to the financial statements (continued)

21. 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:

	2011 AUD $'000	2010 AUD $'000
Investment foreign currency risk		
Net investment (including intangible assets that arise on consolidation) in Australian operations	32,406	33,019
Foreign currency denominated borrowings		
Secured bank borrowings	(11,350)	(11,350)
Net unhedged exposure	21,056	21,669

Interest rate risk - repricing analysis **2011** **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		2,359	141	142	283	849	944
Finance lease liabilities		(1,248)	(210)	(196)	(333)	(509)	-
Total fixed rate instruments		1,111	(69)	(54)	(50)	340	944
Variable rate instruments and related derivatives							
Cash and cash equivalents		4,753	4,753	-	-	-	-
Secured bank loans		(59,487)	(59,487)	-	-	-	-
"D" shares	19	(2,506)	(2,506)	-	-	-	-
Effect of interest rate swaps		-	43,392	-	-	(43,392)	-
Total variable rate instruments and related derivatives		(57,240)	(13,848)	-	-	(43,392)	-
Parent Company							
Fixed rate instruments							
Finance lease receivable		2,359	141	142	283	849	944
Total fixed rate instruments		2,359	141	142	283	849	944
Variable rate instruments and related derivatives							
Cash and cash equivalents		2,937	2,937	-	-	-	-
Secured bank loans		(40,774)	(40,774)	-	-	-	-
"D" shares	19	(2,506)	(2,506)	-	-	-	-
Effect of interest rate swaps		-	30,375	-	-	(30,375)	-
Total variable rate instruments and related derivatives		(40,343)	(9,968)	-	-	(30,375)	-

21. Financial instruments (continued)

Interest rate risk - repricing analysis

2010
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		2,643	130	130	260	780	1,343
Finance lease liabilities		(1,405)	(167)	(166)	(751)	(321)	-
Total fixed rate instruments		1,238	(37)	(36)	(491)	459	1,343
Variable rate instruments and related derivatives							
Cash and cash equivalents		8,587	8,587	-	-	-	-
Secured bank loans		(59,967)	(59,967)	-	-	-	-
"D" shares	19	(2,385)	(2,385)	-	-	-	-
Effect of interest rate swaps		-	46,684	-	(5,000)	(32,684)	(9,000)
Total variable rate instruments and related derivatives		(53,765)	(7,081)	-	(5,000)	(32,684)	(9,000)

Parent Company

	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		2,643	130	130	260	780	1,343
Total fixed rate instruments		2,643	130	130	260	780	1,343
Variable rate instruments and related derivatives							
Cash and cash equivalents		2,876	2,876	-	-	-	-
Secured bank loans		(43,067)	(43,067)	-	-	-	-
"D" shares	19	(2,385)	(2,385)	-	-	-	-
Effect of interest rate swaps		-	34,467	-	(5,000)	(20,467)	(9,000)
Total variable rate instruments and related derivatives		(42,576)	(8,109)	-	(5,000)	(20,467)	(9,000)

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

The Board recognizes 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 2011 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 $110,000 (2010: $122,000). Interest rate swaps have been taken into account in this calculation.

Notes to the financial statements (continued)

21. 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 $8,000 for the year ended 30 June 2011 (2010: $27,000). The Group policy of entering into forward exchange contracts has been allowed for in this calculation. The impact of such a foreign currency movement is generally mitigated by a similar movement in the pricing of the associated produce sold.

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 4.40 percent to 6.64 percent (2010: 4.77 percent to 6.85 percent). At 30 June 2011, the Group had interest rate swaps with a notional contract amount of $48,392,000 (2010: $56,684,000). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 June 2011 was $642,000 payable (2010: $488,000 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 2011 was $82,000 payable (2010: $22,000 receivable) comprising assets of $1,000 (2010: $37,000) and liabilities of $83,000 (2010: $15,000).

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 2011 was $nil (2010: $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						
2011						
Total assets	408	46,771	-	2,359	49,538	49,538
Total liabilities	1,132	-	-	108,514	109,646	109,646
2010						
Total assets	499	48,897	-	2,643	52,039	52,039
Total liabilities	965	-	-	108,392	109,357	109,357
Parent						
2011						
Total assets	161	81,770	-	2,359	84,290	84,290
Total liabilities	1,132	-	-	73,846	74,978	74,978
2010						
Total assets	196	77,303	-	2,643	80,142	80,142
Total liabilities	965	-	-	77,239	78,204	78,204

Fair value hierarchy
The fair value hierarchy levels are defined as set out below. The Group's financial instruments above are all categorized 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)

22. Operating leases

	Group		Parent	
Leases as lessee	**2011**	**2010**	**2011**	**2010**
Non-cancellable operating lease rentals are payable as follows:	**$'000**	**$'000**	**$'000**	**$'000**
Less than one year	4,062	3,037	1,564	1,637
Between one and five years	4,352	4,649	1,976	2,229
More than five years	161	55	161	55
	8,575	7,741	3,701	3,921

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 12 years and plant and equipment leases are for periods of between 1 and 5 years.

During the year ended 30 June 2011 $4,667,000 (2010: $4,743,000) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases for the Group and $1,838,000 (2010: $1,887,000) 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	1,355	1,233	838	729
Between one and five years	454	1,518	444	1,017
More than five years	-	-	-	-
	1,809	2,751	1,282	1,746

23. Capital commitments

Capital commitments as at 30 June	546	-	-	-

As at June 2011 the Group had capital commitments of $546,000 for the cool chaining and fit out of a newly leased warehouse in Adelaide (30 June 2010: $nil).

24. Contingencies

The Group and Parent Company had the following contingencies.

Trade indemnities and guarantees issued $1,901,000 (2010: $1,882,000).

The Group and Parent Company have provided a guarantee of $nil (2010: $316,000) to the Bank of New Zealand on behalf of NZ Ripeners Limited.

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)

25. Reconciliation of the profit for the period with the net cash from operating activities	Group 2011 $'000	Group 2010 $'000	Parent Company 2011 $'000	Parent Company 2010 $'000
Profit for the year	4,116	4,237	6,194	4,412
Adjustments for:				
Advance to subsidiaries, equity accounted investees and other parties	(212)	4,868	1,535	14,099
Amortisation of intangible assets	1	1	1	1
Payable on purchase of investment – Minority Interest	(2,382)	-	-	-
Depreciation	3,885	3,103	1,528	1,239
Impairment/(reversal of impairment) of investments	-	55	-	-
Change in derivatives recognised in hedging reserve	(258)	(319)	(202)	(68)
Increase/(decrease) in deferred tax on reserves	103	(700)	41	23
(Increase)/decrease in future taxation benefit	(881)	1,408	158	784
Equity accounted earnings of equity accounted investees	(888)	143	-	-
Unrealised foreign currency translation of subsidiaries	222	107	-	-
Reclassification of fixed assets to trade and other receivables	-	1,933	-	1,933
(Gain)/loss on sale of non-current assets	(41)	(166)	(91)	9
Bank loan transferred to Parent Co from Subsidiary acquired	-	-	1,750	-
Effect of movement in foreign exchange rate on investing / financing activities	-	-	908	(526)
Bonus issue and dividend on "D" shares capitalised	121	224	121	224
	3,786	14,894	11,943	22,130
Impact of changes in working capital items:				
Change in inventories	31	(975)	978	(1,096)
Change in trade and other receivables	(1,333)	(3,583)	(4,087)	(14,528)
Change in taxation receivable / payable	(153)	(608)	(208)	520
Change in trade and other payables	804	(4,004)	(1,044)	469
	(651)	(9,170)	(4,361)	(14,635)
Net cash from operating activities	3,135	5,724	7,582	7,495

26. 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.

	Group 2011	Group 2010	Parent 2011	Parent 2010
Transactions with subsidiaries				
Sales of goods and services	-	-	4,292	3,896
Purchases of goods and services	-	-	7,988	23,754
Closing advances/receivables	-	-	51,605	48,244
Closing loans/payables	-	-	997	274
Transactions with associates				
Sales of goods and services	2,021	405	161	35
Purchases of goods and services	2,886	1,067	40	212
Closing advances/receivables	264	675	69	50
Closing loans/payables	167	-	-	-

Notes to the financial statements (continued)

26. Related parties (continued)

At 30 June 2011 Mainland Tomatoes Ltd had an account receivable from G.D.W. Gargiulo & Son Ltd (a company owned by Mr Gargiulo, MBE (Chairman) and associated parties) amounting to $nil (2010: $225,000). In addition, G.D.W. Gargiulo & Son Ltd provided labour to Market Gardeners Ltd of $10,820 (2010 : $nil).

During this reporting period the Parent Company leased premises in Wellington, Nelson and Invercargill to its associate, United Flower Growers Ltd. This amounted to $137,000 (2010: $23,000). In addition, United Flower Growers Ltd paid directors' fees to Market Gardeners Ltd of $24,000 per annum.

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 9. In addition, the Parent Company leased premises and motor vehicles on an operating lease basis from the superannuation fund. These lease payments represented $167,000 and $752,000 of the Parent Company lease costs respectively (2010: $156,000 and $726,000). 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). Mr T.M. Treacy retired as a trustee on 30 June 2011.

Key management personnel compensation
In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a defined contribution superannuation plan on their behalf. Key management personnel compensation comprised:

	2011 $'000	**2010 $'000**
Directors fees and remuneration	1,124	1,016
Short-term employee benefits	1,988	1,944

27. Group entities

Significant subsidiaries	**Country of incorporation**	**2011 %**	**2010 %**	**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	92	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
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 Parent Company has not consolidated its investment in NZ Ripeners Ltd due to the fact that contractual arrangements result in the Parent Company not having control over NZ Ripeners Ltd and the benefits of ownership will not be realised by the Group.

Notes to the financial statements (continued)

27. Group entities (continued)

The interests in the Australian incorporated companies detailed in the table above are the actual interests held by the Group. On 21 December 2010 A & D Schirripa Pty Ltd & Small Fish Pty Ltd executed their 'put' option on Hansons Lane International Holdings Ltd requiring it to purchase their combined 4% shareholding in LaManna Bananas Pty Ltd. This has resulted in Hansons Lane International Holdings Ltd, therefore the Group, increasing its shareholding in LaManna Bananas Pty Ltd from 92% to 96% effective 21 December 2010. The consideration payable for the additional shareholding is AUD $1,830,000. As LaManna Bananas Pty Ltd is a 96% (2010: 92%) owned subsidiary company, all of its subsidiaries (being the other Australian incorporated subsidiaries listed above) are effectively 96% (2010: 92%) 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% (2010: 46%) owned by the Group.

28. Subsequent events

On 12 August 2011 a contract to sell the Parent Company's property at 106 Hansons Lane, Christchurch, went unconditional. This transaction will be accounted for in the 30 June 2012 financial statements.

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 13 to 45. The financial statements comprise the statements of financial position as at 30 June 2011, 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 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). 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.

Our firm has also provided other services to the company in relation to general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 13 to 45:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the group as at 30 June 2011 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

15 September 2011

KPMG

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	5,000	984
F.P. Di Leva (Deputy Chairman)	68,750	12,500	984
A.G. Fenton	55,000	4,500	984
A.G. Franklin	55,000	5,000	984
B.D. Gargiulo, MBE. (Chairman)	111,000	68,250	984
B.A. Goodman	55,000	5,000	984
B.R. Irvine	55,000	3,750	984
	454,750	104,000	6,888

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	* 72,616	* 43,665	-
B.D. Gargiulo, MBE. (Chairman)	* 125,428	* 67,452	-
P.H. Graham (resigned 22 March 2011)	54,462	5,084	-
P. Holberton	72,616	12,905	-
B.R. Irvine	* 72,616	* 31,804	-
T.M. Treacy	-	-	-
	397,738	160,910	-

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 and Irvine, 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. Mr Treacy is a director of LaManna Bananas Pty Ltd but is not a Director of the Parent Company.

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note 8 of the attached financial statements to 30 June 2011.

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 11 August 2011 that, in their opinion, the Parent Company had been a cooperative company throughout the period 1 July 2010 to 30 June 2011. 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	29	210,000 to 219,999	1
110,000 to 119,999	11	220,000 to 229,999	2
120,000 to 129,999	7	240,000 to 249,999	2
130,000 to 139,999	6	250,000 to 259,999	1
140,000 to 149,999	2	260,000 to 269,999	1
150,000 to 159,999	2	270,000 to 279,999	1
160,000 to 169,999	3	290,000 to 299,999	1
170,000 to 179,999	3	300,000 to 309,999	1
180,000 to 189,999	4	340,000 to 349,999	1
190,000 to 199,999	4	470,000 to 479,999	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 is included in the above table.

5. Interests register

The following entries were recorded in the interests 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 26 of the attached financial statements to 30 June 2011.

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		
B.R. Irvine	Chairman Chairman	Heartland New Zealand Ltd and Heartland Building Society Christchurch Business Recovery Group Ltd

Statutory information (continued)

5. Interests register (continued)

Director	Nature of Interest	Company / Entity
As directors of the subsidiary company, LaManna Bananas Pty Ltd		
Nil	Nil	Nil
Mr. Irvine reconfirmed his interests, as disclosed in the above Parent Company disclosures, to the LaManna Bananas Pty Ltd Board.		

Particular disclosures

No new particular disclosures were declared during the financial year.

(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 2011				30 June 2010			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
J.R. Clarke	405,148	222,368	42,909	-	320,472	229,169	53,337	-
Held by a company of which he is a shareholder and director	1,556	-	-	-	1,446	-	-	-
F.P. Di Leva	74,620	97	15	244,874	69,002	432	-	227,458
A.G. Fenton	-	-	-	-	-	-	-	-
Held by a trust in which he is a trustee and beneficiary	9,895	17	6	10,769	9,895	11	6	10,769
A.G. Franklin	71,067	6,333	2,415	144,043	63,842	6,948	1,722	133,798
B.D. Gargiulo, MBE. (Chairman)	338,484	-	219	14,402	314,410	-	-	13,378
B.A. Goodman	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	17,854	36	-	14,402	16,583	17	21	13,378
Messrs Gargiulo, Irvine and Di Leva as Directors of Mainland Tomatoes Ltd (100% subsidiary company of Market Gardeners Ltd)	25,993	91,215	-	-	1,738	95,468	19,869	-

Statutory information (continued)

5. Interests register (continued)

The above table discloses the shareholdings of Directors of the Parent Company. Mr T.M Treacy is the only director of a subsidiary company, but not a Director of the Parent Company, that holds shares in the Parent Company. These shares are held by a company in which Mr T.M. Treacy is a shareholder and director. 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.

	30 June 2011				30 June 2010			
	A Shares	**B Shares**	**C Shares**	**D Shares**	**A Shares**	**B Shares**	**C Shares**	**D Shares**
T.M. Treacy	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	5,449	-	-	72,020	5,062	-	-	66,898

(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 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 (2010: $10,000), the Group $15,000 (2010: $20,000).

8. Directors of subsidiaries

As at 30 June 2011:

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 (previously Messrs B. Gargiulo (MBE) and P.S. Hendry), Mainland Tomatoes Ltd (previously Messrs B.D. Gargiulo (MBE), T.M. Treacy, F.P. Di Leva and M.B. Gargiulo.

Messrs B.D. Gargiulo (MBE) and E.Q. Javellana were the directors of NZ Ripeners 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. Holberton, B.R. Irvine and T.M. Treacy were the directors of LaManna Bananas Pty Ltd. Mr P.H. Graham resigned as a director of LaManna Bananas Pty Ltd on 22 March 2011.

8. Directors of subsidiaries (continued)

Messrs B.D. Gargiulo (MBE), B.J. Treacy 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 A. Schirripa 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 B.J. Treacy 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.

During the year to 30 June 2011 Mr P.H. Graham resigned as a director of LaManna Bananas Pty Ltd, Mr M. Gargiulo resigned as a director of Mainland Tomatoes Ltd and Mr P.S. Hendry resigned as a director of Southland Produce Markets 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 Goodman) and 1 Special Director (Mr Irvine). 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 - Bruce Irvine is one such Special Director and has been on the MG board since December 1994.

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 from 21 December 2010 (prior to this was 92%), has non-controlling interest shareholders, one of the two independent directors on the LaManna board, Philip Holberton, has been nominated to specifically represent those shareholders interests in addition to normal Director duties and responsibilities. Mr. Paul Graham, LaManna's second independent director resigned on 22 March 2011.

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 11 times during the year (10 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 subsidiary 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.

Audit Committee
This sub-committee of the MG Board met 5 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 (Bruce 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.

Corporate governance statement (continued)

As in the past, the focus of this Committee was 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 is in the process of seeking to employ its own internal auditor – to date the LaManna Group has been subject to limited internal audit reviews which are undertaken on a targeted basis.

As in the past 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 yearly basis (formerly annually). 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 currently looking to appoint its own internal auditor. 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.