MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2023

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Financial highlights

• **Group gross sales under management**	$1.179 billion
Group profit before income tax and impairment	$29.462 million
Impairment - intangible (goodwill) & other assets	($16.905 million)
• **Group profit before income tax**	$12.557 million
• **Group profit for the year (after income tax)**	$3.824 million
• **Group total equity**	$210.659 million
• **Group total assets**	$551.610 million

Shareholder distributions	**2023** $'000	**2022** $'000
• Special Bonus Issue (November 2023)		
• 1 for 12 on "A" shares (2022 : 1 for 12)	4,463	3,529
• 1 for 3 on "B" shares (2022 : 3 for 4)	5,644	9,511
• 1 for 1 on "C" shares (2022 : 1 for 1)	1,047	1,045
• Supplier shareholder rebate (issued as 2023 "C" shares) (2022: issued as 2022 "C" shares)	250	250
• Bonus issue on supplier shareholder rebate of 3 for 1 (2022 : 3 for 1)	750	750
• Final gross dividend on "A" shares : 3 cents per share (2022 : 3 cents per share)	1,530	1,210
• Imputation credits attaching to the above distributions	5,224	6,239
Total shareholder distributions in relation to the year ended 30 June	18,908	22,534

Chair's and Chief Executive Officer's review

100 years of growing together

In our one hundredth year, we reflect on the commitment and performance which has seen Market Gardeners Limited thrive and grow. The company, which began as a small growers' co-operative with a paid-up capital of just ten thousand pounds, is today a leading Australasian produce business, with an annual gross sales under management of over one billion dollars. It has grown to encompass a strong branch network, with markets across New Zealand and Australia, along with ownership in a number of complementary businesses including operations specialising in growing, IP, export, procurement, flower sales and wholesaling. But for all that has changed, a great deal has stayed the same. The Market Gardeners Limited story today, as it has always been, is about taking a long-term view to grow the co-operative for future generations, being resilient in the face of challenges, and a willingness to make bold decisions. Above all, it is a story about people, and what can be achieved by working together. As we enter into our second century, our success will not be defined by individuals, but by every business partner, customer, loyal grower, shareholder and team member. Our people are the foundation on which our future plans rest.

Bruce Irvine, Chair.
Together. Stronger.

On behalf of the Board and Management, we have the pleasure of presenting this centenary year's annual review. In doing so, we would like to thank all shareholders for their loyal support during the year, one that is such an important milestone in the history of Market Gardeners Limited.

In 1923, a small band of resolute growers in Upper Hutt, motivated by unfair trading practices, began selling fresh produce from an old railway station in Te Aro, Wellington. One hundred years on, that one site has grown into a network of over 30 separate branches and other complementary businesses, employing more than 1,000 people across three countries.

Although we have expanded significantly, we continue to focus on the same high level of service to our growers and customers, playing an important role in helping families and individuals across Australasia access fresh, healthy fruit and vegetables.

This is a year for celebrating what we have achieved and reflecting on how far we've come. You will see these themes woven through the different sections of our annual review. We have also made the subtle change of now referring to the business as the MG Group, better reflecting the activities of the business.

It is pleasing to report to shareholders that in a year dominated by inflation and uncertainty, the MG Group this year reached a milestone in its company history, with annual gross sales under management exceeding the magic mark of one billion dollars.

The $1.2 billion gross sales under management was driven by strong growth across the New Zealand market business which had an excellent performance, growing by 17% to $643 million. Given the number of challenges posed by weather, the cost-of-living crisis, rapidly rising operational costs and supply chain disruptions, our New Zealand subsidiary and associate businesses performed well, collectively making a meaningful contribution to our MG Group gross sales under management and profit.

However, financially, this year was also one of sharp contrasts. While our Australian operation, Premier Fresh Australia, is just across the Tasman Sea, its market conditions are a world apart. In New Zealand, our market network enjoyed stability and strong values in most categories. However, a series of external factors, including serious oversupply, weak pricing, soft demand and extreme market volatility led to an exceedingly challenging year for the entire produce industry in Australia. Excluding the goodwill impairment and after gains on sale, Premier Fresh Australia managed to achieve a break even result in this difficult environment.

Given the difficult trading environment in Australia, the Board decided to take a $16.9 million impairment of goodwill and other assets related to the business. The accounting impairments, of course, have no cash flow effect and do not impact on our debt facilities or compliance with banking covenants.

As we reflect on our first 100 years, it's a timely reminder that the co-operative has achieved its current position on the back of protecting what we've built and working together to navigate through tough times. To that end, we remain supportive of the programme of work being undertaken in Australia, which is underway to strengthen the business, despite short-term uncertainties.

Prior to the impairment, the overall MG Group recorded a consolidated Group net profit of $29.5 million before tax. After the impairments and tax expense, this reduced to a net profit after tax of $3.8 million. Despite the challenging year in Australia, the strong overall Group performance as well as our commitment to rewarding our loyal shareholders has supported the declaration of full year distributions totalling $18.9 million (inclusive of imputation credits).

As we reflect on the outcomes of the financial year, it is important to recognise that the co-operative could not have achieved success without the dedication of many, including our shareholders, customers and loyal growers. We would also like to acknowledge the excellent employees of the MG Group for their outstanding efforts across the year.

Our centenary year is also a time to look forward to the future, to ensure we continue to put the building blocks in place for our future growth. We unashamedly operate with long-term success in mind.

Alongside returns for shareholders, this year has been notable for significant new investment activity, headlined by the MG Group purchasing large-scale glasshouse operation, Southern Paprika Limited (SPL), which specialises in the production of capsicums. It seems fitting that in a history that is defined by strong leadership making bold decisions, the acquisition of SPL is the single biggest investment in the co-operative's history. The 26-hectare site has further boosted the scale of the MG Group and has provided the co-operative with future opportunities to align supply with demand in other hothouse categories for the growing North Island market. Another important move this past year has been the development of an undercover berryfruit structure at our Nelson based growing operation, JS Ewers Ltd (JS Ewers).

These two strategic farming investments will provide our co-operative a platform for growth in the fast-growing hothouse and berryfruit categories in the coming decades. They form part of our broader strategy to secure supply, which is aimed at helping our MG Group compete more effectively in capital-intensive farming and provide better outcomes for growers supplying MG in those same categories.

This year we also refreshed our overarching business strategy, which is aimed at providing answers on how we maintain healthy, sustainable growth for our business. This is outlined further on page 5.

A key pillar of the business strategy is the effective use of technology, which will be crucial to achieving our long-term growth aspirations. Across our New Zealand operation, we are in the final stages of rolling out our new "M3" technology platform. Ultimately, this investment will allow our market business to offer better data and a higher level of efficiency for our people, growers and customers.

Underpinning our strategy is our strong on-going relationship with our loyal grower shareholders. We would like to again thank them for their continued support which, over the last 100 years, has been vital to the success of the MG Group.

Looking ahead, an immediate challenge is how we manage costs in the current environment of high inflation, and the impact this has on our operations, growers, customers and consumers. We're also mindful of the ongoing impacts of extreme weather and the risks this presents in coming years.

While the current economic, environmental and social challenges need to be factored into our planning and forecasts, the experience we have built during the past century holds us in good stead to meet these challenges head-on. We remain very confident that the company's strategy sees the MG Group well positioned to manage and respond to changes at either end of our supply chain in New Zealand, Australia and internationally.

While there are risks ahead, we are entering a new century in great shape and with positive momentum. We also have strong governance and management which are strategically aligned and, despite a busy year on the investment front, we have a strong balance sheet. MG is better positioned than most in our industry for the opportunities ahead.

We would like to acknowledge the work and commitment of the company directors who are strong advocates for our shareholders. We are fortunate to have a dedicated, experienced team who have leaned into the challenge of supporting the MG Group to be a financially strong and successful co-operative.

Here's to growing together for another 100 years.

MG Group Strategy

This year the Board and Management refreshed the MG Group strategy to better reflect the business that Market Gardeners Limited is today. It has been shared with the wider Group and has been welcomed by our people.
Below is a high-level summary of our new strategy.

MG Strategic plan 2023 - 2026

Financial overview | Distributions | AGM

The Group's financial highlights are reported on page 2.

For the year to 30 June 2023, Group gross Sales under management amounted to $1.2 billion.

For the same period, net profit before tax and impairment, amounted to $29.5 million, compared to $29.7 million in 2022. This result came from the strength of both the New Zealand market and our international trading division, offset by the challenges that were faced by our Australian business. The decision to impair the goodwill and other assets in the Australian business reduced net profit by $16.9 million before tax to a total of $12.6 million.

Reflecting this performance is the continued strength in the Group Equity which now stands at $210.7 million, compared to last year's $215.3 million. Group Assets increased to $551.6 million and Group Liabilities now sit at $340.9 million. The increase in Group Assets is primarily in property, plant and equipment. Cashflows continue to be strong, which provide the basis for MG to invest in the infrastructure used by the Group – this year alone saw $19 million invested in property, plant and equipment, in addition to the acquisition of Southern Paprika Limited.

Distributions

Given the strength of the company and the strong results that have come from the New Zealand operations, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling $18.9 million (2022: $22.5 million) by way of rebate shares, bonus issues and dividends. This is the ninth consecutive year that shareholders have received a special bonus issue.

On 18 August 2023, the Board declared the following distributions in relation to the year ended 30 June 2023:

- Special bonus issue – a fully imputed taxable special bonus issue of:
  - 1 new "A" share for every 12 existing "A" shares; and
  - 1 new "B" share for every 3 existing "B" shares; and
  - 1 new "C" share for every 1 existing "C" shares.

- Supplier shareholder rebate – a taxable rebate of $250,000 to be applied by the Company in paying up in full "C" shares of the Company, to be issued at $1.00 each and made in such manner as the Directors determine to those shareholders that are Current Producers who have supplied on a consignment basis during the financial year ended 30 June 2023.

- Bonus issue – a three for one fully imputed taxable bonus issue on the "C" shares issued out of the above rebate. This amounts to $750,000 worth of "C" shares being issued (Shareholders that are Current Producers receive three further "C" shares for every one "C" share they receive from the above rebate). As imputation credits have been attached to the bonus issue shares, they are mostly tax paid in the hands of the shareholder.

- Final dividend – a fully imputed taxable gross dividend of 3 cents on every "A" share. Once again, imputation credits are attached to this dividend.

The distributions will be made only to those shareholders entered on the share register at 30 June 2023 who continue to hold, at the date of the 2023 Annual Meeting, the shares held at 30 June 2023.

The special bonus issue, rebate, bonus issue and dividends represent $18.9 million being distributed back to MG's loyal and supportive shareholders. Not only is this a significant distribution of wealth to the shareholders, it also represents the strength of the co-operative as a whole.

In addition, and as has occurred for many years now, we are pleased to note shareholders' support through their high level of reinvestment of their dividends back into more MG "A" shares.

Annual Meeting of Shareholders (AGM)

All shareholders are invited to attend the Annual Meeting of Shareholders. The meeting will be held at the earlier time of 10.30am to allow for arrangements to be made for the centenary year celebration which will be held in the evening.

Where: Museum of New Zealand Te Papa Tongarewa, 55 Cable Street, Wellington
Meeting room: Oceania (Level 3)
Date: Friday, 24 November 2023
Time: 10.30am

The meeting will be followed by morning tea from approximately 11.30am until 12.00pm.
The AGM will be a hybrid event with shareholders able to attend in-person or online using the Zoom platform.

Register your attendance for the AGM

To register your attendance for the AGM, please complete the online form at www.mggroup.co.nz/agmrsvp or contact our Assistant Company Secretary, Trudy Lewis (tlewis@mggroup.co.nz) by 9 November 2023. Registration is required if you are attending online.

100 Year celebration dinner

The MG 100 Year celebration dinner will be hosted at the Museum of New Zealand Te Papa Tongarewa in Wellington. All shareholders have been sent a formal invitation. It is a formal dinner, with allocated seating, therefore, shareholders must RSVP for this event by following the instructions noted on the invitation.
For all enquiries about the 100-year celebrations, email MG100year@mggroup.co.nz

100 Year Regional Events

In addition to the official 100 Year dinner, a series of regional celebrations will be held throughout the country at each MG Group branch. Shareholders are welcome to attend these events.

Christchurch Branch: Thursday, 2 November 2023
Invercargill Branch: Wednesday, 8 November 2023
Dunedin Branch: Thursday, 9 November 2023
Nelson Branch: Tuesday, 14 November 2023
Tauranga Branch: Wednesday 15 November 2023
Palmerston North Branch: Tuesday, 21 November 2023
Wellington Branch: Wednesday, 22 November 2023
Hamilton Branch: Wednesday, 29 November 2023
Auckland Branch: Thursday, 30 November 2023

Directors and Management

A key focus of the Board continues to be rewarding shareholders while investing in areas which ensure long-term sustainability of the company, ensuring benefits are enjoyed by generations to come.

In an industry that is renowned for its inherent volatility, there will always be challenges. Successful companies must have the right vision, supported by the right strategies which are implemented by the right people. Under the current Board and Management team, the MG Group is well placed to meet the inevitable challenges that will confront us in the years ahead. We have a strong team of executives, branch managers and subsidiary and associate leaders throughout the MG Group.

The challenge the leadership of the MG Group has given itself is to continue the strong record of success. We believe we have the directors, management team, culture and shareholder support to achieve that.

The year also saw some transition on our Board. Jay Clarke was voted on as a grower-director while Mike Russell left the Board at last year's AGM. We'd like to acknowledge Mike, who made a substantial contribution and brought a fresh perspective during his time on the Board.

The current governance group brings varied skills, experience and perspectives complemented by a truly collaborative and cooperative approach. We are confident that the Board is serving the shareholders well. In accordance with the constitution, directors Mark O'Connor and Robin Oakley retired by rotation and, being eligible, offered themselves for re-election. As no valid nominations were received, their re-election will be announced at the 2023 Annual Meeting.

Communication and listening is fundamental to our principles and we'd like to remind shareholders that there are many ways to share your views with the Board and Management. Opportunities for feedback are always welcomed, including through your main contact at the MG Group, by phone, email, or face-to-face at the AGM or one of the annual grower meetings hosted in key regions throughout New Zealand.

Bruce Irvine, Chair, Appointed Special Director
Bruce joined the MG Board in 1994. He has an extensive business background and previously held the position of Managing Partner of the Christchurch office of Chartered Accountants, Deloitte, between 1995 and 2007. He is also past Chair of Christchurch City Holdings Limited. Bruce is currently Chair of Heartland Bank and Skope Industries and is a director of a number of other public and private companies. Bruce is MG's Chair, Chair of Premier Fresh Australia's Audit Committee, and a Director of Premier Fresh Australia.

Member of MG's Remuneration & Nomination Committee and Audit Committee.
Director of Premier Fresh Australia and Chair of the Audit Committee.
Chartered Fellow of the IOD* and Accredited Fellow of the Chartered Accountants Australia and New Zealand.

Trevor Burt, Appointed Special Director
Trevor has high-level experience in the strategic leadership of large and complex corporate organisations, and a proven record of implementing change and achieving results. As an experienced professional director, Trevor has held a number of previous roles including Chair of Ngāi Tahu Holdings Corporation Ltd, Lyttelton Port of Christchurch Ltd, Deputy Chair of PGG Wrightson Ltd and Director of Silver Fern Farms Ltd. Trevor is currently Chair of the New Zealand Lamb Company Ltd and is also a Director of Landpower NZ Ltd and Hossack Station Ltd.

Chair of the MG Remuneration & Nomination Committee and member of the Audit Committee.
Director of Premier Fresh Australia
Chartered fellow of the IOD*.

Lynn Crozier, Deputy Chair, Elected Director
Lynn joined the MG Board in 2012. Today, Lynn, through a family-owned and operated business since the 1960's, is a major grower of potatoes, onions and carrots in Central Canterbury.

Member of the IOD*.

Mark O'Connor, Elected Director

Mark is serving his third term as a MG Director, having originally joined the MG Board in November 2014. He is a Director and shareholder of Appleby Fresh Ltd, a family-owned market gardening business in Nelson on the Waimea Plains.

Member of the MG Remuneration & Nomination Committee.
Director of Premier Fresh Australia
Member of the IOD*.

Joanna Lim, Elected Director

Joanna (Jo) was elected to the MG Board in 2018. Jo's family own a market garden business (Jade Garden Produce) and a share in a cucumber glasshouse operation (Island Horticulture Limited), both in the Christchurch area. Jo is also a Special Counsel at national law firm Simpson Grierson and specialises in financial markets/services and corporate advice. She also has expertise in climate change issues and the New Zealand emissions trading scheme.

Chair of the MG Audit Committee.
Member of the IOD* and certified member of INFINZ (Institute of Finance Professionals New Zealand).

Trudi Webb, Elected Director

Trudi is part of a fourth-generation family growing enterprise, Webb's Fruit, near Cromwell in Central Otago. Trudi holds a first-class honours Bachelor of Applied Science (Horticulture) degree and is a Director of Summerfruit NZ. Trudi completed the MG Director Internship programme (now Associate Director programme) in 2019 and become an elected director in the same year.

Member of the MG Remuneration & Nomination Committee.
Trustee of the MG Charitable Trust.
Member of the IOD*.

Robin Oakley, Elected Director

Robin was elected to the MG Board in 2020. He is a fifth-generation vegetable grower and currently the Managing Director for Oakley's Premium Fresh Vegetables Ltd. Robin has previously served as a director on the United Fresh and Potatoes New Zealand boards.

Trustee of the MG Charitable Trust.
Member of the IOD*.

Jay Clarke, Elected Director

Jay was appointed to the MG Board in November 2022. Jay is a qualified accountant and director of large family-owned growing operation, Woodhaven Gardens Ltd. Jay also serves as a Board member for Vegetables New Zealand.

Member of the MG Audit Committee.
Member of the IOD*.

* Institute of Directors

MG People

Given this is a milestone year, we'd like to start by saying how humbling it is to be part of the leadership of a company whose history has been moulded by thousands of people since 1923. We stand on the shoulders of a succession of pioneering growers, strong leaders and loyal staff, who have all contributed to the success of the company.

Over the past 100 years, the MG Group has enjoyed outstanding stability. Continuity of personnel has played a hugely important role in the longevity and success of the co-operative. There have been only ten chairs and nine chief executives in a century, and 74 people have completed more than 25 years of service.

Part of our company vision is to be a great place to work. Attracting quality people and leveraging their individual talents is a key element in striving for sustainable success, and MG recognises that while great assets and strategies are extremely important, it is people who ultimately drive the business forward.

This year we continued to focus on succession planning, which is linked to the way we promote career pathways through our graduate programme, sales academy and emerging leader's course. The outcomes of those initiatives are pleasing and we are committed to further investment in the three cornerstone programmes in the coming years. Further steps have been taken in the prevention of work-related accidents and injuries by increasing organisational capability in the health and safety function. This led to a reset of our health, safety, and well-being programme, which includes improving mindsets and behaviours, and increasing risk reporting. We are looking to expand the health and safety team further in the coming year.

The MG Group story is unmatched in New Zealand. The company has demonstrated incredible agility and resilience over the past century, developing an incredibly strong culture which, we believe, will continue to serve our industry well into the future. The company has prospered throughout times of massive global events, dramatic changes in regulations and rapid societal change and technological advancement. And, it's all been possible because of the skills and drive of our people. – Peter Hendry, CEO.

New Zealand market operations

The financial result for our New Zealand operations this year is impressive for a number of reasons. Not only is this the first time the market business exceeded $600 million in gross sales under management, it was achieved in a trading environment that was tougher than in previous years.

It's fair to say that the last year was one of the most challenging for the horticulture industry, due to inflationary pressure and rapidly rising operational costs. However, the most significant challenges faced during this financial year were weather related. Large parts of New Zealand experienced some of the wettest conditions on record, with a much lower amount of sunlight, but it was two major events which had the greatest impact on growers. In late January, the Auckland Anniversary Day floods led to significant crop losses, especially in Pukekohe. Then, in February, following a month of relentless rain, Cyclone Gabrielle struck the East Coast of the North Island. The impact of the cyclone remains a significant concern for the industry and the longer-term impact is not yet known. For some of our growers, the journey to recovery is very long. Our thoughts are with those affected and those still dealing with damage and destruction.

We want to acknowledge the collaborative efforts of our people, and our wider family of growers, who have worked closely, in a number of different ways, to support those in the industry who were adversely affected.

The weather events had a significant impact on supply and sales, while the separate issue of increasing operating costs and subsequent increase in risk, led to a number of growers throughout the country taking the unprecedented step of reducing plantings.

Given the challenges, it's pleasing to report that across New Zealand's largest markets, the MG Group maintained an industry-leading position. Our performance was supported by a strong focus on cost management and a year of largely good values across a broad range of products. It is important to note that in a market with strong values, it is often more difficult to procure supply. This was not the case for us, with most of our markets recording volumes comparable to last year.

Our performance would not be possible without the hard work of our teams and desire to do things differently. This approach is evident across the entire MG Group, from our procurement specialists, key account personnel, sales and marketing representatives, through to the hardworking warehouse team, administrators and office support staff. We believe we have the most engaged team in the market and their commitment and passion for supporting growers and customers is driving growth across every corner of the country.

We are continuing to invest in strengthening our branch network to improve our operational efficiency. This included cutting the ribbon on our new joint-venture banana ripening and storage facility in Auckland. This development is of considerable relevance to our New Zealand operations because the old banana area was in the same facility as our Auckland trading floor. Now that it has been decommissioned, the 4,000 square metres of space has been used to expand the market. This was much needed, following a sustained period of growth for our MG Auckland branch. This move also strengthens our resilience, providing our network with additional capacity should our other ripening centres become unavailable for any reason. Further details about the new facility are covered in the international section of this review.

The Auckland branch is also undergoing further expansion to increase the footprint of the inwards goods area, which will be completed in November 2023.

Other major capital projects which have been approved include a series of refrigeration upgrades, and funding earmarked for new more sustainable lighting infrastructure across the network.

The New Zealand operation's digital journey also took large steps forward this year, with the roll-out of the "M3" computer system almost complete. Eight business units have already gone live, with only our Auckland branch, MG Direct North Island, and MG Direct South Island still to move across to the new platform. A key driver for the updated system was moving away from physical infrastructure to a virtual environment, along with providing the operations with improved efficiency and better access to data. The upgrade allows the company to be more integrated in the future. It is a demonstration of the capability of our team that such a change took place amid a busy year, with no drop off in performance, and continuing excellent results.

A key strategy for MG going forward is to successfully launch and market new products, and we continue to explore opportunities to invest in the development of IP varieties. Our 33% shareholding in New Zealand Fruit Tree Company Ltd and Zee Sweet Ltd are also important investments in this area, as it gives MG better access to high quality IP varieties that have enhanced consumer appeal.

We were pleased with the level of engagement at the annual grower meetings hosted in key regions throughout New Zealand across September and October 2022. They were an opportunity for some of the management team and directors to update growers on our performance, progress and strategy, and for growers to ask questions and share their views. We'd like to remind growers that lines of communication are always open, and we welcome the opportunity to discuss issues and opportunities at any time.

Growing operations

As the Board and Management have outlined in presentations and reports over the past few years, a key strategy for the MG Group is investing in areas which support the security of long-term supply. We are not like some other co-operatives, where members are locked into supply agreements. We have to make sure that when growers make decisions, they have a lot of reasons to choose the MG Group. Therefore, our priority is to have a stable and loyal grower supply base which enables the co-operative to grow value with customers across all markets, while also developing key partnerships and owning IP in order to create cornerstone supply.

Another way we create cornerstone supply is investment in capital intensive growing operations. We appreciate that this has been an area of interest to shareholders over recent years so it's important that the strategy is well-understood. Like investment in IP and forming partnerships with the likes of Dole and Sunkist, this is one of the strategies we use to enhance relevance with customers. Of the categories in which we grow, there is a focus on being the market leader and having cornerstone supply. This enables our MG Group to leverage a more significant market position for all growers and establish a secure channel to market for their product.

This year saw the MG Group make another strategic investment, purchasing Southern Paprika Limited (SPL). Based in Warkworth, SPL is New Zealand's largest single-site glasshouse grower of capsicums. It was chosen due to its location, the calibre of its people, the quality of the facilities and potential scalability. Expanding our footprint with a North Island hothouse operation provides benefits and advantages to our existing grower-suppliers and customers, while also growing long-term value for shareholders.

The first few months have been spent aligning the businesses, with SPL focusing on its core mission of being an efficient producer of quality capsicums, while the team from the MG Group is able to assist in other areas such as sales, marketing and health and safety.

While the acquisition immediately positioned the MG Group as a cornerstone supplier in the capsicum category, we also see enormous opportunities going forward with potential to expand the operation to align with future market demand for other hothouse products.

Strong values throughout the year supported our Nelson-based hothouse and outdoor vegetable operation, JS Ewers, in a year which saw cost escalation across many variables.

The operation continues to perform well, despite the challenges, with this year's operations also disrupted following the discovery of a mild strain of Potato Spindle Tuber Viroid (PSTVd). This led to the tomato crops in six hothouses being removed and safely destroyed. It also resulted in the introduction of strict protocols to avoid further spread of PSTVd, including controlling movements of people, restricting access, enhancing existing cleaning practices and safely disposing of green waste. While this was an unwelcome disruption, the team at JS Ewers worked hard alongside the Ministry of Primary Industries to manage the situation and successfully eradicate PSTVd from the site.

In an exciting development, JS Ewers is poised to bring online a new covered, four-hectare berryfruit operation. This represents a step change in the scale and opportunity of the business. Customers in the South Island recognise the importance of the berryfruit category and we were aware of their goal to expand their consumer offering with berries grown undercover. This development, which will start producing in October 2023, will support the South Island market with a strong supply of high-quality berryfruit and assist customers to further grow the category.

Now in its fourth year growing strawberries and raspberries, our Cambridge-based joint-venture business, Kaipaki Berryfruits Ltd (Kaipaki Berryfruits), has had a mixed season. It was impacted by an extremely wet year with high humidity and flooding, making growing conditions some of the worst on record for the region. It demonstrated that the vagaries of nature can be unpredictable and costly, with the challenging weather creating quality issues in certain periods and contributing to inconsistent strawberry volumes throughout the year.

While the labour market for Kaipaki Berryfruits remains challenging, some significant improvements were made on previous seasons. The challenge of employing good quality staff was mitigated slightly by an allocation of workers through the Recognised Seasonal Employer (RSE) Scheme, and in an effort to overcome future issues, an accommodation facility has been built on-site for RSE and other casual workers.

As communicated in a previous review, the MG Group owns the exclusive growing and marketing rights for BerryWorld™ varieties, which are widely acknowledged as some of the best strawberries and raspberries in the world. Before partnering with other MG Group strawberry growers to produce commercial volumes, it was important to ensure that our team was able to share information about how they are grown successfully in New Zealand conditions. Investment was made in a research and development block at Kaipaki Berryfruits, with this year's trial showing positive results, including excellent quality and earlier maturity. Based on the outcomes from the trial, the prospects for large-scale commercialisation in the coming years, with supply from both MG and grower operations, are extremely encouraging and we believe they will be a game changer in the New Zealand market.

International operations

The key to the long-term success of the MG Group's international business is evolution. In the period up until the early 1990s, there was constant worry about how the business would compete in the imported produce business, particularly in bananas, the leading produce category in New Zealand. The market was tightly regulated, with a business called Fruit Distributors Limited controlling access and limiting the supply of imported fruit for our markets due to the relative size of the co-operative. In fact, our branches in Auckland, Palmerston North and Dunedin were denied any banana supply at all.

Through smart business, bold decision-making and working hard to form enduring partnerships, the MG Group is today New Zealand's leading importer of fresh produce with the largest share of the banana business.

Like other parts of the company, this has been a challenging year, with our supply partners suffering labour shortages, supply chain disruptions, inflationary pressure and record-level energy costs. The New Zealand market experienced downward pressure on sales of some imported lines, including tropical fruit, caused by economic constraints and tighter discretionary spending.

While there has been some improvement in post-COVID global logistics, challenges remain for imported produce. Shipping of dry goods has largely returned to normal, but refrigerated container shipping, which we rely on, remains heavily compromised. Schedule reliability on longer routes is most affected and issues have been compounded by ongoing efficiency problems at New Zealand ports.

Yet, our financial performance in the face of global volatility and domestic challenges was outstanding, with the imported fruit part of the company being a significant contributor to total revenue and earnings.

This was largely down to our team, who were focused on driving the imports business. They continued to work productively in tandem with key international trade partners such as Dole and Sunkist, whose long-standing reputation for quality and value stayed consistently high amongst New Zealand consumers.

A real strength is the way the team continues to strengthen relationships with our international growers in a way that goes well beyond the distribution, sales and marketing services we provide. They form a true partnership, built on generations of friendships, not just individual transactions. In addition to Dole and Sunkist mentioned earlier, we are pleased to work side-by-side with Mildura Fruit Co, Jasmine Vineyards, Mulgowie, Fruitmasters, and GV International, along with a large number of smaller family-owned businesses.

This year saw the MG Group and Dole's joint-venture ripening partnership strengthen its commitment to the banana market in New Zealand, with the opening of the large new storage and ripening facility in Auckland, adjacent to the existing branch. The new building covers 4,000 square metres, which includes a capacity of up to 21 banana ripening rooms, 2,000 square metres of warehouse floor, over 400 square meters of new office space, and a purpose built MPI clearance facility. In constructing the building, we also took the opportunity to enhance our environmental performance by investing in more efficient and environmentally-friendly systems. Last year we reported on the installation of solar panels on the building which are now commissioned.

Australian operations

Premier Fresh Australia Pty Ltd (Premier Fresh Australia)

It was a mixed year for the produce industry in Australia and our subsidiary business, Premier Fresh Australia, due to a number of external factors.

The business was very well positioned at the mid-point of the financial year, before the changing economic environment led to a difficult period of trading.

Challenges included rapidly rising operational costs and inconsistency in supply and demand across the market in Australia. Inflationary pressure on households, combined with low consumer confidence flowed through to purchasing habits, which in turn impacted values. This was particularly acute in produce staples, tomatoes and bananas, which are the two main categories traded by Premier Fresh Australia. A sharp increase in fuel, energy and fertiliser costs have had a significant impact on the performance of the farming operations, while labour costs, including an increase in regulatory wage and other statutory costs, affected the entire Premier Fresh Australia business.

A key difference between New Zealand and Australia was the volume of product in the market. It acts as a cautionary tale – Premier Fresh Australia may have one of the strongest wholesale markets, with the best salespeople, but that cannot protect growers against the challenges of oversupply and a period of soft consumer demand.

We know that the produce industry typically has ups and downs, with the current issues widespread across the Australian market. While it is always disappointing when the end of year result does not align with expectations, we can take confidence in the fact that the Premier Fresh Australia business continues to be the market of choice for some of Australia's best growers and has maintained a strong and loyal customer base throughout the volatile year.

It is important to note that this year's result also reflected the costs associated with making a number of operational and strategic changes during the year, which were outlined in last year's report. These changes are now complete and expected to have a positive impact on earnings in subsequent years.

The Premier Fresh Australia team continue to respond, adapting the business to the current climate, continuing to focus on managing costs, enhancing efficiency in farming operations and driving the business to maximise opportunities. An example of the proactive approach is the development of information analytics and marketing insights which are expected to enhance engagement with the major supermarkets.

A positive for the business was securing a strategic partnership with a number of major grape growers, resulting in a significant uplift in new international business. The arrangement includes a new commercial arrangement for Premier Fresh Australia to market the entire crop of these two growers. However, the positive gain in international grape sales was partially offset by the severe flooding and storms which damaged stonefruit crops and led to heavy crop losses, reducing the volumes that the international team were able to trade.

It was pleasing to finalise the integration of the Nutrano banana business, which was an acquisition reported in last year's annual review. The new business has given gross margin a boost while strengthening commercial relationships with two major supermarkets. It also supported the strategy to consolidate facilities and enabled Premier Fresh Australia to achieve a gain on sale from selling four stands in the Sydney market, which were surplus to requirements following the acquisition.

We anticipate that the economic environment will continue to be difficult for the ensuing period, but we are confident that the adaptability and resilience of the team in Australia holds the business in good stead and that it will be well positioned when the current headwinds subside.

The Board and Management would like to take this opportunity to acknowledge and thank the Premier Fresh Australia employees for demonstrating resilience and unwavering commitment during a challenging period. Their effort and continued support is appreciated.

Te Mata Exports 2012 Ltd (Te Mata Exports)

MG Group subsidiary export company, Te Mata Exports, delivered a mixed performance, with a number of factors contributing to their result.

Their reporting year runs from January to December to tie in with the apple season, which is the business main export category. On the financial front, Te Mata Exports remained profitable, but along with other pipfruit exporters, earnings were negatively affected by weather events, lower apple volumes and particularly competitive markets in Asia. The impact of the COVID-19 pandemic and inflation also affected consumer purchasing power, particularly in China. While still not completely back to normal, supply chain challenges continued to improve throughout the year. Costs to the business, such as freight, improved, however inflation across many other areas pushed costs up across a number of overheads.

During the past year, the business made another positive move offshore, forming a partnership with South American fresh produce and marketing company, Inversiones Vecs SpA, for the supply of key produce lines into Asia. This is part of an expansion and growth strategy, allowing Te Mata Exports to strengthen its supply base and be able to provide its Asian customers with access to Chilean cherries and Peruvian blueberries and grapes.

Closer to home, New Zealand cherry exports and Australian citrus exports remained steady, while a late grape season in Australia resulted in a short, sharp season, with lower-than-expected returns.

Looking ahead, there's a strong focus on how to best unlock the value and growth of IP apple varieties, including the Snap Dragon® variety and Cosmic Crisp®, along with locally Hawke's Bay bred apple, Bay Queen®.

This year also saw the successful operational merger and integration of the New Zealand and Australian Te Mata Exports businesses.

The future challenges facing a significant number of New Zealand companies exporting fruit are related to the devastating weather which hit the key Hawke's Bay growing region this year. Cyclone Gabrielle directly affected a number of growers supplying Te Mata Exports, and some are expected to take a number of years to fully recover. The team has taken a proactive approach, securing a greater volume of supply of apples from other regions, however, pack-out rates for the 2023 Hawkes Bay apple season are significantly reduced and will impact the result.

Weather challenges aside, the business continues to develop new supply and customer opportunities and has a positive outlook ahead.

United Flower Growers Ltd (UFG)

In difficult market conditions, against a backdrop of the cost-of-living crisis, the MG Group joint-venture flower business, UFG, delivered a solid performance.

Overall flower supply to market and prices held well throughout the earlier part of year. The later part of the year proved more difficult, with weather leading to a lower level of supply. A highlight was the record sales achieved in the week leading up to Valentine's Day.

Challenges aside, it has been encouraging to see consumer demand remain steady throughout the year. However, in light of the uncertain economic outlook, with the rising inflation rates eating into people's discretionary income, consumer spending on flowers is expected to trend downwards in the coming year.

The team at UFG continues to advance a programme of work to enhance its IT platform which, when complete, will improve speed and efficiency for buyers using the online auction system.

The year is also notable for Tony Hayes stepping down as CEO, due to circumstances beyond his control. His tenure in charge began in 2020 and under his watch, the business performed strongly. He should also be acknowledged for the excellent job leading the business through the challenges and disruptions of the COVID-19 pandemic.

Peter Brown was appointed as the new CEO in May 2023 and has brought a fresh perspective and energy to the business. He is implementing strategies to make sure the business is as efficient as can be, rolling out a programme of continuous improvement to ensure UFG can navigate future volatility in the market.

First Fresh New Zealand Ltd (First Fresh)

For Gisborne-based citrus and persimmon supplier, First Fresh, 'volatile' is the best word to describe trading conditions for the year in review.

After a strong start to the financial year, which started on 1 April 2022, revenue declined as the year progressed. The persimmon crop was limited, leading to poor export pack-outs and value generation. What followed was one of the wettest years on record in the East Coast, starting in spring and peaking with Cyclone Gabrielle. The subsequent wet weather following the cyclone will no doubt continue to have a significant impact on growers for the year ahead. We commend the First Fresh team and their growers for the way they braved the extreme weather conditions and showed patience, resilience and understanding when the supply chain was disrupted by the events.

Adding to the challenge of weather was the fact that citrus is prone to biennial bearing and this was an off-year for a number of categories, impacting the volume of supply available for First Fresh to pack and market. Some quality issues also contributed to a reduced volume of Tag 1 and export grade fruit.

Although returns were lower than budgeted, it was notable that during the difficult and trying year, First Fresh returned a modest profit. The result highlights how First Fresh and MG have partnered to maximise the market potential for our growers.

The company underwent a restructure late in the year to ensure that the business model going forward suited the trading environment and the strategic intent of the company. It wasn't about reducing the headcount, but instead refocusing key people towards specialist areas which add the most value to the First Fresh business. This included a greater emphasis on procurement and providing on-farm support to their loyal grower-suppliers. It also allowed the First Fresh business to have a singular focus on sales and marketing.

The company has placed a particular emphasis on new variety development including licenced IP varieties. It is the exclusive New Zealand marketer for Seedless Eureka Lemons and with approximately 25 hectares already planted, a total of 50 hectares is forecast to be planted by 2027.

In March 2023, First Fresh entered into a lease agreement for a 24-hectare citrus orchard. The orchard is owned by one of the company's best and most loyal suppliers who is looking to retire. This exciting step forward anchors supply for a number of key citrus crops.

While underlying demand for citrus fruit and persimmons is expected to remain strong, there is a great deal of uncertainty about how the past season's weather will affect the quality and volume of fruit over the next season and years ahead. However, dealing with weather events and a disrupted market is nothing new for the experienced team at First Fresh, and they are well placed to support their growers to meet future challenges.

Sustainability

Reflecting on our past, shaping our future

In 1923, the founders of Market Gardeners Limited ambitiously set out on a journey of sustainable success. To that end, nothing has changed. The awareness of issues and expectations of stakeholders has shone a brighter light on sustainability, and like them, we want to create a better future for everyone.

As a co-operative owned by growers, we understand the value of resources, the importance of the environment, the value of the communities in which we operate, and the power of working together.

Despite a year dominated by inflation, uncertainty and weather events, the MG Group did not stand still. We continue to develop our sustainability practices and take action to achieve our goals.

The MG Group prides itself on being a highly ethical business that puts the welfare of people and communities first. It also takes its environmental responsibilities seriously and seeks to make a positive and lasting contribution to the communities in which it operates, including through our economic activity.

Moreover, customers are placing increasing importance on the values of the organisations they transact with, and they want to partner with companies which enhance the communities they serve. Fortunately for the MG Group, this drive to prioritise the interests of our stakeholders above profit has guided our co-operative from the very start. Over time, we've progressed our sustainability strategy to reflect the expectations of the people and organisations we do business with, whether that is initiating projects which reduce our carbon footprint, funding community projects, or creating a charitable trust to help us better invest in the future of the horticulture industry.

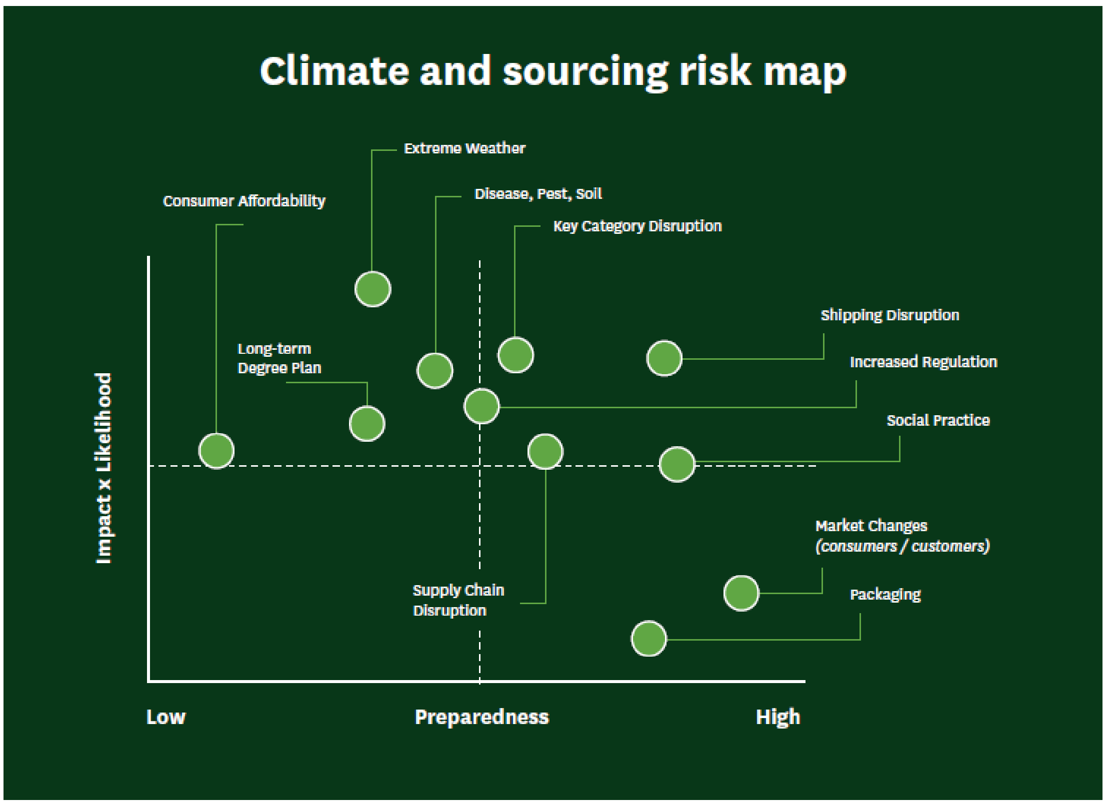
Managing risk

Our internal audit function provides independent and objective assurance on the adequacy and effectiveness of the MG Group's systems for risk management, internal control and governance, along with recommendations to improve their effectiveness.

While the Board and Management review financial and operational risks, we also assess how extreme weather events, a changing climate and the transition to a low carbon economy presents risks and opportunities for our business. After setting a baseline for our climate and sustainable sourcing risk map in 2022, we reviewed and adjusted our profile again this year. This included mapping both physical risks, such as climate and supply chain disruption, as well as transitional risks like new regulations and changing market conditions.

Extreme weather remains our most significant mapped risk and an area we continue to build resilience around. This includes growing our geographical spread to enable our co-operative to source fruit and vegetables from multiple locations, should a significant event impact supply from a region. Expanding our protected cropping and supporting growers to invest in this area also helps mitigate risks.

The risk map below highlights the profile of climate and sourcing related risks.



We continue to focus on four sustainable priorities established in 2020 – Economic Resilience; People and Community; Environmental Stewardship; and Partnerships.

Economic Resilience

Given the significance of financial sustainability, economic resilience sits as the first of our four pillars. If we are not financially strong and successful, with a focus on long-term success, we cannot survive, prosper and invest in initiatives which support communities and improve our environmental performance.

Our economic resilience pillar includes our focus on corporate governance. Our Board continues to play an important role in helping to guide and test company strategy, through engagement with the management team. This year, our Board and Management continued to engage in healthy, robust discussions around risks and the strategic direction of the business, in order to ensure that investment is going towards the things that will deliver the best outcomes for the co-operative and shareholders.

The MG Board is made up of six grower-directors elected by shareholders (who are suppliers to the co-operative) and two independent directors appointed by the Board. It's important for any high functioning governance group to have diversity of thinking and complementary skill sets. The constitution allows for an alternative mix, including up to three independent directors. Therefore, one aspect of governance that was reviewed is whether the mix is right and whether the company would benefit from an additional independent member. At present the board has determined there should be no change, but wanted this matter to be raised at upcoming grower meetings and the AGM.

Environmental Stewardship

An important part of our approach to environmental sustainability is understanding our emissions profile. This year we outsourced our carbon footprint reporting to better support accuracy of data. The information we glean helps us make informed decisions for investing in projects which reduce carbon emissions and improve energy efficiency.

We reached a major goal in our sustainability roadmap during this past financial year, which was having our entire branch network divert all food waste away from landfill.

However, the single biggest investment in reducing carbon emissions and improved energy efficiency is the installation of the new biomass boiler at our Nelson farming operation, JS Ewers. After suffering delays due to shipping and supplier issues, the boiler arrived in May 2023. It is nearing the final stages of installation and will be fully commissioned in December this year.

People and Community

Our simple view is that we want to make the communities we are part of stronger and healthier. It's the same vision that a small group of growers had when they started the co-operative back in 1923.

Our community investment programme continues to be underpinned by our longstanding relationship with the Māia Health Foundation. Through Māia, we're able to contribute to the lives of thousands of New Zealanders, by helping fund projects which enhance public health facilities. Our Good Bunch programme, in partnership with the Salvation Army and Dole New Zealand, also made another meaningful contribution to communities, donating more than eight tonnes of bananas and other produce to local food banks throughout the year.

In addition, our businesses across the MG Group connect with their local communities. For example, last year Premier Fresh Australia partnered with Foodbank Australia to donate over 400,000 meals to people experiencing hardship.

The MG Group continues to offer management and administration support to the MG Charitable Trust (MG Trust), which leads the MG Group's work in supporting the wider horticulture community. The MG Trust has its own Performance Report and Financial Statements which are available on www.mggroup.co.nz/mgtrust.

Partnerships

As a co-operative, we offer more than just access to the market and the best price on the day – we're more than a link in the chain, and as such, we provide support to growers when required.

This year, a large number of growers experienced challenging weather conditions, including the devastating events outlined earlier in this review. Our teams ramped up their communication and ensured that they were on hand to provide advice and guidance. Our team also helped facilitate the transfer of relief funds to impacted growers which were donated anonymously by MG Group shareholders. The MG Trust report also covers how a New Zealand Apples and Pears Industry initiative was funded to support growers in the North Island's East Coast who are dealing with the effects of Cyclone Gabrielle.

We continue to put steps in place to ensure we have a transparent and well-managed supply chain, which is fundamental to the responsible operation and growth of our business. We work with grower suppliers to ensure they are running their business responsibly, including sharing our expectations around having a social practice certification. Work is underway to record and track all grower certifications, in a similar way to the system the MG Group introduced when NZ Gap certification was made mandatory for growers.

Looking ahead

We are confident in the direction we are heading with our plans and priorities for our operations. We understand that it is important to also look beyond the company to understand the context in which we operate, and work closely with other stakeholders, including growers and customers, to meet sustainability goals.

Over the next 12 months, the Board and Management will formalise an updated sustainability vision for the co-operative, together with our next set of environmental, social, governance and partnership objectives. We aim to take a more collaborative approach to sustainability, with the new plan including how we meet reporting expectations of our customers while also supporting our family of growers to get ahead of regulations and other requirements.

Looking ahead, the company also has a number of major capital projects to enhance our progress in the environmental sustainability space. These include upgrades to a number of our refrigeration systems and a full replacement branch lighting infrastructure.

Bruce Irvine	Peter Hendry
Chair	*CEO*

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2023

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2023.

For and on behalf of the Board of Directors:

B.R. Irvine
Chair

13 October 2023

J. Lim
Director

13 October 2023

Consolidated Statement of comprehensive income

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue – sale of goods	A1.1	703,089	590,556
Cost of sales		606,883	506,840
Gross profit		96,206	83,716
Other operating income	A1.2	10,185	4,904
Administrative expenses		19,235	15,866
Other operating expenses		57,476	45,369
Results from operating activities before other income and other expenses		29,680	27,385
Other income	A1.3	6,260	4,819
Other expenses	A1.4	1,776	1,327
Other expenses - Impairment	A1.5	16,905	-
Results from operating activities		17,259	30,877
Finance income		264	115
Finance expense		5,921	3,673
Net finance costs		5,657	3,558
Share of profit / (loss) of equity accounted investees	D2	955	2,427
Profit before income tax		**12,557**	**29,746**
Income tax expense	A3.1	8,733	7,339
Profit for the year		**3,824**	**22,407**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods (net of tax):			
Foreign currency translation differences for foreign operations		(647)	1,033
Net (loss)/gain on hedge of a net investment		348	(480)
Effective portion of changes in the fair value of cash flow hedges		352	1,603
Items that will not be reclassified to profit or loss (net of tax):			
Change in fair value of land and buildings		(4,214)	41,749
Other comprehensive income net of tax		(4,161)	43,905
Total comprehensive income for the year		**(337)**	**66,312**
Profit attributable to:			
Owners of the Company		9,095	21,860
Non-controlling interest		(5,271)	547
Profit for the year		**3,824**	**22,407**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		5,158	65,401
Non-controlling interest		(5,495)	911
Total comprehensive income for the year		**(337)**	**66,312**

The accounting policies and notes to the financial statements form an integral part of financial statements.

Consolidated Statement of changes in equity

For the year ended 30 June 2023

	Share capital $'000	Reserves: Revaluation $'000	Hedging $'000	Foreign currency translation $'000	Total $'000	Retained earnings $'000	Non-controlling interest (NCI) $'000	Total equity $'000
Balance at 1 July 2021	**45,390**	**45,256**	**(705)**	**(2,157)**	**42,394**	**56,209**	**7,051**	**151,044**
Profit for the year	-	-	-	-	-	21,860	547	22,407
Other comprehensive income / (loss)	-	40,107	1,603	(363)	41,347	2,194	364	43,905
Total comprehensive income / (loss) for the year	-	40,107	1,603	(363)	41,347	24,054	911	66,312
Transactions with owners, recorded directly in equity								
Dividends *	472	-	-	-	-	(1,801)	(234)	(1,563)
Shares issued *	7,944	-	-	-	-	(7,938)	-	6
Shares surrendered	(478)	-	-	-	-	-	-	(478)
Balance at 30 June 2022	**53,328**	**85,363**	**898**	**(2,520)**	**83,741**	**70,524**	**7,728**	**215,321**
Balance at 1 July 2022	53,328	85,363	898	(2,520)	83,741	70,524	7,728	215,321
Profit for the year	-	-	-	-	-	9,095	(5,271)	3,824
Other comprehensive income / (loss)	-	(4,214)	352	(75)	(3,937)	-	(224)	(4,161)
Total comprehensive income/(loss) for the year	-	(4,214)	352	(75)	(3,937)	9,095	(5,495)	(337)
Transactions with owners, recorded directly in equity								
Dividends *	565	-	-	-	-	(2,670)	-	(2,105)
Shares issued *	14,417	-	-	-	-	(14,398)	-	19
Shares surrendered	(1,008)	-	-	-	-	-	-	(1,008)
Acquisition of NCI without change in control (Note D1)	-	-	-	-	-	(716)	(515)	(1,231)
Balance at 30 June 2023	**67,302**	**81,149**	**1,250**	**(2,595)**	**79,804**	**61,835**	**1,718**	**210,659**

* The increase in share capital from the issue of new shares and bonus issue shares as further detailed in note C1. The increase from dividends is the result of shareholders electing to participate in the dividend election plan whereby they receive one further $1.00 share in exchange for every $1.00 of dividend.

Explanation of Reserves

Revaluation reserve - relates to the revaluation of land and buildings in accordance with the policies stated in note B1.

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.

Foreign currency translation reserve - comprises the cumulative 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 the Australian operations.

The accounting policies and notes to the financial statements form an integral part of financial statements.

Consolidated Statement of financial position

As at 30 June 2023

	Note	2023 $'000	2022 $'000
EQUITY			
Share capital	C1	67,302	53,328
Reserves		79,804	83,741
Retained earnings		61,835	70,524
Total equity attributable to equity holders of the Parent Company		208,941	207,593
Non-controlling interests		1,718	7,728
Total equity		**210,659**	**215,321**
NON-CURRENT ASSETS			
Property, plant and equipment	B1	308,152	228,335
Lease assets (right to use)	B1	55,476	61,480
Goodwill and other intangible assets	B3	27,511	43,920
Investments in equity accounted investees	D2	6,825	7,950
Investments other	D3	5,564	6,364
Deferred tax assets	A3.2	6,532	6,671
Total non-current assets		410,060	354,720
CURRENT ASSETS			
Cash and cash equivalents	C2	13,105	7,080
Inventories and biological assets	B2	19,178	12,013
Trade and other receivables	C3	107,677	87,830
Non-current assets held for sale	B3	1,590	-
Total current assets		141,550	106,923
Total assets		551,610	461,643
NON-CURRENT LIABILITIES			
Borrowings	C5	102,374	56,750
Trade and other payables	C4	16,782	553
Deferred tax liabilities	A3.2	24,838	11,866
Lease liabilities	C6.1	48,354	53,446
Total non-current liabilities		192,348	122,615
CURRENT LIABILITIES			
Borrowings	C5	16,040	15,488
Trade and other payables	C4	119,165	98,088
Taxation payable		4,828	1,673
Lease liabilities	C6.1	8,570	8,458
Total current liabilities		148,603	123,707
Total liabilities		340,951	246,322
Net Assets		**210,659**	**215,321**

The accounting policies and notes to the financial statements form an integral part of financial statements.

Consolidated Statement of cash flows

For the year ended 30 June 2023

	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	695,443	589,817
Dividends received from equity accounted investees	1,965	862
Interest received	706	112
Cash paid to suppliers and employees	(648,613)	(555,888)
Interest paid	(6,811)	(3,917)
Income tax paid	(7,097)	(6,171)
Net cash from operating activities	35,593	24,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	552	7,697
Proceeds from sale of intangible assets	4,380	2,444
Insurance proceeds	283	2,334
Acquisition of subsidiary, net of cash acquired	(39,278)	60
Acquisition of property, plant and equipment	(18,907)	(26,225)
Acquisition of investment / intangible assets	(1,617)	(10,321)
Net cash (used in) investing activities	(54,587)	(24,011)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	19	6
Proceeds from bank and other borrowings	56,127	5,475
Proceeds from other receivables	857	1,191
Payments for shares surrendered	(1,008)	(478)
Repayment of borrowings / loans	(20,051)	(1,318)
Dividends paid to Shareholders	(2,105)	(1,329)
Dividends paid to non-controlling interests	0	(234)
Principal portion of lease payments	(7,062)	(6,537)
Loans and advances to other receivables	(1,500)	(1,303)
Net cash from / (used in) financing activities	25,277	(4,527)
Net increase /(decrease) in cash and cash equivalents	6,283	(3,723)
Cash and cash equivalents at 1 July	7,080	10,761
Effect of exchange rate fluctuations on cash held	(258)	42
Cash and cash equivalents at 30 June	**13,105**	**7,080**

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

	2023 $'000	2022 $'000
Profit for the year	3,824	22,407
Adjustments for non-cash items:		
Depreciation of property, plant, equipment and right of use assets	19,022	14,256
Amortisation of intangible assets	51	31
Insurance proceeds classified as cashflow from investing activities	(283)	(2,334)
Equity accounted earnings less cash dividends received	1,010	(1,565)
Impairment (2023 – Goodwill; 2022 – fire damage)	15,235	1,282
(Gain) on disposals of property, plant and equipment / market licenses	(4,302)	(2,092)
Decrease in deferred tax	154	39
Loss on write-down of assets	1,670	-
Other non-cash adjustments	437	(1,532)
	36,818	30,492
Impact of changes in working capital items:	(1,225)	(5,677)
Net cash from operating activities	35,593	24,815

The accounting policies and notes to the financial statements form an integral part of financial statements.

Notes to the financial statements

A. Financial Performance

In this section

This section explains the financial performance of Market Gardeners, providing additional information about individual items in the income statement, including:

- accounting policies, judgements and estimates that are relevant for understanding items recognised in the income statement.
- analysis of Market Gardener's performance for the year by reference to key areas including: revenue, expenses and taxation.

A1.1 Revenue

Measurement and Recognition

Revenue is measured based upon the amount the Group expects to receive, following completion of a customer's order or requested service.

In determining the price / value of a good or service the Group considers the risk of any events that could significantly reduce the value to be received (such as customer rights of return or rebates based upon actual or expected customer purchases).

Principal and agency arrangements –Judgements

The Group makes sales under both principal and agency (on behalf of another party) arrangements.

The key considerations by the Group in determining if a sale is as principal or agent are who has:

- Primary responsibility for fulfilling and providing the produce to the customer.
- The risk that produce is unable to be sold or a deterioration of value occurs such as a drop in price or quality issues (inventory risk before goods are transferred to the end customer).
- The discretion to establish the price of produce being sold.

For export sales of fresh produce, in addition to the above key judgements, the following indicators are considered in assessing whether the sale is as principal or as agent:

- the ability to direct the use of the goods, including who has primary responsibility for the goods and delivery to the final customer;
- the transfer of inventory and demand risk including who has primary responsibility for damage or deterioration of the produce;
- the level of support provided by the Group to achieve the sale of the goods including any financial / pricing support, reduced margins or commissions.

Export sales contractual terms vary across markets and sales channels including who bears the inventory risk and responsibility for delivery of the goods to the end customer.

In order to conclude on the transfer of control of exported fresh produce the sale transactions must be assessed in their entirety, including the implied contractual terms, customary practice and the circumstances of each transaction.

The Group recognises revenue from the following sources:

Trade Sales - Principal

Revenue from trade sales is recognised at the point of time at which control passes to the customer. This is dependent on individual contracts, however for non-export usually occurs on dispatch or pick up of the produce by the customer. For export sales, control passes to the customer once the products are loaded onto the ship.

Commission / Agency Sales:

When the Group acts as an agent rather than principal, revenue is recognised at the net commission made by the Group. As with trade sales recognition of the commission usually occurs for non-export sales on dispatch or pick up of the produce by the customer and for export sales, once the products are loaded onto the ship.

Freight and insurance

For export sales of fresh produce, the Group sells a significant proportion on terms that include freight and insurance to the destination port. The Group recognises the revenue at the time the underlying performance obligation has been met as this is not considered to be a separate performance obligation.

Export sales are grouped with the equivalent non-export revenues.

Gross sales under management (Non-GAAP)	2023 $'000	2022 $'000
Trade Sales – New Zealand	151,907	121,428
Trade Sales – Australia	496,370	425,159
Sales as Agent – New Zealand	490,909	429,958
Sales as Agent – Australia	40,156	18,846
Total Gross sales under management	**1,179,342**	**995,391**
Revenue		
Total Gross Sales under management	1,179,342	995,391
Add Commission earned – New Zealand	51,544	42,406
Add Commission earned – Australia	3,268	1,563
Less purchase of produce on-sold as agent (offsets the sales as agent incl. above)	(531,065)	(448,804)
Total Revenue	**703,089**	**590,556**

Gross sales under management represent the gross value of traded product and the gross value of sales made as agent. This is a non-GAAP measure representing the total gross value of product transacted by the Group.

A1.2 Other Operating Income

Other Operating Income:	2023 $'000	2022 $'000
Rental income	2,641	2,591
Sundry income	7,544	2,313
Total Other Operating Income	**10,185**	**4,904**

Sundry income includes MPI compensation of $5,436,000 relating to crops at JS Ewers Ltd that were destroyed (2022: Nil), and $591,000 relating to the gain on bargain purchase (refer Note D4).

A1.3 Other income

Other income for 2023 includes insurance proceeds of $1,859,000 relating to the Auckland fire and other minor insurance claims and $4,401,000 following the sale of market stands in Sydney.

2022: includes insurance proceeds of $2,905,000 relating to the Auckland fire claim, $1,728,000 following the sale of an orchard and divestment of Brisbane market stands, and $186,000 gain on acquisition of remaining 50% of share capital of Darwin Fruit Farms Pty Ltd (DFF) arising from the remeasurement of the Group's existing interest in DFF to fair value as a result of obtaining control on 28 February 2022.

A1.4 Other expenses

Other expenses in 2023 of $1,776,000 are in relation to further costs for the Auckland fire (2021). The insurance proceeds from this claim are reported in note A1.3 Other income.

2022: Other expenses in 2022 of $1,327,000 are primarily in relation to the impairment of the Auckland building, stock, plant and equipment, as a result of the fire that occurred on 20 September 2021. The insurance proceeds from this claim are reported in note A1.3 Other income. The cost of reinstating the building was capitalised as an addition in land and buildings (refer to note B1).

A1.5 Other expenses - impairment

Other expenses – impairment in 2023 of $16,905,000 are the $15,235,000 impairment of goodwill (refer to note B3.1) and $1,670,000 for the impairment write down of assets to recoverable amount. (2022: Nil) (refer to note B1).

A2. Employee benefits

Measurement and recognition

Provision is made for benefits owing to employees in respect of wages and salaries, annual leave, long service leave and employee incentives for services rendered. Provisions are recognised when it is probable that they will be settled and can be measured reliably.

Short-term employee benefits:

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related benefit is provided. These benefits are likely to be utilised by employees within the next 12 months.

Long-term employee benefits:

Long-term employee benefits relate to the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value at year end.

Employee benefits are recognised both within cost of sales and administrative expenses based on the area / department the employee works within (refer to the table below for the classification).

	2023 $'000	**2022 $'000**
Wages and salaries	92,165	82,898
Contributions to defined contribution superannuation plans	5,349	4,554
Increase in liability for long-service leave	257	94
Total personnel expenses	**97,771**	**87,546**
Classification within the statement of comprehensive income		
Cost of sales	79,309	71,738
Administrative expenses	18,059	15,444
Other operating expenses	403	364
Total personnel expenses	**97,771**	**87,546**

A3. Taxation

Measurement and recognition

Income tax is determined based upon profit before tax and broadly classified as follows:

- Current tax expense: Current year profit the Group is required to pay tax on to the relevant authority.
- Deferred tax expense: Profit that is not taxable (based on tax laws) until a future income tax period.
- Profit that will never be taxable: Relates to non-deductible expenses and tax-exempt income.

A3.1 Income Tax

Tax recognised in the consolidated statement of comprehensive income	2023 $'000	2022 $'000
Current tax expense		
Current period tax charge	8,737	6,599
Adjustment for prior periods	(27)	94
	8,710	**6,693**
Deferred tax expense		
Deferred tax – origination and reversal of temporary differences	34	1,101
Adjustment for prior periods	(11)	(455)
Total income tax expense	**8,733**	**7,339**
Reconciliation of income tax expense		
Profit/(Loss) before tax	12,557	29,746
Income tax using the Parent Company's domestic tax rate (28%)	3,516	8,329
Add/(deduct) taxation effect of:		
Effect of tax rates in foreign jurisdictions	(345)	30
Tax impact of equity accounted investees	(458)	(679)
Tax impact of acquisition accounting	209	-
Non-deductible expenses	6,533	825
Tax exempt income	(13)	(569)
(Over)/under provided in prior periods	(1)	(360)
Imputation and franking credits	(708)	(237)
Total income tax expense	**8,733**	**7,339**

Imputation credits

As at balance date imputation credits available to the shareholders for use in subsequent periods totalled $22.91 million (2022: $21.35 million).

Income tax recognised directly in other comprehensive income

Income tax recognised in other comprehensive income relates to the change in fair value of land and buildings of $(786,000) (2022: $3,301,000) and cash flow hedges of $137,000 (2022: $535,000).

A3.2 Deferred tax

Measurement and recognition

Tax laws set out how the Group calculates the tax payable to the relevant taxation authority. These rules however are different to the financial reporting rules which are the basis for preparing these financial statements. Where the two sets of rules result in a different pre-tax profit, a deferred tax asset or liability is recorded for the difference.

- Deferred tax asset: This represents tax deductions that have been recorded for accounting purposes, however not recognisable for income tax purposes until a future period. Effectively this is tax recorded in advance.
- Deferred tax liability: This is the opposite to deferred tax assets, effectively being tax paid in the current year that is not recordable for accounting purposes until future periods. The most common source for the Group is where assets are depreciated at a higher rate for tax purposes than for accounting purposes.

Deferred tax is recognised on all temporary differences, other than those arising from goodwill and the initial recognition of assets and liabilities in a transaction (other than in a business combination).

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.

Key Judgement

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. This is reviewed each balance date and adjusted where required.

The Australian Group has recognised losses in the current and previous financial period. These tax losses are recognised as a deferred tax asset, whose utilisation is dependent on future taxable profits. The Group has recognised unused tax losses in Australia, to the extent they will be utilised over the next 5 years.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
New Zealand Group	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Property, plant and equipment	589	198	(24,880)	(12,013)	(24,291)	(11,815)
Derivatives	32	227	(464)	(522)	(432)	(295)
Employee benefits	3,761	974	-	-	3,761	974
Provisions	8	1,293	(2,221)	(2,023)	(2,213)	(730)
Other	-	-	(1,663)	-	(1,663)	-
Tax assets/(liabilities)	**4,390**	**2,692**	**(29,228)**	**(14,558)**	**(24,838)**	**(11,866)**

	Assets		Liabilities		Net	
Australian Group	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**	**2023 $'000**	**2022 $'000**
Property, plant and equipment	-	-	(978)	(407)	(978)	(407)
Derivatives	-	1	-	-	-	1
Employee benefits	2,774	2,775	-	-	2,774	2,775
Provisions	983	984	-	-	983	984
Other	857	245	-	1	857	246
Tax losses	2,896	3,072	-	-	2,896	3,072
Tax assets/(liabilities)	**7,510**	**7,077**	**(978)**	**(406)**	**6,532**	**6,671**

Movement in temporary differences during the year:

	Balance 1 July 2021 $'000	**Recognised in income $'000**	**Recognised in equity $'000**	**Arising on acquisition $'000**	**Balance 30 June 2022 $'000**
Property, plant and equipment	(9,074)	152	(3,301)	-	(12,222)
Derivatives	336	(94)	(535)	-	(294)
Employee benefits	3,589	160	-	-	3,749
Provisions	1,262	(1,008)	-	-	254
Other	495	(249)	-	-	246
Tax Losses	2,679	393	-	-	3,072
Net Movement	**(713)**	**(646)**	**(3,836)**	**-**	**(5,195)**

	Balance 1 July 2022 $'000	Recognised in income $'000	Recognised in equity $'000	Arising on acquisition $'000	Balance 30 June 2023 $'000
Property, plant and equipment	(12,222)	(234)	786	(13,597)	(25,267)
Derivatives	(294)	(3)	(137)	-	(434)
Employee benefits	3,749	2,786	-	-	6,535
Provisions	254	(1,484)	-	-	(1,230)
Other	246	(908)	(144)	-	(806)
Tax Losses	3,072	(176)	-	-	2,896
Net Movement	**(5,195)**	**(19)**	**505**	**(13,597)**	**(18,306)**

B. Operating Assets

In this section

This section shows the assets Market Gardeners uses in delivering produce to the market in order to generate operating revenue. Key operating assets are:

- Property, plant and equipment.
- Inventories.
- Intangible assets.

B1. Property, Plant and Equipment

Property, plant and equipment are physical assets or the right to use leased assets, which are utilised by the Group to carry out business activities and generate revenue and profits.

Measurement and recognition

Property, plant and equipment (except for land and buildings) is 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 independently revalued every 3 years with changes in value are recognised directly in equity, except if a decrease does not offset an existing valuation surplus for an individual asset in which case this is taken to the income statement.

Depreciation

Depreciation is recognised to allocate the cost or revalued amount of an asset, less any residual value over the estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Impairment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If an indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less costs to sell and the present value of future cash flows.

An impairment loss relating to finite-life intangible assets is recognised if the carrying amount of an asset exceeds its recoverable amount. A prior impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent of the asset's carrying value had no impairment loss been recognised.

For information regarding leased (right-of-use) assets, see note C6.

Key Judgements

Depreciation rates:

The estimated useful lives for the current and comparative periods are as follows:

- buildings, leasehold improvements and entitlements — 1 – 30% Diminishing value and Straight Line
- motor vehicles — 16 – 30% Diminishing value and Straight Line
- plant and equipment — 7 – 40% Diminishing value and Straight Line
- fixtures and fittings — 8 – 67% Diminishing value and Straight Line

Valuation of Land and buildings:

Fair value is the estimated price the asset could be sold for in an orderly transaction, at arm's length between market participants at the valuation date.

Due to the level of judgement and adjustments required to the observable inputs, a level three classification (derived from privately negotiated sales information) is deemed appropriate for all property valuation for the Group. Land and buildings were independently revalued as at 30 June 2022 by registered valuers, Duke and Cooke Ltd, CBRE / Telfer Young, and Herron Todd White.

Continued…

Duke and Cooke Ltd and CBRE / Telfer Young provided market assessments which were used to review and estimate the carrying amounts of land and buildings as at 30 June 2023 for the purposes of assessing whether there had been a material change in the fair value since the last formal valuation. Carrying amounts were adjusted where the assessed change was greater than 5% and $250,000.

The following table shows the valuation technique used and the significant unobservable inputs for the 30 June 2022 independent valuations:

Valuation technique	Significant unobservable inputs and relationship with fair value measurement
Investment / Income approach This approach capitalises the contracted and / or potential income at an appropriate market derived rate of return	- Capitalisation rates (5.25% to 8.50%). - An increase in the capitalisation rate would reduce the valuation and a decrease would increase the valuation. - An increase in the rental rate would increase the valuation and a decrease would reduce the valuation. - An increase of one percentage point in the capitalisation rate would decrease the valuation by $15.5 million. - A decrease of one percentage point in the capitalisation rate would increase the valuation by $22.2 million. - Land and buildings with a fair value totalling $110.6 million have been valued using this approach.
Sales / Market comparison approach This approach determines a per square metre / hectare rate based on comparable sales, adjusted for differences in location, size and quality of the asset, together with an adjustment for market movements since the sales occurred.	- The independent valuers consider comparable sales transactions in determining the fair value for land and buildings based on their judgement and expertise. For this reason it is not possible to present a specific sensitivity analysis for land and buildings valued using this approach. - Land and buildings with a fair value totalling $64.2 million have been valued using this approach.

If land and buildings were measured using historical cost the carrying value would be $102 million (2022: $80 million).

	Fair value Land and buildings $'000	*Cost* Motor Vehicles $'000	*Cost* Fixtures & fittings $'000	*Cost* Bearer Plants $'000	*Cost* Plant and equipment $'000	*Cost* Work in progress $'000	Total PP&E $'000	Right of use assets $'000
Cost or valuation								
Balance at 30 June 2021 / 1 July 2021	141,043	7,923	4,580	-	38,812	14,763	207,121	57,925
Additions	1,644	1,465	577	-	4,617	18,238	26,541	25,764
Additions through acquisition	-	89	-	1,534	912	-	2,535	-
Disposals	(2,986)	(1,420)	(87)	-	(853)	-	(5,346)	(3,597)
Impairment (Auckland fire)	(746)	-	-	-	-	(951)	(1,697)	-
Transfer from work in progress	2,628	-	3	-	2,129	(4,760)	-	-
Revaluations	45,230	-	-	-	-	-	45,230	-
Reclassification to intangible assets	(2,982)	-	-	-	-	-	(2,982)	-
Effect of movements in exchange rates	769	50	56	-	883	(12)	1,746	2,176
Balance at 30 June 2022	184,600	8,107	5,129	1,534	46,500	27,278	273,148	82,268
Additions	4,803	1,888	1,056	1,369	2,120	7,764	19,000	14,576
Additions through acquisition	71,927	23	44	-	6,634	828	79,456	627
Disposals	(550)	(1,242)	(304)	-	(283)	(161)	(2,540)	(12,330)
Impairment	(1,670)	-	-	-	-	-	(1,670)	-
Transfer from work in progress and to expenses	23,091	43	42	-	391	(23,581)	(14)	-
Revaluations	(4,999)	-	-	-	-	-	(4,999)	-
Transfer from Non-Current Assets to held for sale	-	-	-	-	(267)	-	(267)	-
Effect of movements in exchange rates	(173)	(26)	(21)	(29)	(390)	(2)	(641)	(816)
Balance at 30 June 2023	277,029	8,793	5,946	2,874	54,705	12,126	361,473	84,325
Accumulated depreciation								
Balance at 30 June 2021 / 1 July 2021	8,318	3,847	3,849	-	22,744	-	38,758	13,592
Depreciation for the year	2,983	1,126	417	4	3,026	-	7,556	6,704
Disposals	(77)	(1,046)	(78)	-	(668)	-	(1,869)	-
Impairment (Auckland fire)	(415)	-	-	-	-	-	(415)	-
Effect of movements in exchange rates	181	35	48	-	519	-	783	492
Balance at 30 June 2022	10,990	3,962	4,236	4	25,621	-	44,813	20,788
Depreciation for the year	4,095	1,277	462	1,258	3,632	-	10,724	8,298
Disposals	(386)	(935)	(293)	-	(203)	-	(1,817)	-
Effect of movements in exchange rates	(82)	(19)	(19)	(10)	(269)	-	(399)	(237)
Balance at 30 June 2023	14,617	4,285	4,386	1,252	28,781	-	53,321	28,849
Carrying amounts								
At 30 June 2021	132,725	4,076	731	-	16,068	14,763	168,363	44,333
At 30 June 2022	173,610	4,145	893	1,530	20,879	27,278	228,335	61,480
At 30 June 2023	**262,412**	**4,508**	**1,560**	**1,622**	**25,924**	**12,126**	**308,152**	**55,476**

Co-funding from EECA (refer note F.3) is netted against work in progress upon meeting relevant milestones and an invoice is raised. As at 30 June 2023 this amounted to $3.193 million (2022: 1.24 million).

Bearer plants previously recognised within the biological assets have been reclassified to Property, Plant and Equipment in the current year and the comparative information has been reclassified and repositioned for consistency with current year disclosures.

B2. Inventories and biological assets

Measurement and recognition

Inventories are measured at the lower of cost and net realisable value. Cost is determined based on the first-in first-out principle and includes costs incurred in acquiring the inventories and in bringing them to their current 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.

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell. Gains or losses arising on initial recognition of biological assets at fair value less costs to sell, and from a change in fair value less costs to sell of biological assets, are included in profit or loss for the period in which they arise.

Agricultural produce harvested from biological assets are initially measured at fair value less costs to sell at the point of harvest. For accounting purposes, such measurement is treated as the cost of the agricultural produce at that date. Gains or losses arising on initial recognition of agricultural produce at fair value less costs to sell are included in profit or loss for the period in which they arise.

Inventories recognised as cost of sales amounted to $502.718 million (2022: $422.677 million) for the Group.

	2023 $'000	**2022 $'000**
Inventories	13,061	9,008
Biological assets	6,117	3,005
Total inventories and biological assets	**19,178**	**12,013**

Bearer plants have been reclassified to Property, Plant and Equipment, see note B1 above.

B3. Goodwill and other intangible assets

Measurement and recognition

Goodwill

Goodwill is determined at the date of acquisition and represents the excess of the cost of a business acquisition over the fair value of the Group's share of the assets, liabilities and contingent liabilities acquired. Where the fair value of net assets acquired is greater than the consideration paid, the excess is recognised immediately in profit or loss.

Goodwill is subsequently measured at cost less accumulated impairment losses. Impairment reviews are performed annually, at the level of the relevant cash generating unit ('CGU'). The smallest identifiable group of assets that generate independent cash inflows and the level at which strategic decisions occur is considered in identifying a CGU.

Any impairment loss in respect of goodwill is not reversed.

In respect of equity accounted investees, goodwill is included in the carrying amount of the investment.

Market licences

Market licences relate to stands in the Perth, Sydney and Melbourne markets. As these are perpetual arrangements, they are considered to be indefinite life intangible assets which are initially recognised at cost and are not amortised.

Other intangible assets (Marketing Contracts, Plant Variety Rights (PVR), and other)

Intangible assets, other than goodwill, are subsequently measured at cost less accumulated amortisation and impairment.

Costs relating to the development of intangible assets, including computer software, are capitalised once all the development phase recognition criteria are met.

Plant Variety Rights (PVR) are amortised over the expected useful life of 15 to 21 years.

Software is amortised over the expected useful life of 7 to 10 years.

Continued….

Annual impairment assessment

Where an intangible asset is considered to have an indefinite life, no amortisation is recognised. The asset is subject to an annual impairment test, and any impairment loss is recognised within the income statement. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated impairment losses.

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. A loss is reversed only to the extent of the asset's carrying value had no impairment loss been recognised.

The recoverable amount for marketing agreements (included within other) is determined as the fair value less costs of disposal.

Reclassification as non-current assets held for sale – non-current assets and intangible assets are classified as held for sale if it highly probably that their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The reclassified assets are measured at the lower of their carrying value and fair value less costs of disposal.

Key Judgement

In arriving at the recoverable value for goodwill, key assumptions have been made regarding future projected cash flows, discount rates and terminal growth rates. These assumptions are considered further within note B3.1.

Goodwill and other intangible assets	**Goodwill $'000**	**Market licences $'000**	**Other $'000**	**Software and WIP $'000**	**Total $'000**
Cost					
Balance at 1 July 2021	48,562	-	4,131	1,921	54,614
Additions	-	9,360	882	79	10,321
Reclassification from property, plant and equipment	-	2,982	-	-	2,982
Disposals	-	(1,098)	-	-	(1,098)
Effect of movements in exchange rates	485	-	-	-	485
Balance at 30 June 2022	49,047	11,244	5,013	2,000	67,304
Balance at 1 July 2022	49,047	11,244	5,013	2,000	67,304
Additions	-	213	45	128	386
Additions through acquisition (Note D4)	-	-	21	-	21
Reclassification to non-current assets held for sale	-	(1,323)	-	-	(1,323)
Disposals	-	-	-	-	-
Effect of movements in exchange rates	-	(120)	-	-	(120)
Balance at 30 June 2023	49,047	10,014	5,079	2,128	66,268
Accumulated amortisation and impairment losses					
Balance at 1 July 2021	(23,341)	-	(12)	-	(23,353)
Impairment	-	-	-	-	-
Amortisation for the year	-	-	(31)	-	(31)
Balance at 30 June 2022	(23,341)	-	(43)	-	(23,384)
Impairment	(15,235)	-	-	-	(15,235)
Amortisation for the year	-	-	(51)	-	(51)
Effect of exchange rates	(87)	-	-	-	(87)
Balance at 30 June 2023	(38,663)	-	(94)	-	(38,757)
Carrying amounts					
At 30 June 2021	25,221	-	4,119	1,921	31,261
At 30 June 2022	25,706	11,244	4,970	2,000	43,920
At 30 June 2023	**10,384**	**10,014**	**4,985**	**2,128**	**27,511**

Non-current assets held for sale – 2023: $1,590,000 (2022: Nil)

Market licences relating to two leaseholds at Sydney Markets and associated plant and equipment were subject to an active sale programme at 30 June 2023. As a result they were reclassified as assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The assets are expected to be sold within the next 12 months and were transferred at fair value.

B3.1 Impairment testing of goodwill

Goodwill relates to the Group's subsidiaries:

- Premier Fresh Australia Pty Ltd Group ("PFA"); and
- Te Mata Exports 2012 Ltd ("Te Mata").

The Group has assessed the smallest group of assets that independently generate cashflows that relate to each goodwill amount (cash generating units ("CGU's")). For impairment testing the CGU's have been determined to be PFA and Te Mata.

The recoverable amount of each CGU was determined on a value in use basis with the key assumptions being future cash flows, discount rates and terminal growth rates.

Future cash flows have been estimated over the next 5 years, with the key input being the growth rate in revenue. Estimated cash flows are discounted using a weighted average cost of capital ("WACC"), representing the minimum return a business must earn on its asset base to satisfy providers of capital. This rate considers both internal and external risks associated with the CGU along with an assessment of the time value of money.

Estimated revenue growth has been determined on the basis of expectations of future outcomes taking into account past experience, adjusting for anticipated revenue growth based on the Board approved strategy applied to the CGU in its current condition.

The key inputs and assumptions used in estimating the recoverable amount of the PFA CGU were:

	2023	2022
Annual revenue growth rate	2.5%	2.5%
Pre-tax discount rate	18.6%	17.9%
Terminal growth rate	2.25%	2.0%

The recoverable amount of the PFA CGU was determined to be less than the carrying amount and an impairment loss of $15.235 million was recognised for the year (2022; impairment loss of $nil). A reduction in the annual revenue growth rate or terminal growth rate or an increase in the post-tax discount rate would result in an increased impairment. Alternatively, an increase in the annual revenue growth rate or terminal growth rate or a decrease in the post-tax discount rate would result in reduced impairment. The net carrying value for the PFA CGU after accumulated impairment is $4.391 million (2022: $19.626 million).

Sensitivity to changes in key assumptions: the following sensitivity analysis has been performed in respect of the PFA goodwill balance:

Headroom / (impairment)	Pre-tax discount rate	Post-tax discount rate	Revenue Growth		
			2.00%	2.25%	2.50%
WACC	18.6%	12.5%	622	1,001	1,399
		13.0%	-340	0	356
		13.5%	-1,221	-914	-593

The key inputs and assumptions used in estimating the recoverable amount of the Te Mata CGU were:

	2023	2022
Annual revenue growth rate (New Zealand / Australia)	2.0% / 2.0%	2.0% / 2.0%
Pre-tax discount rate	12.39%	13.94%
Terminal growth rate	2.0%	2.0%

Sensitivity to changes in key assumptions: the following sensitivity analysis has been performed in respect of the Te Mata goodwill balance:

Headroom / (impairment)	Pre-tax discount rate	Post-tax discount rate	Revenue Growth		
			1.5%	2.0%	2.5%
WACC	12.39%	8.4%	3,675	3,880	4,087
		9.3%	2,037	2,215	2,395
		10.1%	735	892	1,051

The net carrying value for the Te Mata CGU is $6.145 million (2022: $6.145 million). There is no accumulated impairment (2022: nil).

C. Managing Funding

In this section

This section explains how Market Gardeners manages its capital structure and working capital along with the various funding sources.

Capital management

Capital includes share capital, reserves and retained earnings. The Board's policy is to maintain a strong capital base to allow for both future growth and to maximise the return to shareholders in the form of rebates or distributions. These requirements are balanced to protect from volatility and changes in capital and market conditions.

The process of allocating capital across the Group is undertaken and regularly considered and reviewed by the Parent Company Board. There have been no material changes to the Group's management of capital during the period.

C1. Share capital

Judgement

"A", "B" and "C" shares are defined as puttable equity instruments under NZ IAS 32, and are classified as equity. The key area of judgement in reaching this conclusion was that cash flows arising from rebates do not substantially restrict the returns to shareholders and that A, B and C Shares are materially the same financial instrument.

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

	Rebate Shares (Number '000 / $'000)				
	A Shares	**B Shares**	**C Shares**	**Treasury**	**Total**
Balance at 1 July 2021	**35,003**	**9,387**	**1,000**	**-**	**45,390**
Shares issued	1,624	4,792	2,000	-	8,416
Shares transferred	3,890	(2,007)	(2,000)	-	(117)
Shares acquired by MG Charitable Trust (Note F5)	117	-	-	-	117
Shares surrendered	(396)	(79)	(3)	-	(478)
Treasury stock	93	-	-	(93)	-
Balance at 30 June 2022	**40,331**	**12,093**	**997**	**(93)**	**53,328**
Shares issued	3,928	10,054	1,000	-	14,982
Shares transferred	6,838	(5,841)	(997)	-	-
Shares surrendered	(825)	(180)	(3)	-	(1,008)
Treasury stock	731	-	-	(731)	-
Balance at 30 June 2023	**51,003**	**16,126**	**997**	**(824)**	**67,302**

Shares are issued, redeemed and surrendered at $1.00 per share and in accordance with the requirements of the Co-operative Companies Act 1996 and the Company constitution. Applications are considered at least quarterly.

Key features / rights of each class of share – refer to the constitution for full terms.

Voting Rights	Shareholders are entitled to one vote for each "A" share held up to a maximum of 1,000 votes. Voting rights are suspended if the shareholder has not transacted a minimum level of business being $10,000 of produce sales in any one year or on average over a rolling three-year period.
	"B" and "C" shares do not carry any voting rights.
Dividend Rights	All shares are rebate shares, carrying a right to dividends and rebates as determined by the Board.
Wind-up	All classes of share rank equally on wind-up with regard to the Parent Company's residual assets.
Conversion	"C" and "B" shares are able be converted to "B" and/or "A" shares at the Board's discretion.

Surrender of shares	All shares are surrendered at the lesser of $1.00 or the amount paid up on those shares.
	Holders of over 100,000 and up to 1,000,000 shares are required to surrender these in instalments of 100,000 shares, payable on each anniversary of approval until fully paid.
	Holders of over 1,000,000 shares are required to surrender these in 10 equal instalments payable on each anniversary of approval until fully paid.
	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 or amounts due to Group companies.
Treasury Stock	"A" shares that have been surrendered by a shareholder but held for reissue instead of being cancelled upon surrender.

There have been no changes to the above key features during the year.

Post balance date issuance of shares, dividends and rebates to shareholders

	2023	2022
All matters below were declared and accounted for on	18 August 2023	4 August 2022
Special bonus issue of A Shares	1 for every 12 existing	1 for every 12 existing
Special bonus issue of B Shares	1 for every 3 existing	3 for every 4 existing
Special bonus issue of C Shares	1 for every 1 existing	1 for every 1 existing
Taxable supplier shareholder rebate – paid by issuing C Shares	$250,000	$250,000
Bonus issue on supplier shareholder rebate	3 for every 1 share issued above	3 for every 1 share issued above
Taxable and fully imputed Dividend to be issued from retained earnings at completion of the Annual Meeting.	Final – 3 cents per "A" share. No interim dividend declared	Final – 3 cents per "A" share. No interim dividend declared

C2. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less. Amounts held in a foreign currency are converted to NZD using the applicable exchange rate as at year end. Refer to the table below for the different currencies held by the Group.

	2023		2022	
	Foreign $'000	**NZD $'000**	**Foreign $'000**	**NZD $'000**
NZD	-	5,420	-	1,686
AUD	6,217	6,751	4,282	4,701
Other (USD, EUR, JPY)	1,065	934	429	693
Total cash and cash equivalents		**13,105**		**7,080**

AUD, USD, EUR and JPY have been translated at the closing exchange rate of 0.9209, 0.6125, 0.5625 and 87.966 respectively (2022: 0.9109 AUD, 0.6192 USD and 0.5952 EUR, there were no JPY cash balances in 2022).

C3. Trade and other receivables

Measurement and recognition

Trade receivables without a significant financing component are initially measured at the transaction price. All other trade and other receivables are initially measured at fair value plus transaction costs. Trade and other receivables are subsequently measured at amortised cost.

A provision for the impairment of receivables is established using the expected credit losses ("ECL") model, which is both forward-looking and takes into account historical provision rates and the economic environment. The provision recorded is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. Debts that are known to be uncollectible are written off immediately.

Trade and other receivables	2023 $'000	2022 $'000
Not past due	69,120	65,460
Past due 1-30 days	9,761	3,846
Past due greater than 30 days	8,606	4,666
Less: allowance for ECL	(1,339)	(1,617)
Total trade receivables	**86,148**	**72,355**
Prepayments and accrued revenue	7,923	3,193
Advances to equity accounted investees	2,850	3,636
Receivables from MG Charitable Trust (Note F5)	1,971	1,971
Derivative assets	1,669	1,898
Finance receivables	861	1,013
Other receivables	6,255	3,764
Total trade and other receivables	**107,677**	**87,830**

C4. Trade and other payables

Measurement and recognition

Trade and other payables

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Due to their short-term nature they are not discounted.

Trade payables are initially measured at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method.

Refer to note A2 for the measurement and recognition of employee benefits, included within trade and other payables.

Trade and other payables	2023 $'000	2022 $'000
Non-current		
Other payables	16,325	-
Employee benefits	457	553
Total non-current trade and other payables	16,782	553
Current		
Trade and other payables	101,005	81,859
Employee benefits	18,160	16,229
Total current trade and other payables	119,165	98,088
Total trade and other payables	**135,947**	**98,641**

Included above are $40,783,000 (2022: $26,394,000) of trade payables denominated in Australian dollars and $954,000 (2022: $944,000) of trade payables denominated in US dollars.

Other payables includes $16,076,000 fair value of the deferred consideration, as at acquisition date, for the business combination (refer note D4). This is payable in March 2025.

C5. Interest-bearing borrowings

Measurement and recognition

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs paid. Subsequent to this, borrowings are stated at amortised cost using the effective interest rate method. In 2023 the effective interest rate on borrowings for the Group was 6.68% (2022: 3.31%). All borrowings are subject to floating interest rates.

The loan repayment terms are AUD$1,250,000 no later than 30 June each year. The bank loans are secured over land and buildings with a carrying amount of $262.41 million (2022: $173.61 million).

Interest-bearing borrowings	2023 $'000	2022 $'000
Non-current secured bank loans	102,374	56,750
Current secured bank loans	16,040	15,488
Total interest-bearing borrowings	**118,414**	**72,238**

C6. Lease liability

Measurement and recognition

Leases are contracts that convey the right to use an asset for a period of time, in exchange for consideration. The majority of the Group's leases relate to properties. Property leases will often include extension and termination options, open market rent reviews, indexation uplifts or fixed uplifts.

Lease liability

The lease liability is initially measured at the present value of the lease payments still to be made, discounted using the Group's incremental borrowing rate, taking into account the duration of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss on over the lease period.

The lease liability is remeasured where a lease is modified, such as a change in lease term or payments. A revised discount rate is applied to any modifications. This adjustment is also taken to the right-of-use asset refer to B1.

Right-of-use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore properties to their original condition, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the applicable lease term.

The movement of the right-of-use asset is disclosed in note B1.

Judgements:

The judgements in determining the lease liability are:

- Estimation of the lease renewals: Some property leases in the Group contain renewal options exercisable by the lessee before the end of the non-cancellable contract period. The period covered by renewal options is only included in the lease term if the lessee is reasonably certain to exercise the option.

C.6.1 Lease liability	**2023** **$'000**	**2022** **$'000**
Opening lease liability	61,904	44,805
Additions	15,203	25,764
Disposals	(12,531)	(3,816)
Interest on lease liabilities	2,515	1,588
Foreign exchange movement	(590)	1,688
Gross payments (cash outflows in relation to leases)	(9,577)	(8,125)
Lease liability as at 30 June	**56,924**	**61,904**
Non-current lease liability	**48,354**	**53,446**
Current lease liability	**8,570**	**8,458**

The Group's incremental borrowing rate for the year ended 30 June 2023 is 7.04% (2022: 3.26%).

C6.2 Lease expenses

The income statement includes expenses relating to short term leases of $27,000 (2022: $29,000) and expenses relating to leases of low value assets of $33,000 for 2022 (2022: $33,000). Interest on lease liabilities is within financial expenses.

C6.3 Group as a lessor

The Group leases out owned property for a period significantly less than its useful life, with the annual payments recorded within other income. The Group also acts as the lessor of packing equipment to certain suppliers.

The future minimum lease receipts under non-cancellable operating leases as lessor are as follows:

	2023 **$'000**	**2022** **$'000**
Less than one year	2,641	2,247
Between one and five years	7,644	2,328
More than five years	1,310	123
Future minimum lease receipts as at 30 June	**11,595**	**4,698**

D. Group Structure

In this section
This section provides information to help readers understand Market Gardeners' group structure and how it affects the financial position and performance of the Group.

D1. Subsidiaries

Measurement and recognition

Subsidiaries are entities where the Group is exposed to variable returns from the entity and controls or directs the relevant activities of the subsidiary. Subsidiaries are consolidated until the date that control ceases.

Significant subsidiaries	Principal activity	Country of incorporation	2023 %	2022 %
Hansons Lane International Holdings Ltd	Investment Holding	New Zealand	100	100
J. S. Ewers Ltd	Produce Grower	New Zealand	100	100
Blackbyre Horticulture Ltd	Property Holding	New Zealand	100	100
Market Fresh Wholesale Ltd	Property Holding	New Zealand	100	100
Phimai Holdings Ltd	Property Holding	New Zealand	100	100
Southland Produce Markets Ltd	Property Holding	New Zealand	100	100
MG Group Holdings Ltd	Asset Holding	New Zealand	100	100
Kaipaki Properties Ltd	Asset Holding	New Zealand	100	100
Te Mata Exports 2012 Ltd	Produce Exporting	New Zealand	87	74
Southern Paprika Ltd	Produce Grower	New Zealand	100	-
Market Gardeners (USA) Inc.	Produce Sourcing and Exporting	USA	100	100
Premier Fresh Australia Pty Ltd *	Produce Wholesale	Australia	69	69
LaManna Bananas (Adelaide) Pty Ltd	Produce Wholesale	Australia	100	100
Australian Banana Company Pty Ltd	Produce Packing & Wholesale	Australia	100	100
Carbis Bananas Pty Ltd	Investment Holding	Australia	100	100
LaManna Group Holdings Three Pty Ltd	Investment Holding	Australia	100	100
Lambells Properties Pty Ltd	Property Holding	Australia	100	100
Premier Fruits Group Pty Ltd	Produce Wholesale	Australia	100	100
GV Agri Services Pty Ltd	Asset Holding	Australia	100	100
Fresh Choice W.A. Pty Ltd	Produce Wholesale	Australia	100	100
Te Mata Exports Australia Pty Ltd	Produce Export	Australia	70	70
Darwin Fruit Farms Pty Ltd	Tropical fruit Production	Australia	100	100

The interest in the subsidiaries above is the actual interest held by the Group. The Group's share of Premier Fresh Australia Pty Ltd ("PFA") is 69% (2022:69%) and Te Mata Exports 2012 Ltd ("TMEL") is 87% (2022: 74%) hence the Group's share in subsidiaries and associates of PFA and TMEL is 69% and 87% of the respective interest.

* Formerly LaManna Premier Group Pty Ltd (changed its name to Premier Fresh Australia Pty Ltd on 14 September 2022).

Acquisition of non-controlling interest (NCI) – In August 2022, the Group acquired a further 13% interest in Te Mata Exports 2012 Ltd, increasing its ownership from 74% to 87%. The consideration paid amounted to $1.231 million and resulted in a decrease in equity attributable to owners of the Group of $716,000 as shown in the Consolidated statement of change in equity.

D1.1 Subsidiary with material non-controlling interest

Premier Fresh Australia Pty Ltd ("PFA") has a material non-controlling interest of 31%. The table below presents in NZD the summary consolidated financial statements of PFA pre ownership adjustments.

	2023 $'000	2022 $'000
Summarised statement of financial position		
Total equity	**4,401**	**21,733**
Total non-current assets	94,783	122,278
Total current assets	48,381	37,286
Total assets	**143,164**	**159,564**
Total non-current liabilities	61,763	73,182
Total current liabilities	77,000	64,649
Total liabilities	**138,763**	**137,831**
Summarised statement of comprehensive income		
(Loss)/profit for the year	(337)	847
Less impairment expense	(16,905)	(255)
Other comprehensive profit / (loss) for the year	2	213
Total comprehensive (loss) / profit for the year	**(17,240)**	**805**
Summarised statement of cash flows		
Net cash from operating activities	**12,944**	**6,076**
Net cash (used in) investing activities	**1,043**	**(11,050)**
Net cash (used in) / provided by financing activities	**(12,498)**	**4,301**
Net increase in cash held	**1,489**	**(673)**

D2. Associates and joint arrangements (equity accounted investees)

Measurement and recognition

Associates and joint arrangements are entities where the Group has significant influence or joint control, but not control, over the activities of the entity. The Group's investment is initially recognised at cost plus the Group's share of any profit or loss up until the date at which that significant influence or joint control ceases. If the Group's share of losses exceeds its interest in the entity, the carrying amount 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.

Associates and joint arrangements	Principal activity	Country of incorporation	Year end	2023 %	2022 %
United Flower Growers Ltd (2)	Flower Wholesale	New Zealand	30 Jun	50	50
Zee Sweet Ltd (1)	Horticulture	New Zealand	31 Dec	33	33
New Zealand Fruit Tree Company Ltd (1)	Horticulture	New Zealand	31 Dec	33	33
First Fresh New Zealand Ltd (1)	Produce Marketing & export	New Zealand	31 Mar	40	40
Kaipaki Berryfruits Ltd (2)	Berryfruit production	New Zealand	30 Jun	50	50
Innisfail Banana Farming Co. Pty Ltd (2)	Banana Production	Australia	30 Jun	50	50
Col Johnson Pty Ltd (2)	Produce Wholesale	Australia	30 Jun	50	50

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

The interest in the Australian companies above is the actual interest held by PFA. The Group's share of PFA is 69% (2022: 69%), hence the Group's share in subsidiary and associate companies of PFA is 69% of the respective interest.

The Group's share of profit / (loss) in its equity accounted investees for the year was $0.955 million (2022: $2.427 million). The investees are not considered to be individually material. A summary of financial information for these entities is as follows:

	Profit/(loss) $'000	Comprehensive income $'000	Carrying amount $'000
2023	3,307	2,178	6,825
2022	7,292	5,503	7,950

D3. Other investments

Waimea Irrigators Limited and Century Water Limited raised funds through the issue of shares and redeemable notes in order to provide funding for the construction of a new dam to bring security of water supply to irrigators / growers in the Nelson region. These investments are carried at fair value, which is approximated at cost.

	2023 $'000	2022 $'000
Waimea Irrigators Limited – Shares	1,195	1,195
Century Water Limited - Redeemable notes	2,188	2,250
Other	2,181	2,919
Total other investments	**5,564**	**6,364**

D4. Business combination - Acquisition of Southern Paprika Limited

Key Judgement:

In order to account for the acquisition of Southern Paprika Limited (a business combination), the fair value of the tangible and intangible assets acquired and liabilities assumed have to be assessed to undertake a purchase price allocation. This assessment is required in order to comply with NZ IFRS 3 (business combinations) and NZ IFRS 13 (Fair Value Assessment). Due to the significant nature of the property, plant and equipment acquired, a provisional assessment has been undertaken as detailed below. In accordance with NZ IFRS 3 the fair value assessment, and related tax implications, will be completed within the 12-month remeasurement period.

On 20 March 2023, the Group acquired 100 per cent of the issued share capital and control of Southern Paprika Limited. Southern Paprika Limited's operations are based in Warkworth, and the acquisition aligns with the Group's plan to have a North Island hothouse presence.

Details of the consideration and net assets acquired, on a provisional basis, are as follows:

	2023 $'000
Amount settled in cash	46,875
Fair value of deferred consideration at acquisition date	16,076
Total fair value of the consideration transferred	62,951
Recognised amounts of identifiable assets and liabilities at fair value	
Property, plant and equipment	79,456
Intangibles (consents)	21
Intangible assets – Deferred settlement	255
Mark to market interest rate swap	82
Lease assets (right to use)	627
Other investments	399
Cash and cash equivalents	7,597
Inventories and biological assets	3,814
Trade and other receivables	2,050
Borrowings	(10,600)
Trade and other payables	(5,935)
Lease liabilities	(627)
Deferred tax liabilities	(13,597)
Net identifiable assets and liabilities	63,542
Gain on bargain purchase	(591)

Due to the timing of the Group obtaining control of Southern Paprika Limited, at reporting date the Group has not yet completed its fair value exercise. As permitted by NZ IFRS 3, the Group expects to complete the exercise within one year of acquisition date. This may result in retrospective adjustments to the fair value of identified assets, liabilities, consideration, and the resulting gain on bargain purchase as reported at 30 June 2023.

The transaction resulted provisionally in a gain on bargain purchase of $591,000 which has been recognised in other operating income in the statement of comprehensive income.

Southern Paprika Limited contributed $6.7 million revenue and $(0.6) million to the Group's loss (after realignment of accounting policies) for the period between the date of acquisition and the reporting date.

If the acquisition of Southern Paprika Limited had been completed on the first day of the financial year, management estimates that Group revenues would have been $729 million and Group net profit before tax for the year would have been $13.5 million (after realignment of accounting policies).

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on the first day of the financial year.

E. Financial Instruments Used to Manage Risk

In this section

This section explains the financial risks that the Group faces and how these risks are managed.

The Group is exposed to a variety of risks associated with its operations and from its use of financial instruments. These can be broadly classified as: credit, liquidity, interest rate and foreign currency risks.

E1.1 Credit risk

Credit risk is the risk that those that owe money to the Group default on their obligations. The Group's exposure to credit risk is mainly through trade receivables that remain outstanding. Refer to note C3 for the status of trade receivables at year end.

The Group credit policy requires new customers to be assessed for credit worthiness. The carrying amount of financial assets represents the Group's maximum credit exposure. The Group has no undue concentrations of credit risk.

E1.2 Liquidity risk

Liquidity risk represents the Group's ability to meet its obligations. Liquidity requirements are evaluated on an ongoing basis. In general, sufficient operating cash flows are generated to meet obligations arising from its financial liabilities and there are credit lines in place to cover potential shortfalls. The Group has additional undrawn facilities of $25.1 million (2022: $26.6 million) at its disposal to further reduce liquidity risk.

The contractual maturities of financial liabilities (excluding derivatives) are analysed in the below table. The amounts will not necessarily reconcile to the statement of financial position as they are undiscounted cash flows and include interest.

2023	Statement of Financial Position $'000	Contractual cash flow $'000	< 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000
Borrowings	118,414	127,712	10,249	13,346	95,186	8,931	-
Trade and other payables	118,894	118,894	102,569	-	16,325	-	-
Lease liability	56,924	74,459	4,285	4,285	8,585	19,447	37,857
Total financial liabilities	**294,232**	**321,065**	**117,103**	**17,631**	**120,096**	**28,378**	**37,857**

2022	Statement of Financial Position $'000	Contractual cash flow $'000	< 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000
Borrowings	72,238	76,765	9,696	7,910	1,927	57,232	-
Trade and other payables	81,625	81,625	81,625	-	-	-	-
Lease liability	61,904	77,109	4,304	4,304	7,590	19,481	41,430
Total financial liabilities	**215,767**	**235,499**	**95,625**	**12,214**	**9,517**	**76,713**	**41,430**

E1.3 Interest rate risk

The Group is exposed to interest rate risk from the cashflows on floating rate borrowings. The Group uses interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure, through policies established by the Board which target hedging of 50-100% of non-current borrowings.

Interest rate swaps are designated as a cashflow hedge and allow a fixed interest rate to be obtained at a future date. They are recognised at fair value, to the extent the hedge is effective, any movements are recorded in equity. Any ineffectiveness is recognised in profit or loss. Interest rate swaps are Level 2 instruments and fair values are obtained from market observable pricing information. In these hedge relationships, the main sources of possible ineffectiveness are changes in the timing of the hedged transactions and general counterparty credit risk.

The interest rate swaps settle on a quarterly basis. The fixed interest rates average 1.068% (2022: 1.18%). The variable rates are set on the 3-month New Zealand Bank Bill Reference Rate (BKBM)/ Australian Bank Bill Swap Bid Rate (BBSY), which at balance date was 5.71% BKBM, 4.41% BBSY (2022: 2.86% BKBM, 1.87% BBSY).

The following table details the notional and fair value interest rate swaps as at 30 June.

	2023 Notional Value $'000	2023 Fair Value $'000	2022 Notional Value $'000	2022 Fair Value $'000
NZD Interest rate swaps	13,100	(751)	16,100	(796)
AUD interest rate swaps (NZD equivalent)	19,003	(859)	21,100	(1,142)
Total	**32,103**	**(1,610)**	**37,200**	**(1,938)**

E1.4 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases, denominated in a currency other than the functional currency. The key foreign currencies transacted in are Australian dollars and US dollars. The Group use forward exchange contracts to manage the risk for significant transactions including all sales and purchases of product other than minor transactions. It is estimated that a 1 percentage point change in the NZD against these currencies would change current year profit before tax by $11,000 (decrease) (2022: $11,000 (decrease)). Forward exchange contracts are Level 2 instruments. Their fair value is determined using forward exchange rates at year end, with the resulting value discounted back to present value. In these hedge relationships, the main sources of possible ineffectiveness are changes in the timing, quality, or quantity of the hedged transactions and general counterparty credit risk.

The most significant exposure to the Group is exchange rate fluctuation on its investment in the Australian operations. The Group hedges part of its net investment in Australia by borrowing in Australian dollars; this is known as a net investment hedge. This allows the Group to take foreign currency translation gains to equity as opposed to profit or loss. The main source of possible ineffectiveness in these hedges is a reduction in the value of the net investment.

	2023 AUD $'000	2022 AUD $'000
Investment foreign currency risk		
Net investment in Australian operations	15,843	26,457
Foreign currency denominated borrowings		
Secured bank borrowings designated as a hedged item	(17,714)	(17,714)
Net (over hedged) / unhedged exposure	**(1,871)**	**8,743**

F. Other

In this section

This section includes information required to comply with financial reporting standards that is not covered previously.

F1. Related parties

Related party transactions

These are transactions between the Group and related individuals or entities by nature of influence or control. The Group has such relationships with its key management personnel and equity accounted investments. The disclosure of transactions with these parties enables readers to form a view of the impact of related party relationships on the Group.

Transactions with associates and joint arrangements

The table below sets out the transactions with associates and joint arrangements. Advances to associates are interest bearing (at the parent company's average cost of borrowing 6.4% (2022: 2.05%) (+ a margin of 1.5%-2%)) unless deemed part of the Group's investment. These advances are payable on demand.

	2023 $'000	2022 $'000
Sales of goods and services	7,911	5,354
Purchases of goods and services	32,107	31,051
Closing advances/receivables	4,155	2,647
Closing loans/payables	740	785

No expense or movement in provision on outstanding balances with associates was recorded during 2023 or 2022.

Key management personnel compensation

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

Like most co-operatives the Group has frequent transactions with its grower Directors (sales to, agency sales for and purchases from Directors) in the ordinary course of business.

	2023 $'000	2022 $'000
Key management personnel compensation comprised:		
Director's fees and remuneration	937	929
Short-term employee benefits	4,440	3,976
Other transactions with key management personnel		
Gross value of Directors' sales	65,598	22,041
Commission charged on Directors' sales (as above)	7,872	2,645
Gross value of Directors' other transactions (prepacking services and sundry other expenses)	242	193
Amounts owing to key management personnel as a result of the above transactions	2,736	656

F2. Auditor's remuneration

	2022 $'000	2021 $'000
Audit services		
Market Gardeners Limited and subsidiaries (KPMG)	171	117
Premier Fresh Australia Pty Limited and subsidiaries (Pitcher Partners)	214	217
Market Gardeners Limited Share register audit (KPMG)	2	2
Other services		
Market Gardeners Limited and subsidiaries (KPMG)	9	8
Premier Fresh Australia Pty Limited and subsidiaries (Pitcher Partners)	32	90

Other services paid to KPMG relate to the preparation of factual data analytics reports for management's analysis.

Other services paid to Pitcher Partners relate to accounts compilation and taxation services.

Audit remuneration is included within administrative expenses in the statement of comprehensive income.

F3. Capital Commitments

At 30 June 2023 the Group had capital commitments of $6.264 million (2022: $3.736 million). Capital commitments primarily relate to investment in assets and infrastructure. Capital commitments are recognised after a formal capital review and approval process.

In March 2021 J S Ewers Ltd, a 100% owned subsidiary, entered into a Project Funding Agreement with the Energy Efficiency and Conservation Authority (EECA) in relation to the Government Investment in Decarbonising Industry Contestable Fund. The Fund's aim is to partner with business to accelerate the decarbonisation of industrial processes and process heat, and contribute to the COVID-19 economic recovery by stimulating economic growth and supporting employment. As a result, a co-funded project commenced at JS Ewers Ltd to replace coal fired boilers with low carbon fuel boilers. As at 30 June 2023 the project is well progressed and is on an agreed revised schedule (due to past delays) to achieve the required milestones. Commissioning works are expected to occur in December 2023. EECA co-funding is up to 47.4% of the project cost to a maximum of $4,078,000 plus GST based on the achievement of the milestones. All co-funding payments are netted against expenditure capitalised as part of Property, Plant and Equipment work in progress.

F4. Contingencies

Trade indemnities and guarantees issued by the Group amount to $2.857 million for associate companies (2022: $1.933 million).

F5. MG Charitable Trust

In November 2019 the Parent Company's shareholders approved the formation of the MG Marketing Charitable Trust and its Trust Deed dated 20 November 2019 (the Deed). The Trust changed its name on 18 August 2022 to the MG Charitable Trust (the Trust). In accordance with the Deed, the Trust's operations are to be reported to the Parent Company (as settlor under the Deed) and its shareholders.

The Chair's and Chief Executive Officer's review attached to this report comments on the MG Charitable Trust. The Trust has prepared an Annual Review for the 12 months ended 30 June 2023 which is an extract of the full performance report and financial statements of the trust and outlines the:
- key objectives of the Trust;
- trust structure, governance, management and funding;
- A review of the contestable funding and the education funding rounds;
- summary financial information including statements of financial performance, financial position and cash flows.

The Annual Review and full Report is available on the MG website at www.mggroup.co.nz/mgtrust.

On 3 May 2022 the Trust's Deed was varied by vesting the statutory power of appointment of the majority of the trustees in the shareholders of MG (in addition to those able to be appointed by MG as Settlor). At least one trustee is appointed by MG as settlor. The Group does not control the Trust. No auditor is appointed to the Trust and no review has been undertaken.

G. About this report

In this section

The notes to the consolidated financial statements include information which is considered relevant and material to assist the reader in understanding the financial performance and position of Market Gardeners.

Information is considered relevant and material if:

- the amount is significant because of its size and nature;
- it is important for understanding the results of Market Gardeners;
- it helps to explain changes in Market Gardener's business; or
- it relates to an aspect of Market Gardener's operations that is important to future performance.

Presentation of prior year comparative information has been changed to align with the current year classifications.

Reporting entity

The Parent Company, Market Gardeners Limited, is a for-profit entity domiciled in New Zealand and registered under the Companies Act 1993 and the Co-operative Companies Act 1996. The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013 and prepares its financial statements in accordance with that Act.

The 30 June 2023 consolidated financial statements are for Market Gardeners Limited and its subsidiaries (together referred to as "Market Gardeners" or "Group") and its interests in associates and joint arrangements as at year end.

The Group is primarily involved in growing, merchandising, wholesale, ripening, distribution, import and export operations of fresh fruit and produce. The Group's registered office is 78 Waterloo Road, Hornby, Christchurch 8440.

Statement of compliance and basis of preparation

The financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and with the International Financial Reporting Standards ("IFRS"), as appropriate for for-profit entities.
- for the 52-week period ending 30 June 2023 (2022: 52-week period ending 1 July). This ensures comparability given the Group weekly trading cycles. For simplicity the financial statements are referred to as 30 June.
- in New Zealand dollars rounded to the nearest thousand ($000), except when otherwise indicated.

In preparing the consolidated Group financial statements, intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated. 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.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Foreign currency

Foreign currencies transactions are translated at the exchange rates at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value are retranslated using the exchange rate at the valuation date.

The assets and liabilities of foreign operations, including goodwill, 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 relevant transaction date. Foreign currency differences are recognised in the foreign currency translation reserve (FCTR).

The functional currencies and rates used were New Zealand dollars and Australian dollars.

Rate used in the preparation of these financial statements	**2023 AUD**	**2022 AUD**
Average rate for the year	0.9132	0.9477
Closing rate	0.9209	0.9109

Critical estimates and judgements

The preparation of the financial statements requires management to exercise judgement in applying Group accounting policies. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis.

Key judgements

Key judgements are those judgements that align with the key audit matters, that were the most significant to the audit of the consolidated financial statements of the current period.

- Recognition of deferred tax assets — Note A3.2
- Revaluation of land and buildings — Note B1
- Impairment assessment of intangible assets — Note B3
- Business Combination – Acquisition of Southern Paprika Ltd — Note D4

Other judgements used in understanding the Group's position and performance are described below:

- Measurement and recognition of revenues — Note A1.1
- Measurement of shares — Note C.1
- Measurement and recognition of lease liabilities — Note C6

New accounting standards

The directors have considered the impact of standards and interpretations not yet effective and do not expect any of these to have a material impact.

Accounting standards issued but not yet effective

There are currently no standards issued but not yet effective that are expected to have a material effect on the Group.

Subsequent events

There are no subsequent events to report at the time of adopting these financial statements.

Independent Auditor's Report

To the shareholders of Market Gardeners Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Market Gardeners Limited (the 'company') and its subsidiaries (the 'group') on pages 22 to 48 present fairly, in all material respects:

i. the group's financial position as at 30 June 2023 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2023;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the group in relation to data analytics. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $4.5 million, determined with reference to a benchmark of group revenues. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Acquisition of Southern Paprika Limited ($63.0m – refer to note D4)	
On 20 March 2023, the group completed the acquisition of the Southern Paprika Limited ("SPL") business for $63.0m. The acquisition of SPL provided the group with a significant footprint in the capsicum growing market and quality hothouse growing facilities in the North Island. Because of significance of the acquisition to the group's balance sheet, and the judgments involved in determining the fair value of identifiable net assets acquired, we considered the acquisition to be a key audit matter.	Our audit procedures included, amongst others: — Assessing management's determination of the acquisition date. — Reviewing the sale and purchase agreement to understand the transaction and ensure key features are reflected in the acquisition accounting. — Verifying the physical existence of selected assets acquired, and the adequate recording of liabilities assumed. — Checking management's calculation of the consideration transferred, including the fair value of deferred consideration amounts. — Reviewing and challenging the identification of identifiable assets and liabilities acquired, which included the involvement of our Corporate Finance specialists. — Challenging the basis of provisional fair values determined, which included the involvement of our Valuation specialist. — Assessing the appropriateness and sufficiency of the related financial statement disclosures. **Our findings:** We completed the above procedures and have no matters to report.
Valuation of goodwill ($10.4m – refer to note B3)	
The group has significant operations in Australia following the historic acquisition of LaManna Bananas and subsequent merger with Premier Fruits Group (together Premier Fresh). The above resulted in $4.3m (net of current year impairment of $15.2m) of goodwill being recognised in the	Our audit procedures included, amongst others: — Assessing the mechanics of the models for consistency with the requirements of the relevant accounting standards. — Challenging key assumptions within the models including discount rates, future growth rates and forecasted cash flows. — Comparing the calculation of value in use against the associated the carrying amounts and performing sensitivity analysis.

The key audit matter	How the matter was addressed in our audit
consolidated statement of financial position. In 2020, the group acquired a controlling interest in Te Mata Exports 2012 Limited (Te Mata) and recognised $6.1m of goodwill. The carrying value of goodwill is subject to an annual impairment assessment which requires judgment in respect of forecast performance. In performing this assessment, management is required to exercise judgment and develop estimates for future forecast performance and to select assumptions relating to the weighted average cost of capital, terminal growth, and risks specific to the cashflows, amongst others. For these reasons and given the magnitude of the balance we considered the valuation of goodwill to be a key audit matter.	— Assessing management's conclusion to perform an impairment assessment at the consolidated Premier Fresh level. — Challenging the amount of impairment loss identified to ensure that it fairly reflects the outcome of the impairment assessment. — Challenging management's conclusion to consider Te Mata New Zealand and Te Mata Australia as independent cash generating units; and — Assessing the appropriateness of related disclosures within the financial statements. **Our findings:** We completed the above procedures and have no matters to report.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Financial Highlights, Chair's and Chief Executive's review, disclosures relating to corporate governance, and statutory information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate , they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Matt Kinraid.

For and on behalf of

KPMG

KPMG
Christchurch

13 October 2023

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**
T.J. Burt	69,125	17,250	3,590
L.T. Crozier (Deputy Chair)	69,125	1,500	3,590
J.A. Lim	69,125	11,500	2,142
B.R. Irvine (Chair)	138,250	13,375	3,590
M.J. Russell (retired 24 November 2022)	28,438	2,083	1,496
M.R. O'Connor	69,125	5,375	3,122
T. Webb	69,125	5,375	2,463
R. Oakley	69,125	1,500	3,590
J.J. Clarke (elected 24 November 2022)	40,688	3,167	2,094
	622,126	61,125	25,677

Subsidiary Company The following people held office as Director of subsidiary company Premier Fresh Australia Pty Ltd and received the following remuneration and other benefits for acting as such:			
T.J Burt (appointed as a director on 18 July 2023)	24,995	9,802	-
A.J. Di Pietro	-	-	-
B.D. Gargiulo, MBE. (Chairman) (retired 28 July 2022)	8,835	6,696	-
B.R. Irvine	60,044	23,020	-
P.S. Hendry (Chair, from 28 July 2022)	-	-	-
M. LoGiudice	60,228	4,891	-
M.R O'Connor (appointed as a director on 22 April 2023)	20,070	9,709	-
	174,172	54,118	-

Other than for subsidiary company Premier Fresh Australia Pty Ltd as detailed in the tables above, no director of a subsidiary company receives any remuneration or other benefits from the subsidiary company for acting as such.

In addition to the remuneration and other benefits disclosed above, T. Webb and R. Oakley received $3,000 and $1,000 respectively for acting as Trustees of the MG Charitable Trust.

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

* B.R. Irvine, T.J. Burt and M.R. O'Connor, as directors of Premier Fresh Australia Pty Ltd receive meeting fees and travel allowances from the Parent Company which are included in the Subsidiary Company table above. Whilst these fees are paid as special project fees they are allocated in the above table as directors fees for disclosure purposes. The Parent Company charges Premier Fresh Australia Pty Ltd for such payments.

Special Project and other fees are paid to Directors for performing the role of chair of a committee and duties outside those of a normal Director role including negotiation of commercial contracts, attendance at associate and subsidiary company meetings, travel time and attendance at committee meetings.

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note F2 of the attached financial statements to 30 June 2023.

3. Co-operative Companies Act 1996 Declaration

In compliance with clause 10 of the Co-operative Companies Act 1996 the Board of Directors of Market Gardeners Limited unanimously resolved on 7 August 2023 that, in their opinion, the Parent Company had been a co-operative company throughout the period 1 July 2022 to 30 June 2023. 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 co-operative activities as detailed in its constitution.

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	25	290,000 to 299,999	2
110,000 to 119,999	25	300,000 to 309,999	3
120,000 to 129,999	16	320,000 to 329,999	3
130,000 to 139,999	13	330,000 to 339,999	2
140,000 to 149,999	15	340,000 to 349,999	2
150,000 to 159,999	13	360,000 to 369,999	1
160,000 to 169,999	8	370,000 to 379,999	1
170,000 to 179,999	12	390,000 to 399,999	1
180,000 to 189,999	9	400,000 to 409,999	1
190,000 to 199,999	10	410,000 to 419,999	1
200,000 to 209,999	7	480,000 to 489,999	1
210,000 to 219,999	3	500,000 to 509,999	1
220,000 to 229,999	9	530,000 to 539,999	1
230,000 to 239,999	3	590,000 to 599,999	1
260,000 to 269,999	4	1,060,000 to 1,069,999	1
270,000 to 279,999	1	1,270,000 to 1,279,999	1
280,000 to 289,999	3		

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 employees in Australia, USA and New Zealand, is included in the above table.

5. Changes in accounting policies

The attached financial statements to 30 June 2023 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.

6. Directors of subsidiaries

As at 30 June 2023:

Messrs B.R. Irvine, P.S. Hendry (CEO) and D.J. Pryor (Company Secretary and CFO) were the Directors of Blackbyre Horticulture Ltd, Bowdens Mart Ltd, Bray Frampton Ltd, Cockerill and Campbell (2007) Ltd, Hansons Lane International Holdings Ltd, J.S. Ewers Ltd, Kaipaki Holdings Ltd, Kaipaki Properties Ltd, LaManna Ltd, LaManna Bananas (NZ) Ltd, Market Fresh Wholesale Ltd, MG Group Holdings Ltd, MG Marketing Ltd, MG New Zealand Ltd, Phimai Holdings Ltd, Quitachi Ltd, Southern Paprika Ltd and Southland Produce Markets Ltd.

Messrs K.J. Wells (Executive Director NZ Subsidiaries and Associates) and D. Trask were the directors of Market Gardeners (USA), Inc.

Messrs K.J. Wells (Executive Director NZ Subsidiaries and Associates), P.S. Hendry (CEO), and M. Tait were the directors of Te Mata Exports 2012 Ltd and Te Mata Exports Ltd.

Mr. K.J. Wells (Executive Director NZ Subsidiaries and Associates), Ms. S. McCormack and Mr. P. Scheffer were the directors of Te Mata Exports Australia Pty Ltd.

Messrs B.R. Irvine, P.S. Hendry, M.R. O'Connor (appointed 22 April 2023), T.J. Burt (appointed 18 July 2023), A.J. Di Pietro and M. LoGiudice were the directors of Premier Fresh Australia Pty Ltd.

Messrs A.J. Di Pietro and D.A. Gall (appointed 25 August 2022) were the directors of Absolutely Fresh Prepacking Pty Ltd, Australian Banana Company Pty Ltd, Carbis Bananas Pty Ltd, Fresh Choice W.A. Pty Ltd, Fruitology Pty Ltd, Gold Tyne Pty Ltd, G.V. Agri Services Pty Ltd, LaManna Bananas Pty Ltd, LaManna Bananas (Adelaide) Pty Ltd, LaManna Fresh Pty Ltd, LaManna Fruit Pty Ltd, LaManna Group Pty Ltd, LaManna Bananas Property One Pty Ltd, LaManna Bananas Property Two Pty Ltd, LaManna Group Holdings Three Pty Ltd), Market Gardeners Australia Pty Ltd (formerly LaManna Group Holdings Four Pty Ltd), LaManna Premier Group Pty Ltd (formerly Premier Fresh Australia Pty Ltd), Premier Fruits Group Pty Ltd, Premier Fruits International Pty Ltd, Premier Fruits NSW Pty Ltd, Premier Fruits Pty Ltd, Premier Fruits Brisbane Pty Ltd, Premier Farms Pty Ltd, Premier Fruits Adelaide Pty Ltd, Premier Fruits Lancaster (Vic) Farming Pty Ltd, Premier Fruits W.A. Pty Ltd and Verona Fruit Pty Ltd.

Messrs. B.R. Irvine, P.S. Hendry, D.J. Pryor and A.J. Di Pietro were the directors of Lambell's Properties Pty Ltd.

7. Interests register

The following entries were recorded in the interest's register of the Group during the accounting period.

General disclosures

Like most co-operative 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 F1 of the attached financial statements to 30 June 2023.

The general interests register of the Group records Directors' interests in companies and other entities which have or may have material ongoing dealings with the Company and / or Group. During the financial year ended 30 June 2023, the following new disclosures were made and recorded in the register:

Director	Nature of Interest	Company / Entity
As directors of the Parent Company, Market Gardeners Ltd		
R. Oakley	Trustee	MG Charitable Trust
J. Lim	Employee / Special Counsel	Simpson Grierson, Lawyers
J. Clarke	Directors and Shareholder Director Shareholder and Director	Woodhaven Gardens Ltd. Woodhaven Land Holdings Ltd Woodhaven Forestry Holdings Ltd Woodhaven Developments Ltd Director of Vegetables NZ Inc. Market Gardeners Ltd as detailed in the table below.

In addition to the above new disclosures, a number of directors disclosed changes to existing disclosures (such as being appointed Chair), resignations from other directorships held and previously disclosed in the interests register and changes in shareholdings in the Parent Company (as detailed below).

Particular disclosures

During the period all director's reconfirmed their interests by virtue of being directly or indirectly shareholders in Market Gardeners Ltd and any changes in those shareholdings as detailed below.

Mr. J.J. Clarke was elected by shareholders and appointed as a Director of Market Gardeners Ltd on 24 November 2022. At that time. Mr. Clarke declared an interest by virtue of a direct or indirect shareholding in Market Gardeners Ltd (as disclosed below) together with an interest in all director's remuneration and other benefits received or paid by the Parent Company including (without limitation) Director's fees, special project fees (if any), committee fees (if any), Directors and Officers liability insurance, an indemnity from the Parent Company and Southern Cross Medical insurance.

(a) Directors' & officers' indemnity and insurance

The Group (Parent Company, its subsidiaries and associates) has affected 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.

(b) Use of company information

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

(c) 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.

(d) Share dealings

The following are the shareholdings of Directors of the Parent Company at 30 June 2023. 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 2023			30 June 2022		
	A Shares	B Shares	C Shares	A Shares	B Shares	C Shares
L.T. Crozier	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	332,512	138,037	7,716	240,138	108,020	7,052
B.R. Irvine as Director of J S Ewers Ltd (100% subsidiary companies of Market Gardeners Ltd)	1,000	-	-	1,000	-	-
J.A. Lim (joint shareholding)	112,529	93,570	5,704	76,910	62,651	5,408
M.R. O'Connor	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	1,095,798	415,699	27,224	808,894	322,367	23,296
T. Webb	-	-	-	-	-	-
Held by a company of which she is a shareholder & director	154,683	48,796	7,584	122,785	35,835	3,876
R. Oakley	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	917,673	450,424	27,592	674,357	325,302	23,936
J.J. Clarke	267,663	606,680	40,064	165,933	354,413	35,732

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

	30 June 2023			30 June 2022		
	A Shares	B Shares	C Shares	A Shares	B Shares	C Shares
T. Burt, L.T Crozier, B.R Irvine, J.A. Lim, M.R. O'Connor, T. Webb, R. Oakley and J.J. Clarke as Directors of Market Gardeners Ltd (holding Treasury stock)	824,312	-	-	93,229	-	-

The above table discloses the shareholdings of treasury stock as at 30 June 2023.

	30 June 2023			30 June 2022		
	A Shares	B Shares	C Shares	A Shares	B Shares	C Shares
Held by the MG Charitable Trust	2,448,747	113,528	29,904	1,988,959	206,360	23,220

R. Oakley and T. Webb, directors of the Parent Company, are two of the five trustees of the MG Charitable Trust (the Trust). 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.

8. Donations

During the year the Parent Company made donations of $48,000 (2022: $44,000), the Group $107,000 (2022: $85,000).

Corporate governance statement

The Board of Market Gardeners Ltd (MG) is committed to the highest standards of ethical behaviour in its own corporate governance, with Directors acting in good faith and in what they believe to be in the best interests of the Company and Group. The Board and each board committee has a charter to define its role and responsibilities. The Board also adheres to a formal Code of Conduct.

Role of the Board
The Board is responsible for the proper direction and control of the Group's activities. The primary objective is the creation of sustainable shareholder value through appropriate strategies and ensuring they are implemented effectively by management.

The Board's responsibilities include general stewardship, working with management to set the Company and Group's strategic direction (including but not limited to oversight of health and safety, sustainability, and cyber-security considerations), the integrity of information systems and reporting through to shareholders. The Board acknowledges that it is responsible for the overall control framework of the Group, however, also recognises that no cost-effective internal control system will preclude all errors and irregularities. The Board ensures that there are effective policies, procedures, and guidelines in place along with the organisational structures that provide an appropriate division of responsibilities, and the selection and training of appropriately qualified personnel.

To this end the Board, primarily through the audit committee, continues a rigorous process of reviewing, adding to and updating MG's 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.

The Board has delegated the conduct of day-to-day affairs of the company to the CEO and Senior Management.

Board Operations and Membership
The majority of the Board is elected by MG's shareholders with at least two special directors required to be also appointed by the shareholder elected 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.

The Board is committed to the principle that there should be a balance of independence, skills, knowledge and experience amongst the directors. The current Board of Directors consists of 6 shareholder elected Directors (Lynn Crozier (Deputy Chair), Mark O'Connor, Joanna Lim, Trudi Webb, Robin Oakley and Jay Clarke) and 2 Special Directors (Bruce Irvine (Chair) and Trevor Burt). None of the MG Directors are directly involved in the day-to-day management of the Company's operations, however their experience and expertise is utilised as appropriate at various times throughout the year.

Like most cooperatives, MG has frequent transactions with its grower directors (sales to, agency sales for and purchases from Directors or their businesses / companies). These transactions are entered into in the normal course of business. A register of interests is maintained and regularly updated documenting interests disclosed by all Board members. These relationships are actively reviewed to ensure that our Directors' independent judgement is not compromised. The statutory disclosure section of the annual report documents all disclosures made in the current year.

With regards to appointments of Directors for subsidiary and associate companies which form part of the Group, the MG Board considers and makes all appointments of the MG representative directors. As associate companies are only partly owned, MG only appoints certain representative directors to such entities. The remaining directors are appointed by the other shareholders in those companies.

As at 30 June 2023, Premier Fresh Australia Pty Ltd (PFA) was a 69.3% (2022: 69.3%) subsidiary. MG currently has appointed four representative directors to the PFA Board (Bruce Irvine, Peter Hendry (Chair), Mark O'Connor (appointed 22 April 2023) and Trevor Burt (appointed 18 July 2023)). Brian Gargiulo retired as an MG representative director and Chairman of the PFA board on 28 July 2022. The non-controlling interest shareholders have appointed two Directors to represent them on the PFA Board – they are Anthony Di Pietro and Mark LoGiudice. Voting rights are proportionate based on shareholding percentages notwithstanding the number of directors appointed by a shareholder group.

MG's constitution has specific procedures for the appointment and retirement of Directors, eligibility requirements for being nominated / appointed and automatic retirement rotations every three years. The MG Board met 11 times during the financial year (9 times last financial year), in addition to attending to committee matters between meetings. These meetings include conference calls to address any matters or issues arising between scheduled 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.

Board charter, code of conduct and Director Capability framework
The Board first adopted a Board Charter, Code of Conduct and a Director Capability Framework in 2017. These documents are reviewed annually and are published on MG's website. The charter formalises and sets out the manner in which the Board's powers and responsibilities will be exercised and discharged, adopting principles of good corporate governance and practice that accord with best practice, the applicable laws in the jurisdictions in which the Company operates and the Core Purpose of the Company. This is supported by the Code of Conduct and further by the Director Capability framework.

Group Management Structure
The core business of the Group is transacted in New Zealand by Market Gardeners Ltd and in Australia by Premier Fresh Australia Pty Ltd (PFA) (in both countries the parent companies are supplemented by their respective subsidiaries and associates). MG is represented on the boards of the subsidiary and core trading associate companies by members of the MG Board, MG appointees 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 (Peter Hendry) together with the Company Secretary / Chief Financial Officer (Duncan Pryor) and Executive Director NZ Subsidiaries and Associates (Kerry Wells) attend all MG Board meetings.

Similarly, PFA's Chief Executive (Anthony Di Pietro), Chief Operating Officer (Dean Gall), Chief Financial Officer (Mark Plymin), Chief Commercial Officer (Simon Hardie) and from time-to-time other senior executives of PFA and MG attend all PFA board meetings.

Anti-Corruption and Competitive Practice Guideline
Within the global economy, most countries have put in place anti-corruption and competition laws, which MG welcomes and endorses. As a global company, MG has adopted guidelines and policies in relation to anti-corruption and anti-competitive behaviour. MG wants to ensure its team members act, at all times honesty, with integrity and undertake a proper approach to the way MG conducts its business.

Board Remuneration
MG obtains external professional advice on remuneration to be paid to Directors on a one to two yearly basis. The recommendations of the external advisor are, if required and after consideration by the Remuneration and Nomination Committee and full Board, submitted as a resolution to shareholders at the Company's annual meeting. This last occurred at the November 2021 annual meeting. A resolution has been included for shareholder consideration, at the November 2023 annual meeting, to increase the pool for directors fees by a 3% inflation adjustment.

As in prior years, no directors' fees were paid to MG Directors that are also MG representative directors of any subsidiary or associate companies. 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. The non-controlling interest representative Directors on the Premier Fresh Australia Pty Ltd (PFA) board are remunerated directly by PFA. These fees are also set by reference to the external professional advice referred to above and are disclosed in the schedule of statutory disclosures detailed in the attached annual report.

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

The Company encourages full shareholder participation at the Annual Meeting to ensure a high level of accountability and identification with the Group's strategies and goals. In addition to this, the Board has continued with an ongoing communication programme with all shareholders.

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

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

Board Committees

Audit Committee
The Audit Committee is responsible for the framework of internal control mechanisms that ensure proper management of the Company and Group's affairs. The Committee is accountable to the Board for the recommendations of the external auditors, KPMG, directing and monitoring the audit function and reviewing the adequacy and quality of the annual audit process. The Committee provides the Board with additional assurance regarding the accuracy of financial information for inclusion in the Group's Annual Report, including the Financial Statements. The Committee is also responsible for ensuring that the Group has an effective internal control framework.

As in prior years, a comprehensive risk-based approach to the Company and Group's risk management and internal audit processes is undertaken. This approach is wider than the accuracy of external financial reporting / operational activities and extends into overall compliance requirements of the Group. Whilst internal audit, led by the Business Assurance Manager Kimberly Chavez, still ensures that all branches and divisions of MG are subject to regular internal audit visits (on a rotational basis), its increased focus is on making the overall process wider reaching and more regular, to gain a higher coverage of transactions / operations. Other projects include review and relevance of policies, review of subsidiary operations and processes, and assessments of risk within those subsidiaries.

Overall controls reviewed include the safeguarding of assets, maintaining proper accounting records, complying with legislation, including recent competition law changes and health and safety issues, ensuring the reliability of financial information, and assessing business risk.

The Audit Committee continues to monitor domestic and international developments in corporate governance best practices, procedures and policies.

MG AUDIT COMMITTEE	**MANAGEMENT AND OTHER INVITEES**
Joanna Lim (Chair), Shareholder Director	Peter Hendry, CEO
Trevor Burt, Special Director	Duncan Pryor, CFO & Company Secretary
Bruce Irvine, Special Director	Kimberly Chavez, Business Assurance Manager
Jay Clarke, Shareholder Director	KPMG, as required

Remuneration and Nomination Committee
The Remuneration & Nomination Committee is responsible for the review and administration of director's fees (as noted above), establishing coherent remuneration policies and practices, and the remuneration of the MG Chief Executive and senior management personnel. The Committee also monitors and reports on general trends and proposals concerning employment conditions and remuneration.

A discretionary performance-based bonus system is used by MG and was applied during the financial period with Board approval. The bonus calculation is applied across the Company in accordance with criteria set by this Committee.

This committee has also been delegated the task of reviewing and providing recommendations to the Board in relation to corporate governance and regular reviews of policies and charters such as the Board Charter and Code of Conduct and the Board Capability Framework.

MG REMUNERATION & NOMINATION COMMITTEE	**MANAGEMENT ATTENDEES (by invitation)**
Trevor Burt (Chair), Special Director	Peter Hendry, CEO
Bruce Irvine (MG Chair), Special Director	Duncan Pryor, CFO & Company Secretary
Mark O'Connor, Shareholder Director	
Trudi Webb, Shareholder Director	

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