mg marketing

Together. Stronger.

MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2017

Table of contents

Financial highlights

• **Group gross sales under management**	$894.336 million
• **Group profit before income tax**	$16.018 million
• **Group profit for the year (after income tax)**	$11.609 million
• **Group total equity**	$129.678 million
• **Group total assets**	$277.127 million

Shareholder distributions	**2017** $'000	**2016** $'000
• Special Bonus Issue (November 2017)		
• 1 for 15 on "A" shares (2016 : 1 for 20)	1,172	771
• 1 for 3 on "B" shares (2016 : 2 for 5)	2,518	2,150
• 1 for 3 on "C" shares (2016 : 2 for 5)	331	398
• 1 for 15 on "D" shares (2016 : 1 for 20)	190	132
• Supplier shareholder rebate (issued as 2017 "C" shares) (2016: issued as 2016 "C" shares)	250	250
• Bonus issue on supplier shareholder rebate of 3 for 1 (2016 : 3 for 1)	750	750
• Final gross dividend on "A" shares : 6 cents per share (2016 : 6 cents per share)	1,125	925
• November 2017 - final gross dividend on "D" shares : 6 cents per share (November 2016 : 6 cents per "D" share)	182	158
Total shareholder distributions in relation to the year ended 30 June	6,518	5,534

Chairman's and Chief executive officer's review

Together. Stronger.

We are pleased to deliver another year of exceptional performance for your Co-operative, reflecting the positive steps we have taken as we pursue our strategies and our purpose of generating wealth for our shareholders.

Market Gardeners Limited, trading as MG Marketing (MG), has delivered record group turnover with an 86.5% increase across the Group, translating to an improved group net profit before tax of $16.01 million compared to the $8.69 million recorded for 2016. This performance comes on the strength of buoyant market conditions for key products, which have benefited all trading divisions and subsidiaries in both the New Zealand business and from the merged LaManna Premier Group in Australia.

In line with the results, your Board has declared a special bonus issue for the third year in succession. Together with the rebates, bonus issue and dividends, this will amount to a combined distribution of $6.51 million (2016: $5.53 million). It's an affirmation of our core purpose - growing the overall wealth and profitability of the Co-operative, our shareholders and our growers. This is also acknowledged by the high number of shareholders who decide to reinvest their dividends back into MG shares.

We are building a track record of success and in so doing, we are increasing overall grower-shareholder wealth. Equity is increasing and annual distributions continue to climb, reflecting a company that is not only able to generate profits in opportune conditions but is also resilient in tough times.

Importantly, this also marks the first full year of combined operations in Australia under the merged LaManna Premier Group (LPG). The merger has created one of Australia's largest vertically integrated fresh produce supply chain companies with AUD$435 million in consolidated sales, representing annual sales of more than 330 million kilograms of fresh produce. It has also delivered a number of immediate and tangible benefits for the Australian operation, improving logistical and administrative efficiencies including a consolidation of branch and warehouse operations in the majority of Australian States and Territories. Whilst there have been challenges with the consolidation, it has also been tremendously exciting. We truly believe in the synergies that a merged group will bring on a long-term basis and, indeed, many of those synergies are already proving their value.

The Financial Highlights section of this document provides a summary of MG's Group results and distributions to shareholders.

The financial aspects are however, only part of the story. MG as a Co-operative has always been about people. This is the collective of people that drive our business - from staff to shareholders and suppliers - and that is as true today as it was when the Co-operative launched back in 1923.

It is for that reason, together with a resolute focus on our key pillars of resilience, partnerships, value, growth, capability and co-operative behaviour, that MG continues to grow from strength to strength.

This focus on achieving profitable growth through planning, sharing of information and good communication will continue, and will allow for further development of our business right from the grower through to the end consumer of the products we proudly grow and sell.

FINANCIAL PERFORMANCE

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

Overall, the 2017 profit before income tax was $16.01 million compared to the $8.69 million reported in the prior year and group profit after tax climbed to $11.60 million compared to the previous year's $5.80 million.

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

The MG consolidated result reflected solid sales across all parts of the business with Group gross sales under management reaching $894 million, up from last year's $588 million. There were excellent returns from the New Zealand business and the performance of the newly merged Australian LaManna Premier Group was gratifying considering the time and cost of bedding down a merger of this magnitude.

Notably, total Group Equity continues to show positive growth at $129 million while total assets have increased to more than $277 million, reflecting the inclusion of the combined LaManna Premier Group for the period.

This strong financial performance will allow your co-operative to further invest, creating additional shareholder wealth, while also distributing significant returns to shareholders, which we note under Distributions later in this report.

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

DISTRIBUTIONS

The Board is pleased to once again declare a special bonus issue, representing a significant payment of $6.51 million (2016: $5.53 million) by way of special bonus issue, rebates, bonus issues and dividends.

This is the third consecutive year that shareholders have received a special bonus issue, underscoring the strength of the Group's performance and financial position for the year.

On 6 July 2017 the Board declared the following distributions in relation to the year ended 30 June 2017:

- Special bonus issue – a fully imputed taxable special bonus issue of:
  - One new "A" share for every fifteen existing "A" shares; and
  - One new "B" share for every three existing "B" shares; and
  - One new "C" share for every three existing "C" shares; and
  - One new "D" share for every fifteen existing "D" 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 have supplied on a consignment basis during the financial year ended 30 June 2017.
- 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 have supplied receive three further "C" shares for every one "C" share they receive from the above rebate). As imputation credits have been attached to the bonus issue shares they are mostly tax paid in the hands of the shareholder.
- Final dividend – a fully imputed taxable gross dividend of six cents on every "A" share and six cents on every "D" share. Once again imputation credits are attached to these dividends.

The above distributions will be made only to those shareholders entered on the share register with effect from 30 June 2017 who continue to hold at the date of the 2017 Annual Meeting, the shares held at 30 June 2017.

The above special bonus issue, rebate, bonus issue and dividends represent $6.51 million being distributed back to MG's shareholders.

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

If you would like to participate in the dividend reinvestment plan please contact our Company Secretary, Duncan Pryor, at MG's Support Office for further information on email dpryor@mgmarketing.co.nz or phone (03) 343 1794.

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

ANNUAL MEETING OF SHAREHOLDERS

All shareholders are invited to attend MG's Annual Meeting of shareholders. This year the event will be held at the Novotel Auckland Ellerslie Hotel, 72-112 Green Lane East, Ellerslie, Auckland, on Wednesday, 22 November 2017 commencing at 5.00pm. Shareholders are welcome to join MG Directors, management and staff to formally or informally discuss topics of interest.

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

DIRECTORATE AND MANAGEMENT

Director Internship

Rebecca Turley, a rural manager employed by Rabobank, was the recipient of the inaugural MG Director Internship, which is part of MG's *Growing You* initiative. The internship reflects the Board's strategy to broaden the knowledge and experience base of our shareholders and their families.

Appointed in January 2016, Rebecca's internship was extended from the initial period of one year to a total of 18 months. Rebecca brought a refreshing perspective to the Board table and the Board thanks her for her insights. We consider the internship to be of real value and look forward to continuing with this initiative.

MG Board

MG has also initiated a full review of certain policies in accordance with the new Constitution. Key elements of the current review include a revised Board Charter, code of conduct and the associated capability framework. These are all available to view on the MG website.

In line with best practice, the Remuneration and Nomination Committee has also reviewed the governance and directorship of all subsidiaries. All board members are offered the opportunity to attend training with the Institute of Directors. From time to time, we also invite advisors and experts from other industries to provide insight and advice.

After 32 years' service with MG, Tom Treacy retired from the Board on 31 October 2016. Tom was appointed as a Special Director on the MG Board in December 2011. He remained on the LaManna Bananas Pty Ltd Board until December 2015. Tom had earlier retired as CEO of MG in 2011. During his 18 years as CEO the Company experienced significant growth. His wealth of knowledge and leadership has laid the foundation for future growth and prosperity for the Co-operative. We wish Tom well in his retirement and thank him for his vast contribution to the Company.

In accordance with the Company's Constitution, Brian Gargiulo and Andrew Fenton retire by rotation. They have put themselves forward for re-election. One other nominee, Mark O'Connor, has also put himself forward for election.

Voting papers for the postal ballot will be sent to shareholders together with the Notice of Meeting on or around 20 October 2017.

MG PEOPLE

On behalf of the Board and Management, we thank our staff for the support and committed service that has been delivered to our growers, customers and our business. As is customary, we recognise the importance of the MG Group team and the significant contribution they make to the business by acknowledging them individually in the Annual Review – this year by featuring a photo of each staff member.

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

Our business relies on our staff, our growers, our shareholders and our customers working together. The well-being, health and safety of all our people will continue as a key focus at both the Board and senior management level and this is being driven under our 'Together. Safer.' programme. This is practically applied 'on the ground' through:

- On site reminders of the importance of continually reviewing Health and Safety risks, through staff meetings, via posters, inclusion in the "Fresh Line" internal newsletter and other key visual elements at all branches;
- Development and roll-out of Ecoportal, a Health and Safety management tool, to ensure we comply with the current Health and Safety legislation as well as producing more relevant reports and managing Health and Safety for MG in a simple yet productive way;
- Employee well-being initiatives, where we work with and assist our staff to fulfil healthier lifestyles through, for example, a programme run by Synergy Health to assist in improving the health and well-being of our staff and their families. This is funded by MG and available to all staff and their families;
- Health and Safety Internal Audits are carried out on an annual basis in each branch.

We are also investing in the future of the business through initiatives that seek to attract new people both to the industry and into our business. Retaining and further upskilling our current team is an ongoing priority. Investment in our people is critical to ensuring we continue to provide the very best service to growers and customers alike.

Growing You

Now in its third year, the Growing You programme was introduced to create ways to develop a closer working relationship with MG's grower shareholders and add value through advice, industry knowledge, and information on new product developments.

Signature programmes under Growing You included Grower Workshops, the Graduate Programme, the Sales Academy Programme and our Director Internship. As development and training initiatives, their success is measured by the level of interest they generate. These programmes have proven themselves as an excellent way to engage with our growers, attracting new talent to the business and developing existing resources.

Grower Development Workshops

The workshops cover a range of relevant topics and include discussions about the opportunities and challenges facing our industry. They have evolved to include areas and issues such as environmental, science, succession planning, business management and health and safety for example. These workshops will be ongoing and tailored separately for the specifics of fruit and vegetable categories where appropriate. We have learnt much from these workshops and are looking at fine-tuning and enhancing them for the future.

Graduate Programme

We are fortunate in that we have been able to retain skilled people in our teams over the years. We do recognise, however, that there is an emerging 'quest for talent' as the business grows. In response to this, we developed our graduate programme to attract the next generation of talent into our industry. The MG graduate programme has now been operating for two years and has proven to be a valuable way of attracting new people into the business. We work closely with tertiary institutions to identify and attract three new graduates annually, with a view to retaining these graduates on a longer-term basis. Last year we had 170 applicants for three graduate positions. Based on the number and exceptional calibre of applicants over the past two years, MG is planning to increase the number of graduate positions next year.

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

Sales Academy

Launched this year, the Sales Academy is a successful way of promoting people within the business into sales roles. Up-skilling our current team is an ongoing process critical to ensuring staff development and staff retention, along with ensuring that the standard of service we provide to both growers and customers is exceptional.

Director Internship

The internship is designed for those who aspire to Director level roles and also serves to expand the future potential pool of candidates for the MG Board. As noted earlier in this review, Rebecca Turley joined MG in January 2016 as a non-voting, intern Director.

We have now advertised for the next position and look forward to continuing with this initiative.

MG in the Community

MG needs to be responsive to the community it serves. There is a natural alignment with fruit and vegetables and the health of the nation. MG has always supported a wide range of community and industry good initiatives, including the education and promotion of healthy eating by way of a significant sponsorship of United Fresh and the 5+ A day Charitable Trust programme. The Programme encourages all Kiwis to eat five or more servings of fresh fruit and vegetables a day.

MG also has a longstanding relationship with the Salvation Army.

In recognition of the importance of family to our grower and customer community, MG recently entered into a partnership with the Māia Health Foundation.

MG Marketing & Māia Health Foundation: ®Together. Stronger.

MG is proud to be one of ten Founding Business Partners of the Māia Health Foundation, a partnership that allows us to play an integral part in the largest health redevelopment in New Zealand's history, raising funds for essential projects to help get the right care, at the right time and in the right place.

There is a natural synergy between the two organisations as both focus on health and well-being of our communities – Māia from a medical perspective and MG through healthy eating.

One of the first priorities for Māia is to fundraise for the enhancements of the rooftop helipad at Christchurch Hospital. This will allow two helicopters to be on the roof at one time. In real-life terms this will eliminate the current average 13 minutes it takes to transfer patients from Hagley Park to the hospital. The enhancement includes a clinical support unit being built beside the helipad, allowing patients to receive immediate medical treatment on touchdown. Make no mistake, every minute counts for those who are seriously ill or injured, this addition will save lives.

Our support of Māia will also help see child and family friendly spaces created in Christchurch's new hospital. Essentially a replica of Starship Hospital in the South, these new facilities will provide a welcoming, homely environment to children from throughout New Zealand.

MG will be looking to involve staff and stakeholders in fundraising efforts. MG supplied fresh fruit and vegetables for the Māia Health Foundation Feast in August which raised over $250,000 toward the enhanced helipad and children's facilities projects.

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

Sustainability

Every year the environmental footprint of agriculture comes under greater scrutiny as consumers become increasingly environmentally conscious. MG is acutely aware of the importance of ensuring we adopt sustainable business best-practice and also impart, where possible, advice and assistance to our growers to assist them in adopting sustainable on-farm practice.

Most of what we do in-house is considered 'business as usual' and includes adopting energy efficient technology, reducing waste to landfill by directing food waste to farming and recycling where possible, use of water-cooled systems for refrigeration and working with partners on their sustainability programmes.

A good example of this partnership approach is with Dole, which is focussed on sustainability and working towards all products being accredited through the Rainforest Alliance. The Rainforest Alliance Certified Seal of Approval assures consumers they are buying a product that has been grown and harvested sustainably. Dole is also working with the New Zealand Sustainability Council to improve sustainable practices across the entire supply chain. Dole has also formed a partnership with the Motutapu Restoration Trust, established in 1994 to bring Motutapu Island, in the Hauraki Gulf, back to its original state and assist with the survival of endangered species through a reforestation project.

New Zealand Market

The New Zealand market remains as the cornerstone of our business. Domestically, we continue to grow achieving record results, both in terms of gross sales under management and net profit before tax.

The positive performance is the cumulative result of good operating performances in all divisions, a gain in market share across a number of categories and perhaps most significantly, the higher values of many fruit and vegetable lines.

The MG direct business model, now operating in both the North and South Islands, has also continued to make a significant and positive difference to many growers, suppliers and key customers.

MG is constantly looking for efficiency gains – a prime example of this is the grower delivery advice portal (GDA). Close to half of all growers are now using the GDA facility, which collectively represents in excess of 70% of all produce volume being pre-receipted online.

Last year the business purchased the T&G Global facility in Hamilton. This was based on the growth in the Waikato/Bay of Plenty area in order to provide suppliers with further customer opportunities in this region. In September this year we opened a new distribution and wholesale site in Tauranga to further strengthen our sales capabilities in this region, while our Christchurch branch building is being extended and expanded to cope with additional volume and business.

MG announced earlier in the year that it has partnered with RuralCo – a co-operative based in mid-Canterbury. This provides MG members with the ability to generate savings on farm supplies, fuel, power and fertiliser. If you want to learn more about this opportunity contact your MG procurement representative.

Shed Meetings - Communications

These are held every two years - they provide our senior management team with the opportunity to connect with our growers, discussing matters critical to the business, face-to-face. These shed meetings are very well received and in several instances have led to changes in the way in which we manage our business and the way in which we interact with growers.

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

Domestic Product Marketing

MG has never lost sight of the Co-operative's founding principles - to market domestic fruit and vegetables. Over the last 15 years the investment and focus of those principles has seen MG successfully grow its domestic business by over 150%. This has been very rewarding for the Co-operative and its shareholders and we are committed to its continued development. To achieve this growth MG has invested in many facets of the business.

Procurement resource is a vital component of this investment and through this our team maintains and creates sustainable supply programmes in partnership with growers and customers. Through more effective planning and communication, we are able to partner more effectively and work with our customers to maintain continuity of supply and manage peaks in production.

Complementing the growth of domestic produce has been the focus placed on business and category planning by our key account team with key customers, resulting in further growth opportunities for suppliers.

Our shareholding in both New Zealand Fruit Tree Company Limited and Zee Sweet Limited forms part of our overall investment in bringing to market better quality, taste and value to both growers and consumers alike. We also continue to invest in the acquisition and development of intellectual property, marketing rights and trademarks for a range of fruit and vegetable product categories.

Your Co-operative will continue to invest in the necessary infrastructure, resource and other areas of the business and industry where this will enhance the performance of the Company. Such investment is vital in protecting the ability of all grower shareholders to sell and market their product competitively for mutual success.

International Trading

The international trading division has had a satisfactory year, despite a very competitive marketplace. Apart from some minor logistical disruptions, MG's banana supply to market was vastly improved to that of last year. However, the market as a whole was over supplied for much of the year, with an increasing number of importers speculating on patronage and impacting on market returns.

MG is proud to have many recognised global produce suppliers. Dole, in particular, continues to be the leading brand in the market, providing a high quality product range of tropical fruit – bananas, pineapple and papaya.

Market share of other imported product lines has also improved during the year. The market experienced some supply and quality challenges throughout the year as a result of difficult growing conditions and time delays to market. Overall, MG continues to lead the import of products not grown domestically and those that are out of season, for which there is consumer demand. We will continue our focus on this key company segment to support our overall business proposition.

Supply partnerships with highly regarded international suppliers such as Sunkist, Dole, Mildura Fruit Co, Jasmine Vineyards as well as a number of family run businesses, provide MG with the necessary supply and support to meet the specific and discerning needs of our customers and consumers.

The import division continues to work on new supply regions and product opportunities. We recognise there is an on-going need to diversify and find new supply options to cope with weather, bio-security and supply variables.

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

Te Mata Exports 2012 Ltd

MG's joint venture export partner, Te Mata Exports, continues to build on its diversified product offering and leveraging off well-established relationships across all major trading regions. Apples remain the key product line and both volumes and returns were positive for the period. One of the real strengths of this business, however, comes from the ability to not only programme supply but also being nimble and being able to adapt to changing market conditions and seasonal variations. This has been enhanced through the product diversification strategy, providing a more meaningful relationship to our customers, which spans a calendar year across multiple product lines.

The business continues to explore new prospects, linking global opportunities through existing MG suppliers to Te Mata's reputable customer base and we see significant growth potential through expansion in the coming years.

United Flower Growers Ltd (UFG)

MG's joint venture flower business, UFG, had another record year in sales. In April 2017 UFG acquired the FloraMax flower auction business from T&G Global, bringing auction facilities in both Auckland and Christchurch. UFG has now integrated these businesses and the UFG network consists of auction and trading facilities in Auckland, Wellington and Christchurch, with trading facilities also in Dunedin and Invercargill.

This acquisition will also provide the flower industry with a consistent auction platform throughout New Zealand, accessible to all growers and customers through UFG's online connectivity, regional auction houses and distribution hubs.

UFG will continue to focus on its investment by streamlining processes, improving services to both suppliers and customers, having product consistency, improving logistics and the effective marketing of the New Zealand cut-flower industry along with encouraging demand for New Zealand grown flowers. In particular this focus will include new services to speed up the auction process and improvements in the cloud auction (online auction portal). These initiatives, along with the additional turnover, will provide further efficiencies and improved service delivery to the industry in the future.

Australian Market – LaManna Premier Group

Through a successful merger of the LaManna Group and Premier Fruits Group, LaManna Premier Group (LPG) was founded in July 2016. This cemented a decade long relationship between both companies, and thus formalised LPG's position as one of Australia's largest vertically integrated fresh produce supply chain companies.

LPG has an expanded national farming footprint, along with market and warehouse operations, located in each major Australian centre. LPG continues to build upon having a "stake in the ground" in each core category, whilst developing strategic grower and customer relationships.
Our core categories include:

- Bananas
- Tomatoes
- Melons
- Pumpkins
- Tropical fruits (mangoes and pineapples)
- Soft vegetables (capsicum, zucchini and eggplants)
- Citrus
- Avocado

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

Investment in all supply channels has and will continue to be our key focus, allowing LPG to market a grower's whole of crop and manage complex supply chains. This meets our three-stakeholder strategy, to satisfy suppliers (growers), customers and company (people). LPG's completion of stage one (5 hectares) of a three stage 25-hectare retractable roof farming operation in Lancaster, Victoria, is a prime example of our commitment to deliver on this strategy.

Quality also underpins the decision-making process throughout the business. The Quality and Technical team operates as a vital and independent function, supporting growers to improve their capabilities, drive efficiencies and provide high levels of communication to customers daily.

LaManna Premier Group – key facts

- Circa 330 million kilograms (approximately 20 million cartons) sold domestically and internationally
- Owned farming operations covering more than 1,700 hectares, supported by strategic relationships with some of Australia's leading Growers
- 37,000 m2 of national warehousing
- 5,700 pallet spaces for ripening
- Value adding capabilities in all states
- 10,000 m2 of central marketing selling floors – Australia's largest central market presence

Growing Together. Focusing on People and the Industry

LPG is committed to developing future talent by providing many opportunities for our team and growers. We continue to invest in learning and development opportunities through training initiatives. This includes short professional education courses in human resources, information technology, supply chain and other industry qualified programmes.

LPG is also involved in several peak body associations, which include all facets of marketing, retail and the supply chain spectrum such as the Produce Marketing Association (PMA) in partnership with MG Marketing, Australian Food Safety Science Centre and numerous fruit and vegetable Grower Associations. The aim is to contribute to the industry, and learn and engage with representatives to ensure we are up to date with industry advances.

Investing in Communities

LPG strives to make a difference in the local community by donating time, services and fresh produce. Ensuring that our people are part of the process, LPG makes a point to involve everyone and engage in community spirit. We work closely and maintain strong relationships with the Children's Cancer Centre at the Royal Children's Hospital, Melbourne University's Faculty of Business and Economics, Junior Football Clinics and Foodbank.

The Future

LPG aims to lead in our core categories, whilst continuing to develop our business platform and supply chain. With a focus on providing end-to-end solutions for growers and retailers, LPG continues to evaluate new technologies, product varieties and automation in systems. The LPG Board and Management are committed to a long term successful and sustainable business.

OUTLOOK

We remain, ®Together. Stronger.

As the marketing arm of the growers we work with, we acknowledge that we operate in highly competitive markets, across a high number of product categories, regions and climates.

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

Our continued delivery of positive results and the associated wealth creation for our shareholders speaks volumes for our strategies and is affirmation of the benefits of working as one co-operative. As we move through our 94th year as a co-operative business our ®Together. Stronger. philosophy continues to guide and inform our direction and our value proposition to our shareholders.

We have achieved a lot over the past year, with the successful merger of the LaManna Premier Group being a major area of focus. All of our subsidiary companies are well positioned for growth and strong bottom-line performance in the coming year. A priority moving forward is the continued growth of our domestic business, further consolidation of our Australian investment and the development of new product streams for export. It has been a period of real progress which now provides a very sound platform to enhance your Co-operative's growth into the future.

We will continue to invest in our people capabilities and to implement initiatives and programmes to develop and attract talent to our business, and provide real service to our grower suppliers and customers. We rely on our grower-shareholders and in turn, we are able and willing to assist with many aspects of our growers' business operations with the aim of enhancing their returns. This includes educational programmes for shareholders and growers through our 'Growing You' initiatives.

As a Board, your Directors will continue to focus on the strategic direction of the Group, its governance and ensuring that MG is prepared to face the many challenges that the industry provides as a whole. We would like to thank the Board for their drive and contribution this year in making MG the successful co-operative that it is today.

Our challenge, as with many businesses, remains to strike the right balance between supply and demand. We want to work with growers to improve productivity and efficiency through the supply chain. We will continue to adopt a collaborative approach to this, through planning of production and sales, along with the assessment and understanding of market risk.

We will also maintain our growth momentum through quality and technical support for growers, extending seasonal product availability, helping to improve yields through our innovative and industry leading IP programmes, improving communication and interaction with growers and customers, exploring cost-effective sales channels to market and the continued up-skilling, development and succession planning of our people and shareholders.

The future is bright and we are excited about what it holds. We acknowledge and thank our grower-shareholders for their on-going support and we look forward to proactively working with all our business partners in the future to ensure all stakeholders continue to grow and prosper.

Brian Gargiulo, MBE
Chairman

20 September 2017

Peter Hendry
CEO

20 September 2017

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2017

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2017.

For and on behalf of the Board of Directors:

B.D. Gargiulo, MBE Chairman	A.G. Fenton Director
20 September 2017	20 September 2017

Statement of comprehensive income

For the year ended 30 June

	Note	Group 2017 $'000	Group 2016 $'000
Revenue – sale of goods	11	570,413	305,876
Cost of sales		508,901	266,045
Gross profit		61,512	39,831
Other operating income	11	3,703	1,873
Administrative expenses	12	10,880	8,563
Other expenses		36,106	24,783
Results from operating activities		18,229	8,358
Finance income		51	82
Finance expense		2,954	1,659
Net finance costs		2,903	1,577
Profit before equity earnings and income tax		15,326	6,781
Share of profit of equity accounted investees	21	692	1,910
Profit before income tax		16,018	8,691
Income tax expense	15	4,409	2,885
Profit for the year		11,609	5,806
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences for foreign operations		39	(2,617)
Change in fair value of land and buildings		-	12,773
Effective portion of changes in the fair value of cash flow hedges		252	(164)
Income tax effect on changes in the fair value of cash flow hedges and land and buildings	15	(17)	(4,095)
Other comprehensive income for the period, net of income tax		274	5,897
Total comprehensive income for the year		**11,883**	**11,703**
Profit attributable to:			
Owners of the Company		10,620	5,798
Non-controlling interest		989	8
Profit for the year		**11,609**	**5,806**
Total comprehensive income attributable to:			
Owners of the Company		10,894	11,695
Non-controlling interest		989	8
Total comprehensive income for the year		**11,883**	**11,703**

The significant accounting policies and notes to the financial statements on pages 19 to 39 form part of and are to be read in conjunction with these financial statements.

Statement of changes in equity

For the year ended 30 June

Group	Share capital $'000	Revaluation reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Total reserves $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	16,685	26,242	(367)	(1,236)	24,639	50,169	1,644	93,137
Profit for the year	-	-	-	-	-	5,798	8	5,806
Other comprehensive income/(expense)	-	7,890	39	(2,585)	5,344	553	-	5,897
Total comprehensive income for the year	-	7,890	39	(2,585)	5,344	6,351	8	11,703
Transactions with owners, recorded directly in equity								
Dividends	313	-	-	-	-	(1,428)	(55)	(1,170)
Shares issued	5,733	-	-	-	-	(5,703)	-	30
Shares issued to Non-controlling Interest	-	-	-	-	-	-	423	423
Shares surrendered	(929)	-	-	-	-	-	-	(929)
Balance at 30 June 2016	21,802	34,132	(328)	(3,821)	29,983	49,389	2,020	103,194
Balance at 1 July 2016	21,802	34,132	(328)	(3,821)	29,983	49,389	2,020	103,194
Profit for the year	-	-	-	-	-	10,620	989	11,609
Other comprehensive income/(expense)	-	-	235	39	274	-	-	274
Total comprehensive income for the year	-	-	235	39	274	10,620	989	11,883
Transactions with owners, recorded directly in equity								
Dividends	369	-	-	-	-	(1,121)	-	(752)
Shares issued	4,346	-	-	-	-	(4,316)	-	30
Shares issued to Non-controlling Interest	-	-	-	-	-	-	15,711	15,711
Shares surrendered	(388)	-	-	-	-	-	-	(388)
Balance at 30 June 2017	26,129	34,132	(93)	(3,782)	30,257	54,572	18,720	129,678

The significant accounting policies and notes to the financial statements on pages 19 to 39 form part of and are to be read in conjunction with these financial statements.

Statement of financial position

As at 30 June

	Note	Group 2017 $'000	Group 2016 $'000
EQUITY			
Share capital	6	26,129	21,802
Reserves		30,257	29,983
Retained earnings		54,572	49,389
Total equity attributable to equity holders of the Parent Company		110,958	101,174
Non-controlling interests		18,720	2,020
Total equity		129,678	103,194
NON-CURRENT ASSETS			
Property, plant and equipment	8	121,373	99,190
Intangible assets	9	57,716	33,170
Investments in equity accounted investees	21	6,277	6,913
Trade and other receivables	5 (b)	2,479	14,146
Deferred tax assets	15	5,017	3,436
Total non-current assets		192,862	156,855
CURRENT ASSETS			
Inventories	10	7,326	4,811
Trade and other receivables	5 (b)	63,904	32,227
Cash and cash equivalents	5 (a)	13,035	3,476
Total current assets		84,265	40,514
Total assets		277,127	197,369
NON-CURRENT LIABILITIES			
Borrowings	5 (c)	56,235	32,078
Trade and other payables	5 (c)	925	1,424
Deferred tax liabilities	15	7,341	7,616
Total non-current liabilities		64,501	41,118
CURRENT LIABILITIES			
Borrowings	5 (c)	1,444	31
Trade and other payables	5 (c)	79,908	52,333
Taxation payable		1,596	693
Total current liabilities		82,948	53,057
Total liabilities		147,449	94,175
NET ASSETS		129,678	103,194

The significant accounting policies and notes to the financial statements on pages 19 to 39 form part of and are to be read in conjunction with these financial statements.

Statement of cash flows

For the year ended 30 June

	Group 2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Cash receipts from customers	563,213	306,841
Dividends received	578	1,946
Interest received	63	81
Cash was applied to:		
Cash paid to suppliers and employees	(537,234)	(294,239)
Interest paid	(2,355)	(1,490)
Income tax paid	(3,803)	(2,560)
Net cash from operating activities	20,462	10,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of property, plant and equipment	3,142	21
Proceeds from loans and advances	371	424
Cash was applied to:		
Acquisition of property, plant and equipment	(18,498)	(12,042)
Acquisition of intangible assets	(1,223)	(2,040)
Acquisition of subsidiary, net of cash acquired	(8,554)	-
Net cash (used in) investing activities	(24,762)	(13,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Proceeds from issue of share capital	30	453
Proceeds from bank and other borrowings	45,310	11,108
Proceeds from other receivables	894	790
Cash was applied to:		
Shares surrendered	(388)	(929)
Repayment of borrowings	(30,147)	(10,656)
Dividends paid	(752)	(936)
Loans and advances to other receivables	(1,160)	(1,189)
Net cash from / (used in) financing activities	13,787	(1,359)
Net increase / (decrease) in cash and cash equivalents	9,487	(4,417)
Cash and cash equivalents at 1 July	3,476	8,007
Effect of exchange rate fluctuations on cash held	72	(114)
Cash and cash equivalents at 30 June	13,035	3,476

The significant accounting policies and notes to the financial statements on pages 19 to 39 form part of and are to be read in conjunction with these financial statements.

Statement of cash flows (continued)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Profit for the year	11,609	5,806
Adjustments for:		
Depreciation	5,741	3,548
Change in derivatives recognised in hedging reserve	252	(141)
(Increase) in deferred tax on reserves	(17)	(4,095)
(Increase) / decrease in future taxation benefit	(717)	3,536
Equity accounted earnings of equity accounted investees	(114)	463
(Gain) / Loss on fixed assets disposals	(822)	5
Movement in equity accounted investee upon liquidation	-	844
Other	76	36
	4,399	4,196
Impact of changes in working capital items:		
Change in inventories	(2,515)	534
Change in trade and other receivables	(20,010)	(1,810)
Change in taxation receivable / payable	903	526
Change in trade and other payables	26,076	1,327
	4,454	577
Net cash from operating activities	20,462	10,579

The significant accounting policies and notes to the financial statements on pages 19 to 39 form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

REPORTING ENTITY

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 Entity for the purposes of the Financial Markets Conduct Act 2013 and prepares its financial statements in accordance with that Act and the Financial Reporting Act 2013.

The consolidated financial statements are for Market Gardeners Limited and its subsidiaries and Market Gardeners interests in associates and joint arrangements as at the and for the year ended 30 June 2017 (together referred to as "Market Gardeners" or "Group").

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.

BASIS OF PREPARATION

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

The financial statements are prepared for the 52-week period ending 30 June 2017 (2016: 52-week period ending 1 July 2016). This is done to ensure comparability given the weekly trading cycles of the Parent and Group. For simplicity the financial statements and accompanying notes will be presented and referred to as 30 June 2017 year end.

STATEMENT OF COMPLIANCE

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

BASIS OF MEASUREMENT

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of consolidation and accounting for associates and joint arrangements

(i) Subsidiaries

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

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

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

(iii) Transactions eliminated on consolidation

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

(iv) Step acquisitions from significant influence to control

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

Notes to the financial statements (continued)

2. Foreign currency

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

(iii) Hedge of net investment in foreign operation

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

3. Fair Value hierarchy

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

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

4. Use of estimates and judgements

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

(i) Revaluation of land and buildings

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

(ii) Impairment of non-financial/intangible assets

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

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

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

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

Notes to the financial statements (continued)

5. Working capital

Non-derivative financial instruments

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

(b) Loan and receivables

Loan and receivables consist of trade and other receivables.

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

	Group	
	2017	**2016**
	$'000	**$'000**
Non-current		
Other receivables	2,479	19,793
Provision for other receivables	-	(5,647)
Total non-current trade and other receivables	2,479	14,146
Current		
Trade receivables	45,983	25,653
Other receivables	23,138	6,574
Provision for other receivables	(5,217)	-
Total current trade and other receivables	63,904	32,227
Total trade and other receivables	66,383	46,373

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

As detailed in the above table a provision was taken up in prior years against other receivables. When the receipt of other receivables, including any associate receivable, is deferred and / or interest is not paid, then a provision is raised to reflect the fair value discount against the carrying value of the receivable. The fair value discount provision balance as at 30 June 2017 was $1,070,000 (2016: $1,500,000).

The ageing of trade receivables is as follows:	Group	
	2017	**2016**
	$'000	**$'000**
Not past due	44,309	24,497
Past due 1-30 days	1,612	1,107
Past due 31-60 days	334	443
Past due 61-90 days	655	275
Past due greater than 91 days	357	551
Total trade receivables (gross)	47,267	26,873
Provision for doubtful debts	(1,284)	(1,220)
Total trade receivables (net)	45,983	25,653

Notes to the financial statements (continued)

5. Working capital (continued)

(c) Financial liability at amortised cost

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

Trade and other payables

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

	Group	
	2017 $'000	**2016 $'000**
Non-current		
Other payables	286	1,107
Employee benefits	639	317
Total non-current trade and other payables	925	1,424
Current		
Trade and other payables	69,202	45,526
Employee benefits	10,706	6,807
Total current trade and other payables	79,908	52,333
Total trade and other payables	80,833	53,757

Employee benefits, as disclosed above, are accounted for as disclosed in Note 13, but are included within the "trade and other payables" balance – they are not financial liabilities at amortised cost.

Payables denominated in currencies other than the functional currency comprise $22,635,000 (2016: $13,834,000) of trade payables denominated in Australian dollars and $1,694,000 (2016: $1,774,000) of trade payables denominated in US dollars.

Interest-bearing borrowings

Interest-bearing borrowings are subsequently stated at amortised cost using the effective interest rate method. In 2017 the effective interest rate on bank balances for the Group was 3.24% (2016: 4.33%).

	Group	
	2017 $'000	**2016 $'000**
Non-current liabilities		
Secured bank loans and other liabilities	53,384	29,436
Redeemable "D" shares	2,851	2,642
	56,235	32,078
Current liabilities		
Current portion of secured bank loans and other liabilities	1,444	31
	1,444	31
Total borrowings	57,679	32,109

The bank loans are secured over land and buildings with a carrying amount of $100,527,000 (2016: $89,705,000).

"D" shares issued under a prospectus dated 14 November 2013 have been classified as non-current liabilities (2016: non-current liabilities) on the basis that the Parent Company and Group has an obligation to pay a minimum fixed dividend and may be redeemed for cash at the end of their term at the option of the shareholder. All shares have a nominal value of $1.00 as permitted by the Co-operative Companies Act 1996. "D" shares carry the right to an annual dividend of 6% gross of imputation credits or the same dividend declared on "A" shares, whichever is the higher. Dividends on "D" shares are accumulating in the event that there are insufficient profits to declare the required dividend and take priority to the dividends on "A" shares. Any outstanding payment for "D" share dividends shall rank ahead of all other payments to "A", "B" and "C" shareholders.

On 6 July 2017 the directors declared a fully taxable special bonus issue of 1 new "D" share for every existing 15 "D" shares (2016: 1 new "D" share for every 20 existing "D" shares). A final dividend of 6 cents per "D" share (2016: 6 cents per "D" share) was also declared. This special bonus issue and dividend were accounted for in the period they were declared, namely the 30 June 2018 financial statements. This final dividend was issued from retained earnings upon completion at the 2017 Annual Meeting. No interim dividend was declared in the year to 30 June 2017 (2016: $Nil).

Notes to the financial statements (continued)

5. Working capital (continued)

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

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

Group 2017	Balance sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Borrowings	57,679	60,262	1,354	2,087	56,821	-	-
Trade and other payables (1)	80,362	80,362	74,968	4,755	139	310	190
Total financial liabilities	138,041	140,624	76,322	6,842	56,960	310	190
Group 2016							
Borrowings	32,109	35,357	721	720	1,465	32,451	-
Trade and other payables (1)	53,103	53,103	48,639	3,147	1,064	136	117
Total financial liabilities	85,212	88,460	49,360	3,867	2,529	32,587	117

(1) = excluding derivative financial liabilities

6. *Share capital*

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

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

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

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

	Rebate Shares (Number '000 / $'000)			
	A Shares	B Shares	C Shares	Total
Balance at 1 July 2015	13,267	2,423	995	16,685
Shares issued	1,638	2,417	1,991	6,046
Shares transferred	1,425	556	(1,981)	-
Shares surrendered	(904)	(19)	(6)	(929)
Balance at 30 June 2016	15,426	5,377	999	21,802
Balance at 1 July 2016	15,426	5,377	999	21,802
Shares issued	1,164	2,151	1,400	4,715
Shares transferred	1,338	61	(1,399)	-
Shares surrendered	(347)	(34)	(7)	(388)
Balance at 30 June 2017	17,581	7,555	993	26,129

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

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

Notes to the financial statements (continued)

6. *Share capital (continued)*

Each holder of "A" shares has one vote for each "A" share up to a maximum of 1,000 votes if 1,000 or more "A " shares are held by that holder. Such voting rights are suspended if the shareholder has not transacted a minimum level of business (i.e. is therefore not a Current Producer as defined in the Parent Company's constitution) with the Parent Company or a subsidiary over a period of three years until such time as the shareholder achieves the minimum level of business of $10,000 of produce sales in any one year in or on average over a rolling three year period.

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

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

Upon winding up all "A", "B" and "C" shareholders rank equally with regard to the Parent Company's residual assets.

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

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

All shares are surrendered at the lesser of their nominal value of $1.00 or the amount paid up on those shares. Where a shareholder holds over 100,000 and up to 1,000,000 shares, the surrender of those shares shall be made in instalments of 100,000 shares payable initially on the approval of the surrender application and thereafter on each anniversary of that approval until paid in full (with the final payment being the remaining balance outstanding). For holdings over 1,000,000 shares the surrender will be made in 10 equal instalments with the first payment being made on the approval of the surrender application and thereafter on each anniversary of that approval until paid in full. Where a shareholder holds under 100,000 shares, the surrender payment shall be made in full upon the approval of the surrender application. All surrenders are subject to the provisions of the Companies Act 1993, the Co-operative Companies Act 1996, bank facility requirements and restrictions, and the solvency test.

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

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

Special bonus issue (2017)

On 6 July 2017 the Directors declared a fully imputed taxable special bonus issue of;

- 1 new "A" share for every 15 existing "A" shares;
- 1 new "B" share for every 3 existing "B" shares;
- 1 new "C" share for every 3 existing "C" shares;

for the year to 30 June 2017. The special bonus issue was accounted for in the period it was declared, namely the year ended 30 June 2018 and occurred prior to the distributions detailed below.

Special bonus issue (2016)

On 7 July 2016 the Directors declared a fully imputed taxable special bonus issue of;

- 1 new "A" share for every 20 existing "A" shares;
- 2 new "B" shares for every 5 existing "B" shares;
- 2 new "C" shares for every 5 existing "C" shares;

for the year to 30 June 2016. The special bonus issue was accounted for in the period it was declared, namely the year ended 30 June 2017 and occurred prior to the distributions detailed below.

Supplier shareholder rebate (2017)

On 6 July 2017, a taxable rebate of $250,000 was declared by the Directors for the year to 30 June 2017 (2016: $250,000) which is to be applied by the Parent Company in paying up in full "C" shares of the Parent Company to be issued at $1.00 each upon completion at the 2017 Annual Meeting. The rebate was accounted for in the period it was declared, namely the year ended 30 June 2018.

Bonus issue on supplier shareholder rebate (2017)

On 6 July 2017, the directors declared a three for one (3 for 1) bonus issue on the above "supplier shareholder rebate (2017)". The bonus issue was accounted for in the period it was declared, namely the year ended 30 June 2018 (the bonus issue for the year ended 30 June 2016 was three for one (3 for 1)).

Notes to the financial statements (continued)

6. *Share capital (continued)*

Final dividend (2017)

On 6 July 2017 the Directors declared a fully imputed taxable gross final dividend of 6 cents per "A" share (2016: 6 cents per "A" share). This final dividend was issued from retained earnings upon completion at the 2017 Annual Meeting. This final dividend was accounted for in the period the dividend is actually declared, namely the 30 June 2018 financial statements. No interim dividend was declared in the year to 30 June 2017 (2016: $Nil).

7. Reserves

(i) Foreign currency translation reserve

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

(ii) Revaluation reserve

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

(iii) Hedging reserve

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

8. Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

(iv) Capital work in progress

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

(v) Leased assets

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

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

Notes to the financial statements (continued)

8. Property, plant and equipment (continued)

(vi) Impairment of property, plant and equipment

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

For land and buildings, impairment loss is recognised in profit or loss, except to the extent that it offsets a previous revaluation surplus recognised in the asset revaluation reserve, in which case the impairment loss is recognised in other comprehensive income. For all other items of property, plant and equipment, impairment losses are recognised in profit or loss.

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

Group	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Cost or valuation						
Balance at 1 July 2015	73,493	2,447	3,225	23,377	95	102,637
Additions	9,837	739	271	1,194	1	12,042
Disposals	(24)	(86)	(165)	(56)	(18)	(349)
Revaluations	7,913	-	-	-	-	7,913
Reclassification	272	-	(21)	(180)	(71)	-
Effect of movements in exchange rates	(808)	(119)	(68)	(914)	-	(1,909)
Balance at 30 June 2016	90,683	2,981	3,242	23,421	7	120,334
Balance at 1 July 2016	90,683	2,981	3,242	23,421	7	120,334
Additions	10,193	1,344	530	3,452	3,175	18,694
Disposals	(2,385)	(441)	(494)	(919)	-	(4,239)
Reclassification	191	-	-	(191)	-	-
Additions through acquisition	7,656	371	252	5,939	4,357	18,575
Effect of movements in exchange rates	25	5	(13)	18	(23)	12
Balance at 30 June 2017	106,363	4,260	3,517	31,720	7,516	153,376
Accumulated depreciation						
Balance at 1 July 2015	4,047	1,492	2,900	15,180	-	23,619
Depreciation for the year	1,881	337	180	1,150	-	3,548
Disposals	(20)	(61)	(161)	(33)	-	(275)
Revaluations	(4,882)	-	-	-	-	(4,882)
Effect of movements in exchange rates	(48)	(93)	(60)	(665)	-	(866)
Balance at 30 June 2016	978	1,675	2,859	15,632	-	21,144
Balance at 1 July 2016	978	1,675	2,859	15,632	-	21,144
Depreciation for the year	2,837	584	291	2,029	-	5,741
Disposals	(843)	(384)	(483)	(210)	-	(1,920)
Reclassification	71	-	-	(71)	-	-
Additions through acquisition	2,790	32	252	3,952	-	7,026
Effect of movements in exchange rates	3	5	(10)	14	-	12
Balance at 30 June 2017	5,836	1,912	2,909	21,346	-	32,003

Notes to the financial statements (continued)

8. Property, plant and equipment (continued)

Carrying amounts						
At 1 July 2015	69,446	955	325	8,197	95	79,018
At 30 June 2016	89,705	1,306	383	7,789	7	99,190
At 1 July 2016	89,705	1,306	383	7,789	7	99,190
At 30 June 2017	100,527	2,348	608	10,374	7,516	121,373

Leased plant and equipment

The Group leases certain plant and equipment under a number of finance lease arrangements. The net carrying amount of this leased plant and equipment was $2,756,000 (2016: $765,000).

Land and buildings

Land and buildings include leasehold improvements and leasehold entitlements. Land and buildings were revalued to fair value as at 30 June 2016 based on the valuations provided as at that date by the following registered, independent valuers: Duke and Cooke Ltd, Truebridge Partners, Chadderton Valuation, Herron Todd White, Valuecorp, Colliers International. The Directors consider that the fair value of land and buildings is accurately represented by the current carrying value. Land and buildings are both categorised as level 3 in the fair value hierarchy. Fair value of land and buildings was determined by using the following methods:

Investment/Income Approach
This approach capitalises the actual contract and / or potential income at an appropriate market derived rate of return. Capitalisation rates applied range from 6.0% to 11.0% (2016: 6.0% to 11.0%). The valuations are sensitive to the capitalisation rate in that increases in the relative rates have the impact of decreasing the valuation and vice versa.

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

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

If the land and buildings were measured using the cost model then the carrying value would be $62,890,000 (2016: $48,753,000) for the Group.

9. Intangible assets

(i) Goodwill

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

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

(ii) Brand

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

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

(iii) Other

Other includes acquisition of marketing agreements, patents and trademarks. Such assets are recorded at cost at the date of acquisition.

Marketing agreements are deemed to have an indefinite life and therefore are not amortised but subject to an annual impairment test.

Notes to the financial statements (continued)

9. Intangible assets (continued)

(iv) Impairment of intangible assets

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

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

Group	Goodwill $'000	Brand $'000	Other $'000	Total $'000
Cost				
Balance at 1 July 2015	19,052	12,177	9	31,238
Acquisition of marketing agreements	-	-	4,038	4,038
Effect of movements in exchange rates	(1,265)	(832)	-	(2,105)
Balance at 30 June 2016	17,787	11,345	4,047	33,179
Balance at 1 July 2016	17,787	11,345	4,047	33,179
Business acquisition	20,988	-	-	20,988
Stepped acquisition and other adjustments	3,422	-	-	3,422
Effect of movements in exchange rates	118	18	-	136
Balance at 30 June 2017	42,315	11,363	4,047	57,725
Accumulated amortisation and impairment losses				
Balance at 1 July 2015	-	-	8	8
Amortisation for the year	-	-	1	1
Balance at 30 June 2016	-	-	9	9
Balance at 1 July 2016	-	-	9	9
Amortisation for the year	-	-	-	-
Balance at 30 June 2017	-	-	9	9
Carrying amounts				
At 1 July 2015	19,052	12,177	1	31,230
At 30 June 2016	17,787	11,345	4,038	33,170
At 1 July 2016	17,787	11,345	4,038	33,170
At 30 June 2017	42,315	11,363	4,038	57,716

With the exception of $357,000 of goodwill, which relates to the New Zealand cash generating unit, the goodwill and the indefinite life brand intangible asset of the Group have been allocated to the Australian operation cash generating unit (CGU). Previously the Group has assessed goodwill using an earnings multiple approach, this has been amended for 30 June 2017 to be based on discounted cashflows as this deemed to be a more accurate reflection of the new Australian Group.

Determining the recoverable amount of the Australian operation cash CGU involves estimating future cash flows. The cash flows, which have been estimated by management over the next 5 years, are adjusted for future growth based on historical inflation and discounted at a post-tax discount rate of 9 – 13 % to arrive at the present value, or recoverable amount. This constitutes a level 3 measurement in the fair value hierarchy.

The key inputs and assumptions used in the calculation of recoverable amounts were:

Annual growth rate	3%
Post-tax discount rate	9 and 13%
Normalised maintainable EBITDA	$8.4 million
Terminal growth rate	2.5%
Project synergies in relation to the merged Australian businesses	Calculated based on the known synergies from the merged business units, annualised and adjusted for the discount and growth rates

Notes to the financial statements (continued)

9. Intangible assets (continued)

Normalised maintainable EBITDA is determined based on the FY2018 budgeted EBITDA of the Australian CGU adjusted for non-core business transactions.

The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss (2016:$Nil) was recognised. The estimated recoverable amount of the Australian CGU using the above assumptions and inputs is higher than its carrying amount by $4.9 million (2016: $4.2 million using the previously adopted earnings multiple basis) (the headroom).

Changes in the key assumptions would result in the following levels of headroom:

Key assumption	Movement of:	Reduced Headroom	**Headroom using assumptions adopted**	Increased Headroom
Annual growth rate	+/- 1%	$3.1 million	**$4.9 million**	$6.8 million
Post-tax discount rate	+/- 0.5%	$1.0 million	**$4.9 million**	$9.5 million
Terminal growth rate	+/- 0.5%	$2.0 million	**$4.9 million**	$8.3 million

The fair value less costs to sell of the marketing agreements has been estimated using a discounted cash flow methodology.

10. Inventories

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

	Group	
	2017 $'000	**2016 $'000**
Inventory	7,326	4,811
Inventory subject to contract	1,831	2,265
Amount due to supplier	(1,831)	(2,265)
	7,326	4,811

In 2017 inventories recognised as cost of sales amounted to $445,977,000 (2016: $227,306,000) for the Group.

11. Revenue and other operating income

(i) Revenue – sale of goods

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

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

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

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

In 2017 gross sales under management, which represent the value of traded product and the gross value of sales made as agent, for the Group were $894,336,000 (2016: $588,762,000).

(ii) Other operating income – rental income, gain on sale of property, plant and equipment and sundry income

Rental income from property is recognised in the profit or loss on a straight-line basis over the term of the lease. In 2017 rental income for the Group was $2,719,000 (2016: $1,869,000).

In 2017 gain on sale of property, plant and equipment was $822,000 (2016: $Nil).

Notes to the financial statements (continued)

12. Auditor remuneration

	Group	
Auditor's remuneration comprises:	**2017 $'000**	**2016 $'000**
For audit work:		
• to Market Gardeners Limited and subsidiaries (KPMG)	85	72
• to LaManna Premier Group Pty Limited (formerly LaManna Bananas Pty Ltd) and subsidiaries (Pitcher Partners)	210	85
For other services:		
• to Market Gardeners Limited and subsidiaries (KPMG)	2	2
• to Market Gardeners Limited (BDO)	6	6
• to LaManna Premier Group Pty Limited (formerly LaManna Bananas Pty Ltd) and subsidiaries (Pitcher Partners)	31	45
Total auditor's remuneration	334	210

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

13. Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii)Short-term employee benefits

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

	Group	
	2017 $'000	**2016 $'000**
Wages and salaries	67,188	44,189
Contributions to defined contribution superannuation plans	3,877	2,272
Increase in liability for long-service leave	487	131
Total personnel expenses	71,552	46,592

14. Leases

(i) Group as a lessee

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. During the year ended 30 June 2017 $8,543,000 (2016: $4,589,000) was recognised as an expense in profit or loss in respect of operating leases for the Group.

Notes to the financial statements (continued)

14. Leases (continued)

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017 $'000	2016 $'000
Less than one year	6,038	3,435
Between one and five years	11,719	3,717
More than five years	4,374	561
	22,131	7,713

(ii) Group as a lessor

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

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

	Group	
	2017 $'000	2016 $'000
Less than one year	1,937	1,867
Between one and five years	2,499	2,685
More than five years	491	8
	4,927	4,560

15. Income tax

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

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

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

Deferred tax is not recognised for the following temporary differences:

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

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

Income tax	Group	
	2017 $'000	2016 $'000
Current tax expense	5,214	3,425
Prior period adjustment to current tax	87	19
	5,301	3,444
Deferred tax – origination and reversal of temporary differences	(892)	(559)
Tax (credit)/expense	(892)	(559)
Total income tax expense	4,409	2,885

Notes to the financial statements (continued)

15. Income tax (continued)

Reconciliation of income tax expense

	Group 2017 $'000	Group 2016 $'000
Profit before tax	16,018	8,691
Income tax using the Parent Company's domestic tax rate (28%)	4,485	2,433
Add/(deduct) taxation effect of:		
Effect of tax rates in foreign jurisdictions	91	(5)
Tax impact of equity accounted investees	66	191
Non-deductible expenses	398	297
Tax exempt income	(318)	(70)
Group loss offset	-	-
Current year losses for which no deferred tax asset is recognised	84	82
Under/(over) provided in prior periods	(232)	(22)
Prior year losses for which no deferred tax was recognised	(165)	(21)
Total income tax expense	4,409	2,885

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Property, plant and equipment	-	-	(6,656)	(6,877)	(6,656)	(6,877)
Provisions and other	5,017	3,436	(685)	(739)	4,332	2,697
Tax assets/(liabilities)	5,017	3,436	(7,341)	(7,616)	(2,324)	(4,180)

Movement in temporary differences during the year

Group	Balance 1 July 15 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 16 $'000
Property, plant and equipment	(2,927)	78	(4,028)	(6,877)
Provisions and other	2,283	481	(67)	2,697
	(644)	559	(4,095)	(4,180)

Group	Balance 1 July 16 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 17 $'000
Property, plant and equipment	(6,877)	221	-	(6,656)
Provisions and other	2,697	1,652	(17)	4,332
	(4,180)	1,873	(17)	(2,324)

Imputation credits

The imputation credits are available to shareholders of the Parent Company:

	Group 2017 $'000	Group 2016 $'000
Through the Parent Company	12,548	11,424
Through subsidiaries	246	255
Imputation credits at 30 June	12,794	11,679

Notes to the financial statements (continued)

16. Financial risk management

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

Credit risk

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

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

Liquidity risk

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

Market risk

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

Interest rate risk

The group is exposed to interest rate risk on its bank borrowings, which are at floating rates. The group manages interest rate risk through policies determined by the board. The group has entered into interest rate swaps, denominated in Australian and New Zealand dollars, with a notional value of $29,504,000 (2016: $17,097,000) to achieve an appropriate mix of fixed and floating rates. The Group classifies interest rate swaps as cash flow hedges.

Foreign currency risk

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

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

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

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

	2017 AUD $'000	2016 AUD $'000
Investment foreign currency risk		
Net investment (including intangible assets that arise on consolidation) in Australian operations	53,861	35,902
Foreign currency denominated borrowings		
Secured bank borrowings	(17,714)	(4,350)
Net unhedged exposure	36,147	31,552

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased (2016: increased) the Group's profit before income tax by approximately $46,000 for the year ended 30 June 2017 (2016: $3,000). The Group policy of entering into forward exchange contracts has been allowed for in this calculation. The impact of such a foreign currency movement is generally mitigated by a similar movement in the pricing of the associated produce sold.

Notes to the financial statements (continued)

16. Financial risk management (continued)

Capital management

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

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

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

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

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

Hedging

Hedge of net investment in foreign operation

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

17. Capital Commitments

As at 30 June 2017 the Group had capital commitments of $2,020,000 in respect of building extensions and fit-out in Christchurch and Tauranga (30 June 2016: $Nil).

18. Contingencies

The Group had the following contingencies.

Trade indemnities and guarantees issued by the Group amount to $1,950,000 for associate companies (2016: $1,550,000).

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

19. Related parties

The immediate parent and ultimate controlling party of the Group is Market Gardeners Limited.

From time to time the Group makes advances to associates. Such advances are not interest bearing where they are considered to be part of the investment or are otherwise interest bearing at the parent company's average cost of borrowing.

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

	Group	
	2017 $'000	**2016 $'000**
Transactions with associates and joint arrangements		
Sales of goods and services	5,355	5,421
Purchases of goods and services	23,801	22,996
Closing advances/receivables	13,166	13,185
Closing loans/payables	3,656	1,812

For the year ended 30 June 2017 there has been no expense recognised or any movement in provisions relating to outstanding balances with associates (2016: $Nil expense / movement).

In New Zealand, the Parent Company is a participating employer in a defined contribution superannuation fund. In Australia LaManna Premier Group make superannuation contributions in accordance with Australian legislative requirements. During the year the Group made employer contributions to the fund as disclosed in note 13.

The Group does not guarantee the performance or value of any superannuation fund which are operated by third party superannuation funds.

Notes to the financial statements (continued)

19. Related parties (continued)

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.

Key management personnel compensation comprised:	**2017 $'000**	**2016 $'000**
Director's fees and remuneration	1,332	1,227
Short-term employee benefits	3,976	2,347

Other transactions with key management personnel	**2017**	**2016**
	$'000	**$'000**
Gross value of Directors' sales	15,242	26,052
Commission charged on Directors' sales (as above)	1,830	3,126
Gross value of Directors' other transactions (prepacking services, sundry expense recharges and sundry other expenses)	68	14
Amounts owing to key management personnel as a result of the above transactions	70	438

20. Subsidiary with material non-controlling interest – LaManna Premier Group Pty Ltd (formerly LaManna Bananas Pty Ltd)

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

(a) Summarised statement of financial position	**2017 $'000**	**2016 $'000**
Total equity	49,411	19,913
Total non-current assets	63,548	23,252
Total current assets	39,012	24,211
Total assets	102,560	47,463
Total non-current liabilities	18,127	13,266
Total current liabilities	35,022	14,284
Total liabilities	53,149	27,550
NET ASSETS	49,411	19,913
(b) Summarised statement of comprehensive income		
Profit for the year	3,091	195
Other comprehensive income for the year	237	(56)
Total comprehensive income for the year	3,328	139

Notes to the financial statements (continued)

21. Group entities

(i) Significant subsidiaries	**Country of incorporation and principal place of business**	**2017 %**	**2016 %**	**Balance date**	**Principal activity**
Hansons Lane International Holdings Ltd	New Zealand	100	100	30 June	Investment Holding
Blackbyre Horticulture Ltd	New Zealand	100	100	30 June	Property Holding
Market Fresh Wholesale Ltd	New Zealand	100	100	30 June	Property Holding
Phimai Holdings Ltd	New Zealand	100	100	30 June	Property Holding
Southland Produce Markets Ltd	New Zealand	100	100	30 June	Property Holding
MG Group Holdings Ltd	New Zealand	100	100	30 June	Asset Holding
Market Gardeners (USA) Inc.	USA	100	100	30 June	Produce Sourcing and Exporting
LaManna Premier Group Pty Ltd (formerly LaManna Bananas Pty Ltd)	Australia	68	96	30 June	Produce Wholesale
LaManna Bananas (Adelaide) Pty Ltd	Australia	100	100	30 June	Produce Wholesale
Australian Banana Company Pty Ltd	Australia	100	100	30 June	Produce Packing & Wholesale
Carbis Bananas Pty Ltd	Australia	100	100	30 June	Investment Holding
LaManna Group Holdings Three Pty Ltd	Australia	100	100	30 June	Investment Holding
Lambells Properties Pty Ltd	Australia	100	100	30 June	Property Holding
Premier Fruits Group Pty Ltd	Australia	100	-	30 June	Produce Wholesale
GV Agri Services Pty Ltd	Australia	100	-	30 June	Asset Holding
Fresh Choice W.A. Pty Ltd	Australia	100	50	30 June	Produce Wholesale

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

United Flower Growers Ltd (2)	New Zealand	50	50	30 June	Flower Wholesale
Te Mata Exports 2012 Ltd (2)	New Zealand	50	50	31 Dec	Produce Exporting
J. S. Ewers Ltd (1)	New Zealand	-	-	31 Mar	Produce Grower
Zee Sweet Limited (1)	New Zealand	33	33	31 Dec	Horticulture
New Zealand Fruit Tree Company Limited (1)	New Zealand	22	22	31 Dec	Horticulture
Darwin Fruit Farms Pty Ltd (formerly Darwin Banana Farming Co. Pty Ltd) (2)	Australia	50	50	30 June	Tropical fruit Production
Innisfail Banana Farming Co. Pty Ltd (2)	Australia	50	50	30 June	Banana Production
Col Johnson Pty Ltd (2)	Australia	50	-	30 June	Produce Wholesale

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

The interests in the Australian incorporated companies detailed in the table above are the actual interests held by the Group. As LaManna Premier Group Pty Ltd is a 68 % (2016: 96%) owned subsidiary company, all of its subsidiaries are effectively 68% (2016: 96%) owned by the Group and its associate companies, Darwin Fruit Farms Pty Ltd (formerly Darwin Banana Farming Company Pty Ltd), Col Johnson Pty Ltd and Innisfail Banana Farming Company Pty Ltd are effectively 34% (2016: 48%) owned by the Group.

The Group's share of profit in its equity accounted investees for the year was $692,000 (2016: $1,910,000).

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

Notes to the financial statements (continued)

21. Group entities (continued)

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

	Pre-tax Profit/(loss) from continuing operations $'000	Post-tax Profit/(loss) from discontinued operations $'000	Other comprehensive income $'000	Total Post-tax Comprehensive income $'000	Carrying amount $'000
2017	4,259	-	-	2,926	6,277
2016	5,563	-	-	4,324	6,913

22. Accounting standards issued but not yet effective

A number of new standards, amendments and interpretations that could be expected to have a material impact on the financial statements, which are not yet effective for the year ended 30 June 2017 and have not been applied in preparing these financial statements, are detailed below. At the time of the annual report the impact of each relevant standard had not yet been determined:

- NZ IFRS 9 (2014) *Financial Instruments* addresses the classification, measurement and derecognition of financial assets, financial liabilities, impairment of financial assets and hedge accounting. The application date of standard is 1 January 2018. The application date for the Group is 1 July 2018.
- NZ IFRS 15 *Revenue from Contacts with Customers* replaces NZ IAS 11 *Construction Contracts*, NZ IAS 18 *Revenue* and related revenue interpretations. The core principle of NZ IFRS 15 is that an entity recognises revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The application date of standard is 1 January 2018. The application date for the Group is 1 July 2018.
- *Statement of Cash Flows (Amendments to NZ IAS 7)*.These amendments require an entity to provide disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The application date of the standard is 1 January 2017. The application date for the Group is 1 July 2017.
- NZ IFRS 16 Leases (will replace NZ IAS17 Leases, NZ IFRIC 4 Determining whether an Arrangement contains a Lease, NZ SIC 15 Operating Leases-Incentives and NZ SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). NZ IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17. The application date of the standard is 1 January 2019. The application date for the Group is 1 July 2019.

23. Business combination

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in the profit or loss.

Acquisition related costs are expensed as incurred.

Notes to the financial statements (continued)

23. Business combination (continued)

On 4 July 2016, the Group (through its subsidiary LaManna Bananas Pty Ltd) acquired 100% of the voting share capital of Premier Fruits Group Pty Ltd, an unlisted fresh fruit and vegetables supply chain company based in Australia, in exchange for cash and shares in LaManna Bananas Pty Ltd (refer purchase consideration section below).

The fair values of the identifiable assets and liabilities of Premier Fruits Group Pty Ltd as at the date of acquisition were:

	Fair value recognised on acquisition
	$'000
Assets:	
Cash	2,396
Debtors	10,193
Inventory	2,295
Property, plant and equipment	8,834
Other assets	594
Equity accounted investments	4,001
Market floor leaseholds and intangible assets	2,715
Total identifiable assets	**31,028**
Liabilities	
Creditors	13,502
Provisions	2,584
Other Liabilities	9,337
Total identifiable liabilities	**25,423**
Total identifiable net assets at fair value	**5,605**
Goodwill arising on acquisition	**20,988**
Purchase consideration transferred	**26,593**

The goodwill of $20,988,000 comprises the value of expected synergies arising from the combined operations of LaManna Bananas Pty Ltd and Premier Fruits Group Pty Ltd and their respective subsidiaries.

None of the goodwill recognised is expected to be deductible for income tax purposes.

From the date of acquisition the business operations of LaManna Bananas Pty Ltd and Premier Fruits Group Pty Ltd have been merged and can no longer be separately identified.

During the year LaManna Bananas Pty Ltd was renamed as LaManna Premier Group Pty Ltd.

Purchase consideration:

The purchase consideration consisted of:

	$'000
Cash	10,950
Shares in LaManna Bananas Pty Ltd, at fair value	15,643
Total consideration transferred	26,593

The Group issued 13,893,726 ordinary shares in LaManna Bananas Pty Ltd as consideration for the acquisition of Premier Fruits Group Pty Ltd.

Notes to the financial statements (continued)

23. Business combination (continued)

The fair value of the shares was determined as $1.13 and was calculated with reference to the relative value between LaManna Bananas Pty Ltd and Premier Fruits Group Pty Ltd.

The issue of the shares resulted in the recognition of non-controlling interest in LaManna Bananas Pty Ltd.

Analysis of cash flows on acquisition:

	$'000
Cash consideration	10,950
Less: cash acquired with the subsidiary	2,396
Acquisition of subsidiary, net of cash acquired (included within cash from investing activities)	**8,554**
Other cash flows recognised separately from the business combination:	
Transaction costs of the acquisition (included in cash flows from operating activities)	193
Transaction costs attributable to issuance of shares	-
Net cash flows on acquisition	**8,747**

Transaction costs of $193,000 have been included in other expense line item. The attributable costs of the issuance of the shares was $Nil.

24. Subsequent events

There were no reportable events subsequent to 30 June 2017 (30 June 2016: Business combination as detailed in note 23 above).

KPMG

Independent Auditor's Report

To the shareholders of Market Gardeners Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Market Gardeners Limited (the company) and its subsidiaries (the group) on pages 14 to 39

i. present fairly in all material respects the Group's financial position as at 30 June 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- 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 and other explanatory information.

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 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 the audit of the share register. 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.

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, Chairman'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.

KPMG

Use of this independent auditor's report

This 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 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;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and 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 consolidated 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:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page5.aspx.

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

KPMG

Peter Taylor

For and on behalf of

KPMG
Christchurch

22 September 2017

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 (appointed 1 January 2017)	27,500	1,750	803
J.R. Clarke (resigned 23 November 2016)**	22,917	167,500	669
L.T. Crozier	55,000	6,500	1,605
A.G. Fenton	55,000	14,250	1,605
A.G. Franklin	55,000	6,750	1,605
B.D. Gargiulo, MBE. (Chairman)	111,000	45,500	1,605
B.R. Irvine (Deputy Chairman)	68,750	13,250	1,605
M.J. Russell (appointed 23 November 2016)	32,083	9,255	967
A.D. Thompson (appointed 23 November 2016)	32,083	5,166	841
T.M. Treacy (resigned 31 October 2016)**	18,333	67,802	535
M.R. O'Connor (resigned 23 November 2016)	22,917	2,250	849
R. Turley (Intern – resigned 30 June 2017)	-	18,000	-
	500,583	357,973	12,689

Subsidiary Company The following people held office as Director of subsidiary company LaManna Premier Group Pty Ltd and received the following remuneration and other benefits for acting as such:			
A.J. Di Pietro	-	-	-
A.G. Fenton	58,291	38,114	-
B.D. Gargiulo, MBE. (Chairman)	100,684	101,016	-
B.R. Irvine	58,291	30,210	-
P.S. Hendry	-	-	-
M. LoGiudice	58,291	15,700	-
	275,557	185,040	-

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

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

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

** Messrs Clarke and Treacy retired from the Board during the period (refer table above) and received retirement allowances of $165,000 and $55,000 respectively (included in his Special project and other fees).

During the course of the year, Mr B. Gargiulo attended 63 board and committee meetings (for the Parent Company, subsidiaries and associates) and the other directors attended up to 33 meetings in both Australia and New Zealand. Travel time, executive meetings and other projects / commercial negotiations were in addition to those meetings attended.

Special Project and other fees are paid to Directors for 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.

Statutory information (continued)

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note 12 of the attached financial statements to 30 June 2017.

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 6 July 2017 that, in their opinion, the Parent Company had been a co-operative company throughout the period 1 July 2016 to 30 June 2017. 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	260,000 to 269,999	2
110,000 to 119,999	13	270,000 to 279,999	1
120,000 to 129,999	15	280,000 to 289,999	2
130,000 to 139,999	14	290,000 to 299,999	3
140,000 to 149,999	8	300,000 to 309,999	2
150,000 to 159,999	14	310,000 to 319,999	2
160,000 to 169,999	9	340,000 to 349,999	1
170,000 to 179,999	11	360,000 to 369,999	1
180,000 to 189,999	15	380,000 to 389,999	1
190,000 to 199,999	6	450,000 to 459,999	1
200,000 to 209,999	8	460,000 to 469,999	1
210,000 to 219,999	11	490,000 to 499,999	1
230,000 to 239,999	5	990,000 to 999,999	1
240,000 to 249,999	4	1,150,000 to 1,159,999	1
250,000 to 259,999	1		

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

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

5. 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 19 of the attached financial statements to 30 June 2017.

Statistory information (continued)

5. Interests register (continued)

The following are the new disclosures made in the general interests register of the Group:

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

Director	Nature of Interest	Company / Entity
As directors of the Parent Company, Market Gardeners Ltd		
Messrs B.D. Gargiulo, A.G. Fenton, B.R. Irvine	Directors of Market Gardeners Ltd as representative Directors of LaManna Premier Group Pty Ltd	Premier Fruits Group Pty Ltd (acquired 4 July 2016) and all of its subsidiaries and associate entities
B.D. Gargiulo	Director	Premier Fruits Group Pty Ltd (acquired 4 July 2016) and all of its subsidiaries and associate entities
Messrs B.D. Gargiulo and B.R. Irvine	Director	Lambell's Properties Pty Ltd
M.J. Russell	Director / shareholder	MJ & JJ Russell Ltd
A.D. Thompson	Director / shareholder	Kainui Pack & Cool Ltd (from the amalgamation of LD Packers Ltd and LD Management Services Ltd) TeMata Exports 2012 Ltd TeMata Exports Ltd
	Shareholder	Zespri Group Ltd
T.J. Burt	Director	Mainpower NZ Ltd Landpower Group Ltd Silver Fern Farms Cooperative Ltd NZ Lamb Company Ltd (Chair) Ngai Tahu Holdings Corporation Ltd (Chair) Ngai Tahu Capital Ltd (Chair) Lyttelton Port Company Ltd (Chair) PGG Wrightson Ltd (Deputy Chair)
	Shareholder / Director	Breakaway Investments Ltd Hossack Station Ltd Taitapu Partners Ltd Pile Bay Partners Ltd Noblesse Oblige Ltd
	Trustee	Maia Health Foundation Burt Family trust
	Board Member	Christ's College
A.G. Fenton	Director / shareholder	Beresford Orchards Ltd
	Trustee	NZ Fruitgrower's Charitable Trust (Chair)
	Director	Huddart Parker Building Company Ltd (Chair)

Statutory information (continued)

5. Interests register (continued)

Director	Nature of Interest	Company / Entity
As directors of the subsidiary company, LaManna Premier Group (formerly LaManna Bananas Pty Ltd)		
Messrs B.D. Gargiulo, A.G. Fenton, B.R. Irvine and P.S. Hendry	Representative Directors of Market Gardeners Ltd on the LaManna Premier Group Pty Ltd Board	Premier Fruits Group Pty Ltd (acquired 4 July 2016) and all of its subsidiaries and associate entities
B.D. Gargiulo	Director	Premier Fruits Group Pty Ltd (acquired 4 July 2016) and all of its subsidiaries and associate entities
Messrs B.D. Gargiulo, B.R. Irvine and P.S. Hendry	Director	Lambell's Properties Pty Ltd
A.J. Di Pietro	CEO, Director and shareholder	LaManna Premier Group Pty Ltd, all subsidiaries and associates including Premier Fruits Group Pty Ltd and its subsidiaries and associates
	Trustee / Beneficiary	Sixty Second Enterprises Pty Ltd as trustee for the DPA and DPF Family Trust as 10.74% shareholder in LaManna Premier Group Pty Ltd. <u>Anthony Di Pietro Investments Pty Ltd ATF Anthony Di Pietro Family Trust:</u> - Yarraville Property Management Pty Ltd / Premier Unit Partnership - Tavermont Pty Ltd / Tavermont Brisbane Unit Partnership - Queensland Farm management Pty Ltd / Childers Unit Partnership <u>DPA Farming Pty Ltd ATF DPA Farming Trust:</u> - Lancaster Property Holdings Pty Ltd / Lancaster Property Holdings Unit Partnership - Lancaster Water Holdings Pty Ltd / Lancaster Water Holdings Unit Partnership
M. LoGiudice	CEO, Director and shareholder	LaManna Premier Group Pty Ltd, all subsidiaries and associates including Premier Fruits Group Pty Ltd and its subsidiaries and associates
	Trustee / Beneficiary	Crawford's Securities Pty Ltd as trustee for the Crawford's Security Trust as 6.23% shareholder in LaManna Premier Group Pty Ltd. <u>Porselin Pty Ltd ATF Porselin Trust:</u> - Yarraville Property Management Pty Ltd / Premier Unit Partnership - Tavermont Pty Ltd / Tavermont Brisbane Unit Partnership - Queensland Farm management Pty Ltd / Childers Unit Partnership <u>Commercial Bridge Pty Ltd ATF Commercial Bridge Unit Trust:</u> - Lancaster Property Holdings Pty Ltd / Lancaster Property Holdings Unit Partnership - Lancaster Water Holdings Pty Ltd / Lancaster Water Holdings Unit Partnership

Statutory information (continued)

5. Interests register (continued)

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

Particular disclosures

During the period Messrs Gargiulo, Fenton, Crozier, Treacy, Franklin, O'Connor, Clarke, Russell and Thompson reconfirmed their interests by virtue of being directly or indirectly shareholders in Market Gardeners Ltd.

On their appointment as Directors of Market Gardeners Ltd, Messrs Russell and Thompson declared an interest by virtue of a direct or indirect shareholding in Market Gardeners Ltd (as disclosed below) together with an interest in all directors remuneration and other benefits received or paid by the Parent Company including (without limitation) Director's fees, special project fees (if any), committee fees (if any), Directors and Officers liability insurance, an indemnity from the Parent Company and Southern Cross Medical insurance.

Mr. T.J. Burt, as an appointed special director of Market Gardeners Ltd, declared an interest in all directors 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.

On their appointment as Directors of LaManna Premier Group Pty Ltd (LPG), Messrs Di Pietro (CEO) and LoGuidice declared an interest by virtue of indirect shareholdings in LaManna Premier Group Ltd together with an interest in all directors remuneration and other benefits received or paid by LPG including (without limitation) Director's fees, special project fees (if any), committee fees (if any), Directors and Officers liability insurance and an indemnity. Mr. Di Pietro further noted his interest as LaManna Premier Group CEO in receiving remuneration for his services as CEO of LPG.

(a) Share dealings

The following are the shareholdings of Directors of the Parent Company at 30 June 2017. 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 2017				30 June 2016			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
L.T. Crozier	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	35,605	66,552	7,408	-	23,055	47,272	8,124	-
A.G. Fenton	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	12,464	66	8	13,257	11,402	56	-	12,139
A.G. Franklin	124,030	38,191	4,956	133,938	107,377	27,164	4,940	122,631
B.D. Gargiulo, MBE. (Chairman)	493,939	315	24	23,137	452,203	226	28	21,184
Messrs Gargiulo and Irvine as Directors of MG Group Holdings Ltd (100% subsidiary company of Market Gardeners Ltd)	117,208	-	-	-	117,208	-	-	-
A.D. Thompson	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	5,717	41,677	6,196	-	5,236	20,990	8,780	-
M.J. Russell	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	7,180	31,493	3,684	-	5,074	19,108	4,712	-

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.

Statutory information (continued)

5. Interests register (continued)

(b) Directors' & officers' indemnity and insurance

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

(c) Use of company information

During the accounting period, the Boards of the 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.

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

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

6. Changes in accounting policies

The attached financial statements to 30 June 2017 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The accounting policies set out in the attached financial statements have been applied consistently to all periods presented in those financial statements and by Group entities.

7. Donations

During the year the Parent Company made donations of $2,000 (2016: $5,000), the Group $17,000 (2016: $12,000).

8. Directors of subsidiaries

As at 30 June 2017:

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

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

Messrs B.D. Gargiulo (MBE), A.G. Fenton, B.R. Irvine, P.S. Hendry, A Di Pietro (appointed 4 July 2016) and M LoGiudice (appointed 4 July 2016) were the directors of LaManna Premier Group Pty Ltd (formerly LaManna Bananas Pty Ltd).

Messrs B.D. Gargiulo (MBE) and G. Thompson were the directors of Australian Banana Company Pty Ltd. Mr. R. Borsato resigned on 5 May 2017.

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

Messrs B.D. Gargiulo, G. Thompson, A. DiPietro and M. LoGiudice were the directors of Fresh Choice W.A. Pty Ltd.

Messrs B.D. Gargiulo, G. Thompson, B.R. Irvine and P.S. Hendry were the directors of Lambell's Properties Pty Ltd.

Messrs B.D. Gargiulo and A. DiPietro the directors of 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, Absolutely Fresh Prepacking Pty Ltd, Premier Fruits Lancaster (Vic) Farming Pty Ltd and Premier Fruits W.A. Pty Ltd.

Corporate governance statement

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

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

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

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

Board Operations and Membership
The Board is committed to the principle that there should be a balance of independence, skills, knowledge and experience among the directors. The current Board of Directors consists of 6 shareholder appointed Directors (Messrs Gargiulo, Fenton, Franklin, Crozier, Thompson and Russell) and 2 Special Directors (Messrs Irvine and Burt). Notwithstanding normal business operations, none of the MG Directors are directly involved in the day-to-day management of the Company's operations. From time to time the board appoints Special Directors - Mr Irvine who has been on the MG board since December 1994 and Mr Burt who commenced in January 2017.

Like most cooperatives, MG has frequent transactions with its grower directors (sales to, agency sales for and purchases from Directors or their businesses / companies). These transactions are entered into in the normal course of business. A register of interests is maintained and regularly updated documenting interests disclosed by all Board members. The statutory disclosure section of 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 2017, LaManna Premier Group Pty Ltd (LaManna Premier), formerly known as LaManna Bananas Pty Ltd, was a 68% subsidiary. MG has appointed four representative directors to the LaManna Premier Board. The non-controlling interest shareholders have appointed two Directors to represent them on the LaManna Premier Board – they are Messrs Di Pietro and LoGiudice.

MG's new constitution was unanimously adopted by shareholders at the 23 November 2016 Annual Meeting. The constitution has specific procedures for the appointment and retirement of MG Directors, eligibility requirements for being nominated / appointed and automatic retirement rotations every three years. The MG Board met 13 times during the financial year (13 times last financial year), in addition to attending to committee matters between meetings. These meetings include conference calls to address any matters or issues arising between set meeting dates. In addition to the meetings of the Parent Company, Directors of the subsidiary and associate companies also met throughout the year. The outcomes of such meetings, key business issues and the performance of such companies are reported through to each meeting of the MG Board by MG's representative Directors.

Group Management Structure
The core business of the Group is transacted in New Zealand by Market Gardeners Ltd and in Australia by LaManna Premier Group Pty Ltd (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 and / or senior management.

The Board delegates the management of the day-to-day affairs of the Company to the Senior Management Team under the leadership of the CEO. MG's Chief Executive together with the Company Secretary/Chief Financial Officer and International Business Manager attend all MG Board meetings.

Corporate governance statement (continued)

Similarly LaManna Premier's Chief Executive, Chief Operating Office, Chief Financial Officer and certain other senior executives of LaManna Premier and MG attend all LaManna Premier Group company board meetings.

From time to time the MG and LaManna Premier Board's invite other employees and external advisors to attend and present at Board meetings particularly in key areas such as workplace health and safety.

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

Board Remuneration

MG obtains external professional advice on remuneration to be paid to Directors on a two to three yearly basis. The recommendations of the external advisor are, if required and after consideration by the Remuneration Committee and full Board, submitted as a resolution to shareholders at the Company's annual meeting.

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

Shareholder Relations

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

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

Risk Management

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

- 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 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

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

With the appointment of Ms. Kimberly Chavez to the position of Risk and Internal Audit Manager has come a more comprehensive risk based approach to the Company and Group's risk management and internal audit processes. This approach is wider than the past main focus on the accuracy of external financial reporting / operational activities and extends into overall compliance requirements of the Group (for example the new Food Safety Act requirements). Whilst internal audit still ensures that all branches and divisions of MG are subject to regular internal audit visits (on a rotational basis), new procedures have been brought in to make the overall process wider reaching and more regular, such as the introduction of self-audit procedures and reporting. A full revision of MG's corporate policies is also under way to ensure that they appropriately cater for the current business.

Corporate governance statement (continued)

The LaManna Premier Group also has an Audit Committee and is working with an external service provider, Shine Wing, to undertake focused internal audit visits on a targeted basis. This programme is designed to develop the internal audit testing programme in order to transition to an internal resource at an appropriate time.

In both New Zealand and Australia all internal audit reports are presented to and considered by the relevant Audit Committee. The internal audit function provides assistance to the Board and management in the discharge of their duties in ensuring that appropriate controls exist within the Group.

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

Remuneration and Nomination Committee
The Remuneration and Nomination Committee consists of the MG Chairman, Deputy Chairman and one other director (Mr A.G. Fenton)(Chairman of this committee). The committee is responsible for the review and administration of director's fees, establishing coherent remuneration policies and practices, and the remuneration of the MG Chief Executive and senior management personnel. This committee has been delegated the task of reviewing and providing recommendations to the full board in relation to corporate governance. This year has also seen the revision of the Board Charter and Code of Conduct and the development of the Director Capability Framework – both documents are on MG's website.

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

Board charter, code of conduct and Director Capability framework
On 9 August 2017, the Board adopted a revised Board Charter and Code of Conduct. At the same time it adopted a new Director Capability Framework. These documents 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.

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