



Market Gardeners Limited
Annual Review 2017

Together.
Stronger.





® Together.

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

Stronger.

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

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Financial Highlights

Group gross sales under management **\$894.336 million**

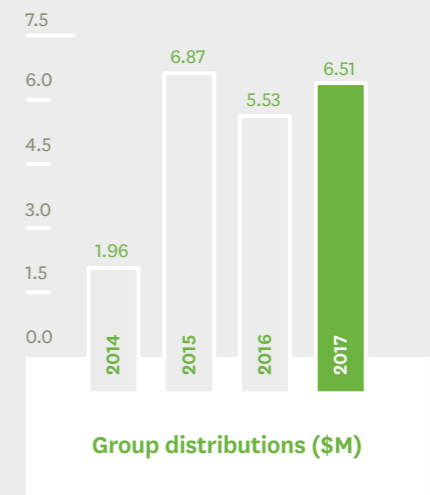
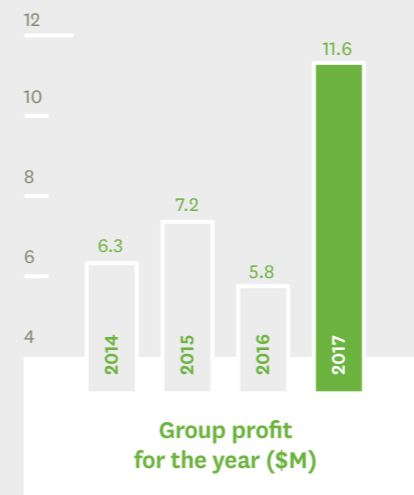
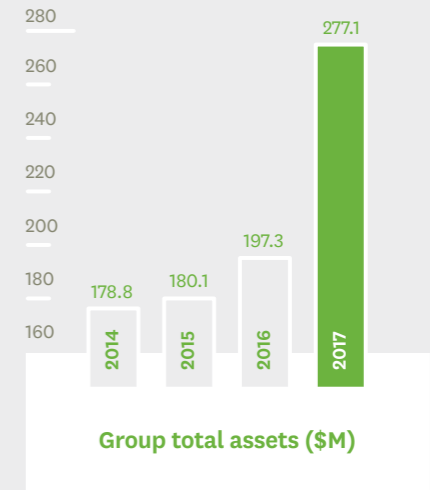
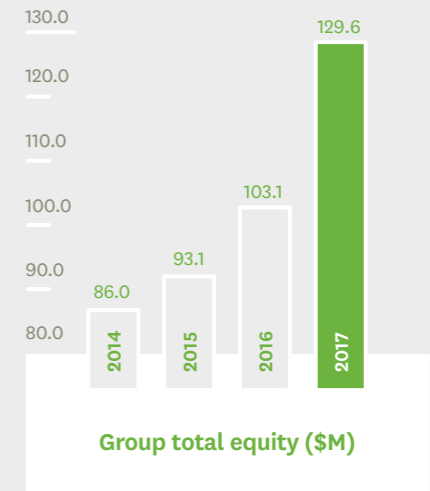
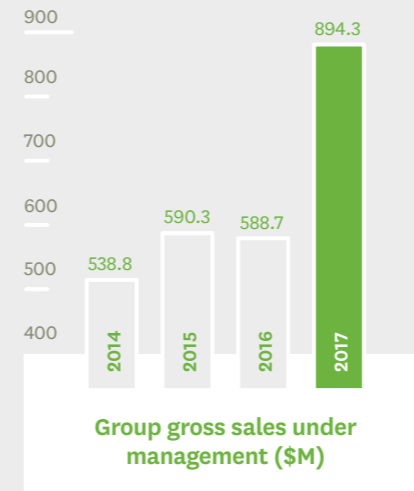
Group profit before income tax **\$16.018 million**

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	2016
	\$'000	\$'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



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

RESILIENCE

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

VALUE

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

CO-OPERATIVE BEHAVIOUR

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

PARTNERSHIPS

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

GROWTH

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

CAPABILITY

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

Chairman & CEO's Review



Ryan Kiesanowski
from Eyrebrook
Fresh and Wayne
Webley from MG
Marketing

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.



Brian Gargiulo, MBE
Chairman



Peter Hendry
CEO

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.



Mike Davis from Davis Orchards and Rob Hollier from MG Marketing



FINANCIAL PERFORMANCE

The Group's financial highlights are reported on page 5 of this review.

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.

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.

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





MG Board of Directors from left to right:

Alan Thompson; Mike Russell; Kerry Wells (International Business Manager)*; Trevor Burt, Peter Hendry (Chief Executive Officer)*; Brian Gargiulo (Chair); Bruce Irvine; Alan Franklin; Rebecca Turley (director intern); Andrew Fenton; Lynn Crozier; Duncan Pryor (Company Secretary & Chief Financial Officer)*.

*Executive Management Attendees

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.

Brian D Gargiulo (MBE), Chairman, Elected Director

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

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

Past appointments and directorships include: Director of Horticulture NZ, President of the NZ Vegetable & Potato Growers' Federation, Council member of Lincoln University Board.

Chartered Fellow of the IOD*.

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

Bruce joined the MG Board in 1994. He has an extensive business background and previously held the position of Managing Partner of the Christchurch office of Chartered Accountants, Deloitte, between 1995 and 2007. Bruce was the former Chair of Christchurch City Holdings Limited, he is a current Director of Godfrey Hirst, Heartland Bank, PGG Wrightson Ltd, House of Travel Holdings, Scenic Hotels Ltd, Rakon Ltd and is also Chair of Skope Industries Ltd.

Bruce is Chair of the MG and LaManna Premier Group Audit Committees, a Director of LaManna Premier Group Pty Ltd and a member of MG's Remuneration and Nomination Committee.

Chartered Fellow of the IOD* and Accredited Fellow of the CAANZ (Chartered Accountants Australia and New Zealand).

Alan G Franklin Elected Director

Originally appointed to the MG Board in 2010, Alan is a fifth generation

grower with his family having farmed in North Auckland since 1906. As a large commercial producer of celery the Franklin Partnership has a long association with MG. Alan is a strong supporter of co-operative values and the grower ownership model of the Company. Member of the IOD*.

Andrew G Fenton Elected Director

Andrew joined the Board in 2002. He has more than 40 years' experience in the avocado and kiwifruit industry through the Bay of Plenty-based Phoenix Partnership and Beresford Orchards Ltd. He has extensive commercial and governance experience in business and industry groups.

Andrew is currently a Director of the New Zealand Horticultural Export Authority, Kiwifruit New Zealand, is President of the NZ Fruitgrowers' Federation, Chairman of the NZ Fruitgrowers' Charitable Trust, is a Member of NZ Kiwifruit Growers Inc. as well as Chairman of Huddart Parker Building Co. Ltd. Andrew is Chairman of the MG Remuneration & Nomination Committee and is a Director of LaManna Premier Group Pty Ltd.

Andrew is a former President of Horticulture NZ and Chairman of Satara Co-operative Group Ltd.

Chartered Fellow of the IOD*.

Alan D Thompson B.Ag Science in Management & Valuation Elected Director

Alan was appointed to the MG Board in November 2016.

Alan has a long history and background in the growing of many crops for domestic market and export, as well as being an experienced exporter in his own right. The family business, Kainui Pack & Cool, is involved in the growing and packing of citrus, kiwifruit, avocados and melons, with a pack house and cool stores in Kerikeri.

Alan's family business holds a 25% shareholding in TeMata Exports 2012 Ltd and he is a Director and Finance Director

of that business. Alan is a member of MG's Audit Committee.

Trevor J Burt Appointed Special Director

Trevor joined the MG Board in January 2017. He has a high level of experience in the strategic leadership of large and complex corporate organisations and a proven record of implementing change and achieving results. Trevor holds Chair roles with Ngai Tahu Holdings Corporation Ltd, Lyttelton Port of Christchurch Ltd and the New Zealand Lamb Company Ltd. He is Deputy Chair of PGG Wrightson Ltd, a Director of Silver Fern Farms Ltd and Landpower NZ Ltd. He is also a former member of the Executive Board of the Linde Group based in Munich.

Chartered fellow of the IOD*.

Lynn T Crozier Elected Director

Lynn joined the MG Board in 2012. Lynn and his family own and operate Lynchris Farm at Brookside, between Dunsandel and Leeston in Central Canterbury, a major grower of potatoes, carrots, onions, corn and some seed crops. Lynn is also a Director of Lynchris Farming Limited and Lynchris Packing Limited as well as Ascot Park Limited. Lynn is a member of the MG Audit Committee.

Member of the IOD*.

Mike J Russell Elected Director

A first generation grower with 38 years' experience, Mike and his wife Julie farm (through MJ and JJ Russell Ltd) near Hastings, a summer fruit farm specialising in nine varieties of plums as well as peacharines. Since his appointment to the MG Board in November 2016, Mike has been impressed with the cohesive relationship between the Board and the Management Team and the enduring focus on providing benefits to shareholders and growers.

* Institute of Directors in New Zealand



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.

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.

MG Executive Management Team

From left to right: Chris Hibbert (Chief Information Officer); Kerry Wells; (International Business Manager); Greig Pullar (National Operations Manager); Roger Georgieff (National Procurement Manager); Peter Hendry (Chief Executive Officer); Jade Reeves (Wellington Branch Manager); Jerry Prendergast (National Key Account & Brand Development Manager); Peter Lange (Imports Manager); Kimberly Chavez (Internal Audit & Risk Manager); Duncan Pryor (Company Secretary & Chief Financial Officer).

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.

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. (Read more further over page).



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.



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.

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 for those who aspire to Director level roles and also serves to expand the future potential pool of candidates for the MG Board. Rebecca Turley joined MG in January 2016 as a non-voting, intern Director.

The next position has been advertised and we look forward to continuing with this initiative.



DIRECTOR INTERNSHIP THE FOUNDATION FOR SUCCESS

With a family legacy in governance, it's no wonder MG's Director Intern, Rebecca Turley, has provided a fresh perspective around the boardroom table. Conversely, she too has found enormous value sitting alongside the experienced Directors on the MG Board.

Born and bred in Temuka, Rebecca comes from a tight-knit family with strong rural lineage. Although she had a keen interest in governance prior to joining the MG Board, Rebecca had thought her age might count against her in her application for the Director internship. "I'm only 27 so nearly didn't do it. I was encouraged to continue and am really glad I did".

Initially alerted to the opportunity by her parents, Rebecca brought with her a breadth of experience. Having gained a Bachelor of Commerce in Agriculture from Lincoln University, majoring in rural valuation, and six years' experience as a rural valuer with Agribuild and Property

Advisory Ltd, she was perfectly placed to make the most of this opportunity.

Rebecca acknowledges that joining the Board was daunting given the Board's experience and depth of governance knowledge, but says she really enjoyed the process, with the LaManna Premier Group merger a particular highlight. The internship has only incentivised Rebecca to further pursue her career in governance, be it in community groups or in the corporate world. She learnt a lot from the Board's collective experience and the networking opportunities the position provided.

When asked what advice she would pass on to those thinking about applying for the role, Rebecca would absolutely encourage potential applicants not to hesitate in putting their name forward. The intern position allows practical application of what is otherwise only learned in theory, with invaluable

mentorship opportunities with the likes of Bruce Irvine just one of many highlights. Rebecca says, "what was made clear during my time with the Board was the importance of governance skills in business; encouraging you to dig deeper into your own business and others, looking outward and upward, rather than inwards which gives quite a different perspective".

With Rebecca's initial 12-month internship extended to 18 months, it is clear that the MG Board also found great value in Rebecca's contribution and thank her for making this inaugural internship such a success.

The first quarter of this year saw Rebecca take on a role as a Rural Manager for Rabobank based in Pukekohe, however, she will be back in the mainland come August when she heads to a new role in Timaru.



Ryan Kiesanowski
from Eyrebrook Fresh

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.

MG is constantly looking for efficiency gains – a prime example of this is the grower delivery advice portal (GDA).

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.

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 in and focus on 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.

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.



LaManna Premier Group Board of Directors

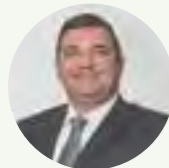
From left to right: Simon Hardie (Chief Financial Officer)*; Mark LoGiudice, Dean Gall (Chief Operating Officer)*; Andrew Fenton; Anthony Di Pietro (Group Chief Executive Officer and Director)*; Brian Gargiulo (Chair); Duncan Pryor (Secretary to the Board)*; Glen Thompson (General Manager Farming)*; Bruce Irvine; Peter Hendry.
*Executive Management Attendees

**AUSTRALIAN MARKET
LAMANNA PREMIER GROUP**



Anthony Di Pietro
CEO & Director of
LaManna Premier Group

Anthony is a Director and the Group Chief Executive Officer of LaManna Premier Group. Anthony is third generation in the produce industry with 26 years' experience. His family's history includes indoor and outdoor farming in Northern Victoria through to marketing in Melbourne's central markets. Anthony is also Chairman of Melbourne Victory Football Club, which competes in Australia's elite National Football Competition, the Hyundai A-League. Anthony is an active alumnus of the Melbourne University Faculty of Business and Economics where he graduated with a Bachelor of Commerce in 1991 and has supported the 'First in the Family' scholarship.



Mark LoGiudice
Director of
LaManna Premier Group

Mark is a Director of LaManna Premier Group, as well as a Director of the Crawford Group of Companies – a property development, management and investment group. He is also the President of the Carlton Football Club, which competes in the Australian Football League.

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

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**

330m kg

Circa 330 million kilograms (approximately 20 million cartons) sold domestically and internationally

1,700 ha

Owned farming operations covering more than 1,700 hectares, supported by strategic relationships with some of Australia's leading Growers

5,700

5,700 pallet spaces for ripening

37,000m²

37,000 m2 of national warehousing

10,000m²

10,000 m2 of central marketing selling floors – Australia's largest central market presence

+

Value adding capabilities in all states

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.

-  LPG Farming Operations
-  LPG Warehouse and Market Operations



LPG FARMING OPERATIONS

Innisfail Banana Farming Company (Joint Venture with the Borsato Family), Innisfail, Queensland

- Circa 350 acres under crop
- Circa 340,000 cartons produced annually

Australian Banana Company Innisfail, Queensland

- 3 banana packing facilities
- Specialising in banana packing
- Circa 1.2 million cartons packed p.a.

Darwin Fruit Farms (Joint Venture with Piñata Farms) Humpty Doo, Northern Territory

- 1,000 acres under crop
- Growing bananas, pineapples and tropical fruits (primarily mangoes)
- Circa 350,000 cartons produced annually

Daunt Family Farms (Joint Venture with the Daunt Family), Emerald, Queensland

- 80 acres of seedless watermelon under crop
- Circa 2.9 million kgs produced annually

Freshway Farms Virginia, South Australia

- 2.7 hectares of greenhouses
- Growing tomatoes, capsicums, cucumbers, zucchini and eggplant
- Circa 160,000 cartons produced annually

LPG Lancaster Farming Lancaster, Victoria

- Hydroponic crops grown under a retractable roof structure
- Stage 1 (5 hectares) of a 3 stage 25 hectare project complete and under harvest
- Initially growing gourmet tomatoes
- Circa 200,000 cartons to be produced annually in Stage 1

LPG Mercuri Farming (Joint Venture with the Mercuri Family) Lancaster, Victoria

- 160 acres of field tomatoes under crop
- Circa 350,000 cartons

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).

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.

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

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

	GROUP	
	2017	2016
	\$'000	\$'000
Revenue – sale of goods	570,413	305,876
Cost of sales	508,901	266,045
Gross profit	61,512	39,831
Other operating income	3,703	1,873
Administrative expenses	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	692	1,910
Profit before income tax	16,018	8,691
Income tax expense	4,409	2,885
Profit for the year	11,609	5,806

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

Net cash from operating activities	20,462	10,579
Net cash (used in) investing activities	(24,762)	(13,637)
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

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

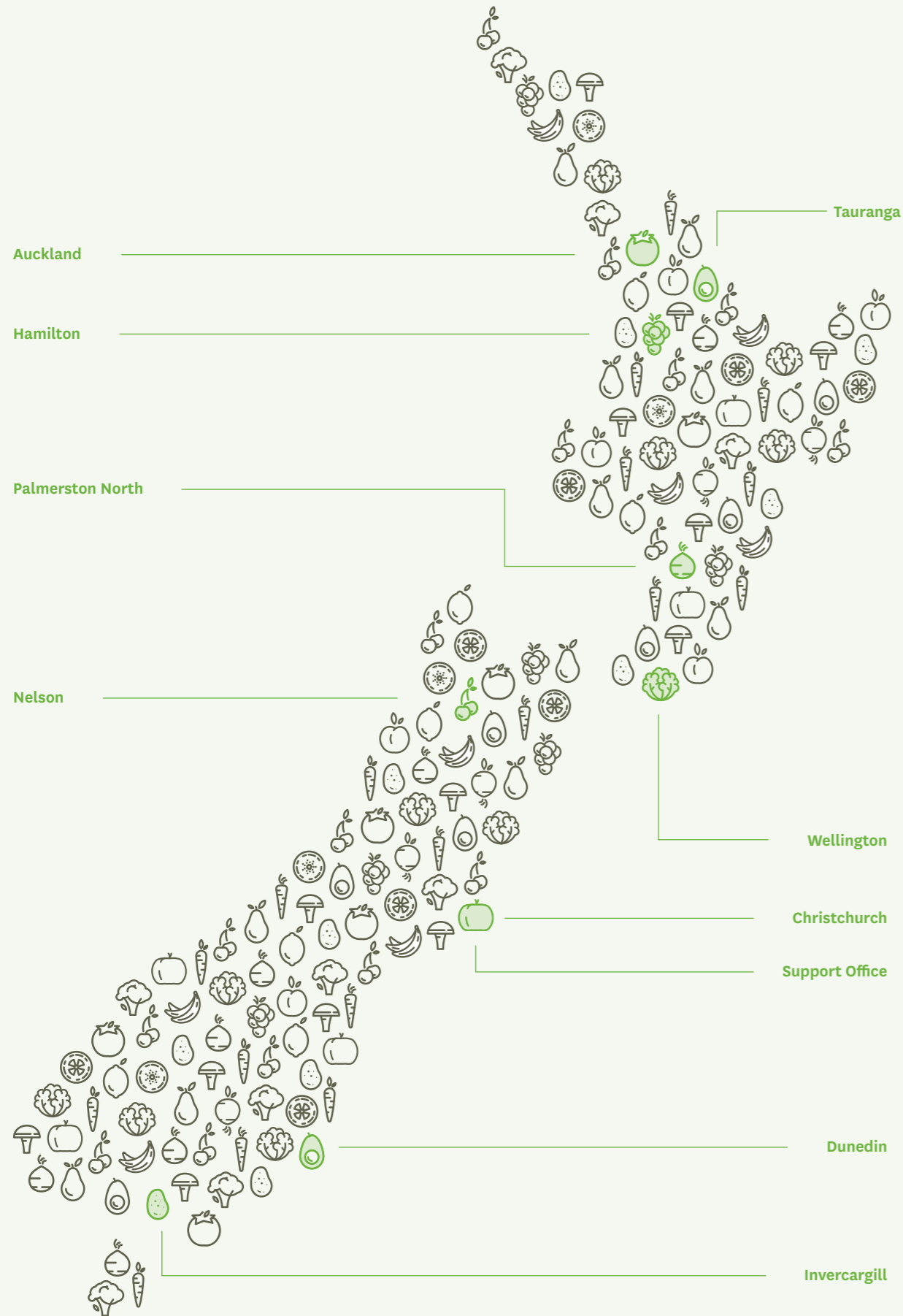
BALANCE SHEET

AS AT 30 JUNE 2017

	GROUP	
	2017	2016
	\$'000	\$'000
Equity		
Share capital	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 interest	18,720	2,020
Total equity	129,678	103,194
Non-current assets		
Property, plant and equipment	121,373	99,190
Intangible assets	57,716	33,170
Investments in equity accounted investees	6,277	6,913
Trade and other receivables	2,479	14,146
Deferred tax assets	5,017	3,436
Total non-current assets	192,862	156,855
Current assets		
Inventories	7,326	4,811
Trade and other receivables	63,904	32,227
Cash and cash equivalents	13,035	3,476
Total current assets	84,265	40,514
Total assets	277,127	197,369
Non-current liabilities		
Borrowings	56,235	32,078
Trade and other payables	925	1,424
Deferred tax liabilities	7,341	7,616
Total non-current liabilities	64,501	41,118
Current liabilities		
Borrowings	1,444	31
Trade and other payables	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

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

SUPPORTING OUR GROWERS NATION WIDE



BRANCH REGISTER, BANK & ADVISORS

NEW ZEALAND

New Zealand Branches

Auckland
National Banana Ripening & MG Direct (NI)
 801-803 Great South Rd
 PO Box 12 370, Penrose
 Auckland 1642
 Phone: +64 9 270 7110
 Branch Manager: Kerry Baird
 National Banana
 Ripening: Graeme Hirst

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

Tauranga
 86 Poturi Street, Tauriko
 Tauranga 3171
 PO Box 9426, Greerton 3142
 Phone: +64 7 262 0210
 Manager: Jared Woodcock

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

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

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

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

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

Invercargill

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

Registered Office, Support Office, Marketing, Imports & MG Direct (SI)
 78 Waterloo Road, Hornby
 Christchurch 8042
 PO Box 8581, Christchurch 8440
 Phone: +64 3 343 0430

New Zealand Bank & Advisors

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

Share Registrar
 Computershare Registry Service Ltd,
 Private Bag 92119, Auckland

Legal Advisors
 Chapman Tripp,
 Barristers & Solicitors,
 Christchurch and Wellington
 Alastair Hercus
 Buddle Findlay Wellington

Auditors — Parent Company & Group
 KPMG, Chartered Accountants
 Christchurch

INTERNATIONAL

Australia

LaManna Premier Group Australia Registered Office
 103-107 Hyde Street
 Footscray, Vic 3011, AUS
 Phone: +61 3 9687 7725
 Group CEO: Anthony Di Pietro

Australian Banana Company Pty Ltd
 101-103 Upper Daradgee Road
 Daradgee, QLD 4860, AUS
 Phone: +61 7 4063 1600

Brisbane Market

Building C – Brisbane Markets, 385
 Sherwood Road
 PO Box 48, Rocklea, QLD 4106, AUS
 Phone: +61 7 3848 2999

Melbourne Market
 Stands 87, 89, 91-93, 95-97
 35 Produce Drive
 Epping, VIC 3076, AUS
 Phone: +61 3 8405 4500

Adelaide

C31 Adelaide Produce Markets
 Burma Road, Pooraka, SA, 5095, AUS
 Phone: +61 8 8260 4188

Fresh Choice (W.A.) Pty Ltd
 E4 Central Trading Area, Market City
 280 Bannister Road
 Canning Vale, Perth, WA 6155, AUS
 Phone: +61 8 9455 2355

Sydney Market

Stand 1-4 E Shed, Store 135B Shed
 PO Box 323, Sydney Markets
 NSW 2129, AUS
 Phone: +61 2 8754 9004/+61 2 8754 9900

USA

Market Gardeners (USA) Inc.
 Market Gardeners (USA) Inc.
 5001 E Commercentre Drive
 Bakersfield, California
 CA 93309-1687, USA
 Phone: +1 661 322 4044
 Manager: Doug Trask B.BA

International Bank & Advisors

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

Legal Advisors
 Arnold Bloch Leibler,
 Melbourne

Auditors — LaManna Premier Group
 Pitcher Partners,
 Chartered Accountants
 Melbourne









**THE DEPTH OF SKILL AND
INDUSTRY KNOWLEDGE
OF THE COLLECTIVE MG
AND LPG TEAM IS SECOND
TO NONE. EACH AND EVERY
ONE OF THEM DELIVERS
FOR OUR SHAREHOLDERS
AND OUR CUSTOMERS,
DAY IN AND DAY OUT FOR
365 DAYS OF THE YEAR.**



**Together.
Stronger.**