mg marketing

MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2014

Together.
Stronger.

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Financial highlights

• **Group gross sales under management**	$538.872 million
• **Group profit before income tax**	$8.837 million
• **Group profit for the year (after income tax)**	$6.382 million
• **Group total equity**	$86.029 million
• **Group total assets**	$178.819 million

Shareholder distributions	**2014** $'000	**2013** $'000
• Supplier shareholder rebate	250	250
• Bonus issue on supplier shareholder rebate of 3 for 1 (2013 : 2 for 1)	750	500
• Final gross dividend on "A" shares : 6 cents per share (2013 : 6 cents per share)	801	778
• March 2014 - final gross dividend on 2007 Prospectus "D" shares : 2.667 cents per share (June 2013 : 4.667 cents per share)	68	129
• November 2014 - final gross dividend on 2013 Prospectus "D" shares : 4 cents per share (November 2013 : 3.333 cents per 2007 Prospectus "D" shares)	92	85
Total shareholder distributions in relation to the year ended 30 June	1,961	1,742

Chairman's and Chief executive officer's review

As we reflect on the year, Market Gardeners Limited, trading as MG Marketing (MG), is proud to deliver its 2014 Annual Report which includes a positive financial result. It also highlights a number of initiatives that have been made to improve the long-term success of your cooperative.

MG is made up of more than 430 grower shareholders, 700 active growers and over 480 full-time committed staff, working together to achieve the kind of benefits that would not be possible on one's own.

This review shows that your cooperative is in good health with a real focus on grower success and the prosperity of our industry.

We have delivered an increased profit before tax of $8.837 million. Revenue from sales in our New Zealand market was broadly in line with last year's, whilst higher foreign exchange conditions caused a reduction in revenue out of the Australian LaManna Bananas Pty Ltd Group (LaManna) business once converted into New Zealand dollars. This exchange rate movement has similarly negatively impacted the LaManna net profit which was otherwise relatively similar to 2013.

Despite the 3.7% decrease in total Group revenue, MG continued to grow the equity in the business. Similar to the revenue reduction as discussed above, the value of group assets is 3.0% down due to our Australian assets being valued at a much higher exchange rate than previous years.

Our grower shareholders are aware of the many challenges facing our business, but the cooperative continues to face these head-on and prove we can adapt to the changing market conditions.

Weather related issues were more favourable to our Australian operations, but Mother Nature has not been so kind on the New Zealand growers over the past 12 months. An extremely wet summer in the Hawkes Bay affected the quality of the summer fruit, flooding in Horowhenua impacted on our New Zealand greens production, while the wettest autumn on record in Canterbury also restricted supply and the value of some produce.

Despite these weather setbacks, there were plenty of domestic highlights in the business including growth in a number of key domestic categories. MG has also increased its market share and saw good growth in seasonal categories. Domestic sales remained steady throughout the year and resulted in a positive increase.

LaManna in Australia, had an oversupply early in the year and were challenged by price pressures in their domestic banana market, but better trading conditions helped the business recover strongly in the later part of the year. LaManna has also had to deal with a difficult economic climate in Australia, however, its product diversification strategy into other produce categories has been instrumental to that company's improved performance.

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

The solid result, despite a challenging environment, is the best example of how we have maximised the market potential for our grower shareholders. The results give MG’s management the confidence that these improvements will continue into the current financial year. Our stability and market position enables us to recruit and retain the most skilled staff and best sales people in the country. We are also continuing with infrastructure upgrades to provide the best facilities in the market from which to sell growers’ produce.

Since 1923 we have constantly evolved, adapted, been innovative and grown to meet the changing shape of the industry. The past year is no different, as we seek new ways to support our suppliers and deliver superior service to our diverse customer base.

An example of this includes the MG Direct service where we have gained efficiencies through rationalisation and centralisation of parts of our distribution operations. A lot of the hard work is removed for customers, including inventory management and the growers benefit from getting the best possible value for their produce, eliminating some of the supply chain costs.

There has been some strong and healthy debate regarding MG throughout the year. This is heartening to see as it shows that our growers share the kind of passion we all have for the success of our cooperative.

Feedback from our growers indicates that we need to clarify and better communicate the channels that members can use to participate and offer constructive feedback. We are implementing a strategy to improve the delivery of timely information and ensure that member views and concerns are heard and understood.

An independent Review Committee was commissioned this year and completed the well-publicised review following discussions raised at the 2013 Annual General Meeting. A number of recommendations were delivered to the Board for their consideration with the senior management team.

The Review Committee’s comments have been welcomed and each of the recommendations have been, or will be, reviewed by the Board, and the appropriate action will be taken to further improve our business and enhance our relationship with our growers and shareholders. Communication related to the report, recommendations and actions were distributed to our grower shareholders in late May 2014.

There have been questions about MG providing financial backing to a growing operation and some shareholders have asked if we are not competing with ourselves. The reality, however, is that if MG can influence supply in key product lines, we can offer our customers more consistency and reliability for products and negotiate greater value for all the growers in that same market category. We are ultimately improving the MG business and business of our growers and their returns. This was clearly endorsed by the Review Committee. Investment in growing operations involves in-depth planning in relation to the market and decisions take into account the impact on the whole industry.

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

Our cooperative has and will continue to be focused on maximising returns for our shareholders and growers. Part of this is running a cost-effective and efficient vehicle to market. In an environment that has incredible challenges, it is important to work together to manage the volume of produce in the marketplace to support the best returns.

We strongly believe that reinvesting in the business will ensure the service provided to growers is maintained.

Growers and customers across the country are benefiting from our ongoing investment in our expanded facilities. The most recent project is the expansion of the main trading floor at our Christchurch facility with more space for packing orders and facilitating business. In addition, investment in a new centralised ripening and distribution facility in Christchurch, commissioned in January 2014, will offer improved efficiencies and product quality.

MG's staff have been active within the industry to promote and open new markets for our large network of growers. Everyone has worked tirelessly to support new opportunities and expand trade.

The attitude of our people combined with our results has once again demonstrated the power of our cooperative model (which was recently recognised at the Cooperative Business NZ Awards where MG was acknowledged for its 91 years "serving members"). All staff, throughout the company work hard with the growers to move forward in the same direction, which leads to financial success and growth across the business.

The success of your business is at the centre of MG. Every three years we undertake formal research to measure perceptions and attitudes towards the cooperative. We recently undertook a round of focus groups and interviews with growers, suppliers, staff and customers. Whilst it is always pleasing to hear where we are succeeding, the most critical information we gain from this research centres on areas where we are told that we can further improve and add value.

We have listened carefully to our stakeholders and, in particular, you as growers and shareholders. You told us very clearly that you want to work more closely with MG to grow and improve your business.

A key element of this work was the development of our single-minded business proposition – **Together. Stronger.**

This approach represents a step forward in the way we do business. It is not a shared responsibility, but a shared commitment to being an organisation that truly values working in partnerships.

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

We are already starting to put our "Together. Stronger." strategy into action through our communications, our brand and our day-to-day work with customers and growers. This includes working with our stakeholders and increasing their understanding of our business strategy and reasons behind key decisions.

An invitation has been extended to work more closely with growers on business plans. This year we introduced a Human Resource support service for growers to provide practical tools in areas such as employee relations, recruitment, health and safety and food safety. A number of other collective benefits have been introduced that reduce business costs, such as telecommunications packages, and we will continue to explore ways to add value for our members on a range of fronts, including packaging supplies and equipment.

Looking ahead, we will be launching initiatives to support our grower shareholders with professional development opportunities for industry related learning experiences and leadership development.

We look back on a year where we showed a commitment towards playing our part in the cooperative model.

FINANCIAL PERFORMANCE

This year's trading is highlighted on page two of this report. MG has continued to maintain strong gross sales under management which this year exceeded $538 million – this is down from 2013's $563 million primarily as a result of the higher exchange rate (as discussed above). Group profit before income tax exceeded $8.8 million (compared to the prior year's result of $7.5 million) which reflects the improving performance coming out of LaManna Group Australia and continued sound results coming from the New Zealand operations. Group Profit after tax amounted to $6.38 million which is up on last years $4.02 million and reflects a normalised tax expense this year and the improved pre-tax result alluded to above.

Total assets are now over $178 million, which although down on 2013's $184 million (affected by the higher foreign currency exchange rate) continues to show the Group's continued reinvestment in the infrastructure required in New Zealand and Australia.

Group equity has continued to grow and now exceeds $86 million, an increase of almost $3 million from 2013. This increase reflects the net effect of, amongst other things, the dividends and share surrenders, the Group net profit after tax of $6.38 million and the impact of movements in the reserves – namely the foreign currency and hedging reserves.

Group cash flows from operations have continued to be strong and well managed with over $8.2 million coming in from operating activities. These inflows have, amongst other things, resulted in debt repayments by the Group of over $7.1 million (term debt and general working capital facilities) and the investment in property, plant and equipment of over $3.8 million.

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

As in prior years MG presents, in addition to this Annual Report and financial statements, an Annual Review which includes only the key financial reports. If you would like a copy of the Annual Review it can be found on the MG website (www.mgmarketing.co.nz), or by requesting a copy from the Company Secretary (email: dpryor@mgmarketing.co.nz or phone: (03) 343 1794).

DISTRIBUTIONS

Based on the financial performance to 30 June 2014, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling $1.961 million (2013: $1.742 million). On 21 August 2014 the Board declared the following distributions in relation to the year ended 30 June 2014:

- Supplier shareholder rebate – a taxable rebate of $250,000 to be applied by the Company in paying up in full "C" shares of the Company to be issued at $1.00 each and made in such manner as the Directors determine to those Current Producers that have supplied on a consignment basis during the financial year ended 30 June 2014;

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

- Final dividend – a fully imputed taxable gross dividend of 6 cents on every "A" share and a 4 cents on every "D" share on issue under the 2013 prospectus (this represents a pro-rata share of 8 months of the full year "D" share minimum dividend rate of 6 cents per annum) (the old "D" shares issued under the 2007 prospectus were repaid on 31 March 2014 and received a final gross dividend of 2.667 cents at that time). Once again imputation credits are attached.

The above distributions will be made only to those shareholders entered on the share register with effect from 30 June 2014 and who continue to hold, at the date of the 2014 Annual Meeting, the shares held at 30 June 2014.

The above rebate, bonus issue and dividends represent $1.961 million being distributed back to MG's loyal and supportive shareholders.

As has occurred for many years now we are pleased to note the support of the shareholders through their high level of reinvestment of their dividends back into more MG shares ("A" and "D" shares). If you would like to participate in the dividend reinvestment plan please contact our Company Secretary, Mr. Duncan Pryor, at MG's Support Office for further information.

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

NEW ZEALAND MARKET

The New Zealand market is the cornerstone of our business and MG has further invested with confidence over the past year to improve our service to our clients and our returns for our shareholders and suppliers.

Factors contributing to this solid domestic result included loyal support from growers, our extensive branch network and excellent service given by our MG team.

Feedback from our growers is that most volumes and sales were consistent with expectations. There have been a number of big success stories this year across our wide group of domestic products, despite several adverse weather issues.

MG believes that the best way to create mutual success is to continue to find ways to work more closely with our growers and a wide range of customers. This year we bolstered our procurement team, which has proven to be an important resource for growing our domestic market.

The key accounts team has also shown their importance to the business through the close partnerships built with customers and their ability to read the market to increase service and sales. Throughout the year they have been working alongside customers to support promotional planning, category planning and remove bottlenecks in the market so the full value can be realised for growers and customers. Further, they have shown that they understand the issues our customers face and help find solutions.

To complement the key accounts team's efforts, the MG in-store merchandising team has been extremely effective, working on the ground floor on displays, point of sale and promotions to support the growth of produce brands, boost product sales and build relationships.

Our domestic business team has worked hard to ensure we have a diverse grower base and we believe that this is a key strength for the future.

A key strategy for MG going forward is to successfully launch and market new products. We continue to ramp up intellectual property (IP) development activity, having made several additions to our IP programme in the last financial year, including berry fruit, summer fruit and green vegetables. The intended result of the programme is to develop products that focus on improving returns, providing unique marketing opportunities for retailers and encouraging increased consumer consumption. A successful example is Butterkin™, which has been hugely popular in the New Zealand market and is now being introduced in Australia. This is a critical part of our business for the future and investment in time and resources will have long-term benefits for our cooperative.

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

Having a well-established branch network with locations in Auckland, Hamilton, Palmerston North, Wellington, Nelson, Christchurch, Dunedin and Invercargill provides a key point of difference. This year our growers have again benefited from our extensive business reach. Having multiple outlets increases sales potential and improves returns. We have an ongoing focus on making sure this strong branch operation continues to support the business and our partners.

The contribution of MG Direct to our business has grown significantly in the past year and has played a key role in turning certain categories into standout performers. MG Direct continues to be a great vehicle for transacting growers' product effectively.

Due to business growth, MG has extended its trading floors and processing facilities in Auckland and Christchurch. We have expanded our business operations in Auckland, to create additional space for extra volume coming through from our growers. This will allow for additional growth opportunities, whilst maintaining cool chain and service level requirements. The new centralised banana ripening and distribution centre for the South Island will also complement the operations in Christchurch.

We are committed to finding better ways of interfacing with growers. A new system is being developed to improve the accuracy of receipting grower consignments. This includes an online tool, which will be rolled out towards the end of 2014 and a programme will be in place to support growers with the change.

New technology and communication tools are also being developed to offer our growers more information and greater transparency around our actions and initiatives.

The industry keeps evolving and we are seeing more consolidation with larger businesses acquiring growing operations. However, there are still a healthy number of family-owned operations - small, medium and large - that remain committed to quality produce and are driven by a passion for the industry.

Protecting the ability of all grower shareholders to sell and market produce competitively is a vital component of our mutual success.

This also applies to our customers where we are focused on making it as easy as possible to do business with us.

United Flower Growers Ltd (UFG)

UFG, MG's joint venture with United Flower Auctions Ltd (UFA), again demonstrated that it is an organisation that is focused on the needs of the New Zealand Flower Industry.

The sales performance was solid on the back of excellent grower support, in particular from UFA grower shareholders, and a strong focus on marketing New Zealand-grown flowers.

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

In response to a challenging market, UFG introduced its strategy to better secure supply and maximise returns. Although it took some time to see the full benefits, the trust shown by the growers was rewarded through healthy sales and growth. We are pleased to report the on-going support of these initiatives by UFA shareholder growers.

Further investment was made into new technology with the introduction of an online portal, where buyers can view the auction live via a webcam whilst bidding.

UFG has also embarked on an expansion strategy with the primary targets being Christchurch and Wellington. A temporary facility was set up in Christchurch and this will be moved to a new permanent site in the next financial year. The Wellington arm of UFG, which operates from the MG branch, is also expanding its facilities to cope with sales growth.

AUSTRALIAN MARKET (LAMANNA GROUP)

The LaManna Group is pleased to report that performance in the latter part of the financial year improved significantly and the business is trending in the right direction. The growth in the last two quarters was on the back of solid demand for bananas and has demonstrated that our strategic approach around consistent supply lines, product diversification and development of exclusive products is starting to pay dividends. This strategy has enabled LaManna to ensure steady operating earnings and will provide confidence in future earnings for our cooperative.

A large increase in general market banana supply significantly decreased sales value, but LaManna managed to counteract this setback in revenue by stronger sales in other products, among which avocados, tropicals, citrus fruits and tomatoes were the standout performers.

The citrus category received a major boost by LaManna significantly increasing its Queensland supply programme with a major supermarket chain, which contributed to a valuable rise in citrus supply base over the past year. This in turn resulted in increased year round supply to key accounts and we see this expanding into the future.

The strides forward in the avocado sector are another example of the excellent work being done to grow the business. Securing consistent supply is assisting with sales programmes and allowing for premium pricing of a high-quality product. Another key to the success in the avocado category is the world-class ripening programme which ensures the consumers can enjoy a premium product while securing good returns for both growers and retailers.

Like our New Zealand operation, the branch network in the key centres across Australia allows LaManna to expand and diversify into other categories, providing outlets for growers in both countries.

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

We are excited about a number of new developments we have in the pipeline that should reap rewards in the coming years. These include new IP products such as the Group controlled Butterkin™ pumpkin from New Zealand, which is undergoing retail trials and, if successful, will be grown throughout Australia for the domestic and potentially export marketplace. In addition the LaManna Group has secured the growing and marketing rights around the Intense™ tomato variety.

Our Darwin banana farm has started growing pineapples which is the only commercial pineapple farm in the Northern Territory. This will mean our farming operations will be less vulnerable to cyclone risk and other supply shortage issues on the east coast.

INTERNATIONAL TRADING

MG’s international trading activities continue to form an important ingredient to MG’s ongoing success. This activity centres on the importation of out-of-season products, or tropical lines not grown in New Zealand, along with developing export sales opportunities.

On the imports front MG continues to play a leading role and will continue to devote the appropriate resources to ensure we maintain that profile. Ultimately our aim is to maximise sales potential, but we also need to balance that with domestic supply capabilities.

The international team working in New Zealand, Australia and the USA continue to foster supply relationships that will support the high standards required by the consumer, along with looking for ways to grow demand. New supply sources of tropical fruit products, or out-of-season produce, continue to provide sales growth.

We are fortunate to work with some of the most recognised and respected global produce brands, such as Dole and Sunkist. We take pride in representing these supply partners and bringing their product and innovations to market.

Our USA operations are also expanding opportunities, linking supply with trading partners outside the traditional New Zealand and Australian markets.

Of particular note is the New Zealand banana category which was challenging due to weather related issues and significant market over supply during the last quarter. These supply constraints are now behind us and the market started to show improved returns towards the end of the financial year.

During the year the MG and Dole joint venture partnership completed a new centralised ripening and distribution facility for the South Island, based in Christchurch. The partnership now has three state-of-the-art facilities that are geared for future growth as well as providing capabilities and expertise for the conditioning of other key produce lines.

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

MG's export partnership with Te Mata Exports 2012 Ltd (Te Mata) has had another successful year.

The team at Te Mata has effectively increased revenue growth through category diversification along with strong apple supply and healthy supplier returns for the 2013 season.

Whilst Te Mata has built its reputation on apples, the team is using its overseas relationships to expand exports into products like avocados, citrus, summerfruit and some vegetable lines.

The international marketplace is becoming increasingly important and attractive for our growers, creating an alternative to the increasingly competitive and often over supplied domestic market.

The main focus is on building relationships in Asia, India and the Middle East where there is a positive future for New Zealand products. It is also important to maintain exposure to the European and US marketplace in order to capitalise on production changes and exchange rate movements.

Horticulture New Zealand has set an ambitious industry growth goal of $20 billion sales by 2020. This is a significant target and will not be achieved by Kiwis consuming more produce, so export will hold the key to this growth goal and MG will play a role in this endeavour. Te Mata and MG are carefully assessing opportunities abroad with selected products.

ANNUAL MEETING OF SHAREHOLDERS

All shareholders are invited to attend the annual meeting of the Company. This year the event will be held at The Napier War Memorial Convention Centre, 48 Marine Parade, Napier on Wednesday 26 November 2014, commencing at 5.30pm. Shareholders are welcome to join MG Directors, management and staff to formally or informally discuss topics of interest. There will be a dinner following on from the meeting at approximately 7.30pm and all shareholders and their partners are welcome to come along (RSVP's are required for catering purposes – details are included in the invitation distributed to all shareholders with the notice of the annual meeting).

DIRECTORATE AND MANAGEMENT

Whilst growers are the core of our cooperative, it is important to acknowledge the positive contribution of our stable Board and management team.

The MG Board provides strategic direction that is in the best interest of our Company, shareholders and growers.

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

Our industry faces significant challenges. The objective of the Board is to support the interests of all grower shareholders and safeguard the long-term future of our cooperative.

The MG executive managers continue to provide outstanding leadership and operational support across the entire group. Our strong and stable team, with incomparable industry experience, positions us well for the future.

In accordance with the Company's constitution, Messrs Brian Gargiulo and Andrew Fenton retire by rotation and being eligible, offer themselves for re-election. One nomination has been validly received for a position as Director, being that of Mr. Mark O'Connor. Further information will be included in the notice of meeting.

MG STAFF

The staff of the organisation deserve particular credit for their enthusiasm, support and integrity during the year. The strength of our cooperative is linked to the passion, ability and commitment of our people who live and breathe our cooperative values on a daily basis. It is the way all staff, throughout our business, show pride in our achievements and remain totally committed to delivering the best service.

MG ensures we have the best and most skillful people in the most critical positions. However, of even more importance, is the way the group of individuals work together as a team with a shared passion to deliver great results for our growers and customers. The relationships we develop are not taken for granted and add tremendous value to our growers. We continue to work hard to provide smooth and successful planning and are endeavouring to develop strong leaders of the future.

We are fortunate to have a large number of longstanding staff members who provide the foundation for our business - this remains our fundamental point of difference. However, we are aware that we need to create career paths for current and future staff members. We want to attract the best and smartest people and to achieve this we are working to increase our profile at universities around the country.

To encourage the next generation of skilled employees we are investing in a graduate programme to introduce some of the smartest young minds in the country to all facets of our business. This involves working with tertiary institutions to select and bring in three new graduates annually with a view to retaining the best candidates within MG on a long-term basis.

Our people are the backbone of MG and have the skills to grow profitability, productivity and sustainability of the industry.

Our staff are a key component of our business, so it is fitting that their names appear on the 'Together. Stronger.' pages of the Annual Review. This is to recognise their performance and an expression of thanks for their effort throughout the year.

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

OUTLOOK

Together. Stronger.

We have had the opportunity to meet a large number of our growers throughout the year. This has highlighted the true strength of the cooperative model and has given us tremendous confidence in our way of doing business.

Circumstances may change over the years, but the basic principle that together we are stronger remains the key to our ongoing success.

While our business was again profitable, our plan is to continue to grow and, together with our growers and customers, be stronger in the years ahead.

The market continues to evolve and we need to be able to adapt rapidly and listen to the needs of our growers and our customers.

Part of our ongoing strategy is to position ourselves to take advantage of market opportunities, be part of new markets and invest in product development.

We will remain focused on shaping the business to withstand ongoing challenges in the industry.

We have made important decisions in our 91-year history and will continue to do so to safeguard the future of our cooperative. MG will not overlook good opportunities across Australia and New Zealand to invest in new businesses and look for organic growth in our existing businesses.

International demand for produce is continuing to grow and market diversification is clearly where strong growth opportunities exist. We see major prospects to expand our business offshore but this requires us to work through complex markets.

MG and its partners will be working hard to identify overseas opportunities, especially in Asia where MG is expecting great results with very specific and strategic product ranges. You can be assured our team is following through on potential opportunities.

MG's sound balance sheet in tandem with its market knowledge and investment in technology will be key assets to support further growth of our domestic customer base and returns for our growers.

Last year's weather related supply challenges for bananas are now behind us and we expect vastly improved sales revenue and performance of this key category in the coming year.

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

MG will further develop technology to interact with growers to assist with planning. This will help with forecasting and ultimately support good business decisions and long-term sustainability.

We will build on our strong foundations for long-term sustainable growth by investing when and where needed in infrastructure that supports the long-term requirements of our business and those of our growers.

MG's commitment, beyond profit, is to support our grower shareholders to ensure long-term sustainability.

To do this most effectively we need to develop a closer working relationship with our network of growers to make sure they are getting the best returns and are not drawn to other business models that deliver less long-term value.

Striking the balance between supply and demand is difficult in our business. MG wants to work with growers to improve productivity and efficiency along every step of the supply chain. Taking a collaborative approach to plan production, project sales and assess risk will lead to a better long-term result.

We remain committed to being the best provider of marketing and sales services for our growers. Although challenges across our industry are many and varied, we firmly believe that working together with you, our grower shareholders, is the key to a bright and successful future.

The strength of our cooperative comes from the strength of our growers and shareholders.

We look forward to another year of achievement for our grower shareholders, staff and customers.

Brian Gargiulo, MBE
Chairman

19 September 2014

Peter Hendry,
Chief Executive Officer

19 September 2014

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2014

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2014.

For and on behalf of the Board of Directors:

B.D. Gargiulo, MBE Chairman	B.R. Irvine Director
19 September 2014	19 September 2014

Together.
Stronger.

Statement of comprehensive income

For the year ended 30 June

	Note	Group 2014 $'000	Group 2013 $'000	Parent Company 2014 $'000	Parent Company 2013 $'000
Revenue – sale of goods	5	289,264	300,306	102,814	103,646
Cost of sales		250,440	253,247	80,068	80,544
Gross profit		38,824	47,059	22,746	23,102
Other operating income	6	1,829	1,839	1,011	1,090
Administrative expenses	7	8,238	7,782	6,068	5,401
Other expenses		22,147	31,239	9,802	11,902
Results from operating activities		10,268	9,877	7,887	6,889
Finance income		226	339	2,492	2,414
Finance expense		2,934	3,470	2,211	2,422
Net finance costs / (income)		2,708	3,131	(281)	8
Profit before equity earnings and income tax		7,560	6,746	8,168	6,881
Share of profit of equity accounted investees	12	1,277	803	-	-
Profit before income tax		8,837	7,549	8,168	6,881
Income tax expense	9	2,455	3,526	1,903	2,682
Profit for the year		6,382	4,023	6,265	4,199
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Foreign currency translation differences for foreign operations		(2,864)	(2,832)	-	-
Effective portion of changes in the fair value of cash flow hedges		686	806	621	730
Income tax on other comprehensive income to be reclassified to profit or loss in subsequent periods	13	(297)	(324)	(174)	(204)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:					
Change in fair value of land and buildings		-	3,789	-	2,303
Income tax on other comprehensive income not to be reclassified to profit or loss in subsequent periods	13	-	(794)	-	(348)
Other comprehensive income for the period, net of income tax		(2,475)	645	447	2,481
Total comprehensive income for the year		**3,907**	**4,668**	**6,712**	**6,680**
Profit attributable to:					
Owners of the company		6,306	3,940	6,265	4,199
Non-controlling interest		76	83	-	-
Profit for the year		**6,382**	**4,023**	**6,265**	**4,199**
Total comprehensive income attributable to:					
Owners of the company		3,831	4,585	6,712	6,680
Non-controlling interest		76	83	-	-
Total comprehensive income for the year		**3,907**	**4,668**	**6,712**	**6,680**

The significant accounting policies and notes to the financial statements on pages 22 to 48 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 2012	16,042	23,247	(1,375)	3,066	24,938	36,779	1,468	79,227
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	3,940	83	4,023
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	623	-	623	-	-	623
Translation of foreign operations	-	-	-	(2,973)	(2,973)	-	-	(2,973)
Net change in fair value of land and buildings	-	2,995	-	-	2,995	-	-	2,995
Total other comprehensive income	-	2,995	623	(2,973)	645	-	-	645
Total comprehensive income for the period	-	2,995	623	(2,973)	645	3,940	83	4,668
Transactions with owners, recorded directly in equity								
Dividends	261	-	-	-	-	(516)	(23)	(278)
Shares issued	511	-	-	-	-	(500)	-	11
Shares surrendered	(547)	-	-	-	-	-	-	(547)
Balance at 30 June 2013	16,267	26,242	(752)	93	25,583	39,703	1,528	83,081
Balance at 1 July 2013	16,267	26,242	(752)	93	25,583	39,703	1,528	83,081
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	6,306	76	6,382
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	493	-	493	-	-	493
Translation of foreign operations	-	-	-	(2,968)	(2,968)	-	-	(2,968)
Total other comprehensive income	-	-	493	(2,968)	(2,475)	-	-	(2,475)
Total comprehensive income for the period	-	-	493	(2,968)	(2,475)	6,306	76	3,907
Transactions with owners, recorded directly in equity								
Dividends	268	-	-	-	-	(608)	(35)	(375)
Shares issued	765	-	-	-	-	(750)	-	15
Shares surrendered	(599)	-	-	-	-	-	-	(599)
Balance at 30 June 2014	16,701	26,242	(259)	(2,875)	23,108	44,651	1,569	86,029

The significant accounting policies and notes to the financial statements on pages 22 to 48 form part of and are to be read in conjunction with these financial statements.

Statement of changes in equity (continued)

For the year ended 30 June

Parent Company	**Share capital $'000**	**Revaluation reserve $'000**	**Hedging reserve $'000**	**Total reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2012	16,042	12,718	(1,167)	11,551	28,857	56,450
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,199	4,199
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	526	526	-	526
Net change in the fair value of land and buildings	-	1,955	-	1,955	-	1,955
Total other comprehensive income	-	1,955	526	2,481	-	2,481
Total comprehensive income for the period	-	1,995	526	2,481	4,199	6,680
Transactions with owners, recorded directly in equity						
Dividends	261	-	-	-	(516)	(255)
Shares issued	511	-	-	-	(500)	11
Shares surrendered	(547)	-	-	-	-	(547)
Balance at 30 June 2013	16,267	14,673	(641)	14,032	32,040	62,339
Balance at 1 July 2013	16,267	14,673	(641)	14,032	32,040	62,339
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,265	6,265
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	447	447	-	447
Total other comprehensive income	-	-	447	447	-	447
Total comprehensive income for the period	-	-	447	447	6,265	6,712
Transactions with owners, recorded directly in equity						
Dividends	268	-	-	-	(608)	(340)
Shares issued	765	-	-	-	(750)	15
Shares surrendered	(599)	-	-	-	-	(599)
Balance at 30 June 2014	16,701	14,673	(194)	14,479	36,947	68,127

The significant accounting policies and notes to the financial statements on pages 22 to 48 form part of and are to be read in conjunction with these financial statements.

Statement of financial position

As at 30 June

	Note	Group 2014 $'000	Group 2013 $'000	Parent Company 2014 $'000	Parent Company 2013 $'000
EQUITY					
Share capital	17	16,701	16,267	16,701	16,267
Reserves		23,108	25,583	14,479	14,032
Retained earnings		44,651	39,703	36,947	32,040
Total equity attributable to equity holders of the Parent Company		84,460	81,553	68,127	62,339
Non-controlling interest		1,569	1,528	-	-
Total equity		86,029	83,081	68,127	62,339
NON-CURRENT ASSETS					
Property, plant and equipment	10	78,904	80,107	36,649	36,191
Intangible assets	11	29,843	32,783	359	435
Investments in equity accounted investees	12	8,182	8,463	1,330	1,330
Investments in subsidiaries		-	-	1,231	1,231
Trade and other receivables	15	15,359	10,712	67,792	61,948
Deferred tax assets	13	2,497	3,118	1,441	1,523
Total non-current assets		134,785	135,183	108,802	102,658
CURRENT ASSETS					
Inventories	14	6,411	5,520	3,847	3,437
Trade and other receivables	15	34,473	33,000	21,908	21,167
Cash and cash equivalents	16	3,150	8,977	668	5,701
Non-current assets held for sale		-	1,744	-	1,744
Total current assets		44,034	49,241	26,423	32,049
Total assets		178,819	184,424	135,225	134,707
NON-CURRENT LIABILITIES					
Loans and borrowings	18	31,675	33,226	25,727	24,900
Trade and other payables	19	699	1,349	389	1,058
Deferred tax liabilities	13	3,938	4,380	1,611	1,598
Total non-current liabilities		36,312	38,955	27,727	27,556
CURRENT LIABILITIES					
Loans and borrowings	18	7,721	14,658	5,500	10,456
Trade and other payables	19	47,776	46,891	33,144	33,457
Taxation payable		981	839	727	899
Total current liabilities		56,478	62,388	39,371	44,812
Total liabilities		92,790	101,343	67,098	72,368
NET ASSETS		86,029	83,081	68,127	62,339

The significant accounting policies and notes to the financial statements on pages 22 to 48 form part of and are to be read in conjunction with these financial statements.

Statement of cash flows

For the year ended 30 June

	Note	Group 2014 $'000	Group 2013 $'000	Parent Company 2014 $'000	Parent Company 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Cash receipts from customers		290,450	302,046	106,593	106,574
Dividends received		648	948	-	-
Interest received		192	338	142	244
Cash was applied to:					
Cash paid to suppliers and employees		(278,070)	(287,154)	(96,214)	(94,396)
Interest paid		(2,828)	(3,489)	(2,242)	(2,373)
Income tax paid		(2,094)	(1,424)	(2,094)	(1,424)
Net cash from operating activities	24	8,298	11,265	6,185	8,625
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		64	119	40	16
Proceeds from loans and advances		-	-	1,252	884
Cash was applied to:					
Acquisition of property, plant and equipment		(3,804)	(5,514)	(2,091)	(5,171)
Acquisition of equity accounted investees		-	(1)	-	-
Loans and advances		(3,438)	(160)	(6,271)	(1,044)
Net cash (used in) investing activities		(7,178)	(5,556)	(7,070)	(5,315)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from issue of share capital		15	11	15	11
Proceeds from bank and other borrowings		300	1,900	300	1,900
Proceeds from loans and advances		1,219	502	1,109	459
Cash was applied to:					
Shares surrendered	17	(599)	(547)	(599)	(547)
Repayment of borrowings		(7,189)	(4,507)	(3,920)	(1,262)
Dividends paid		(375)	(278)	(340)	(255)
Loans and advances		(713)	(744)	(713)	(538)
Net cash (used in) financing activities		(7,342)	(3,663)	(4,148)	(232)
Net (decrease)/increase in cash and cash equivalents		(6,222)	2,046	(5,033)	3,078
Cash and cash equivalents at 1 July		8,977	6,670	5,701	2,623
Effect of exchange rate fluctuations on cash held		395	261	-	-
Cash and cash equivalents at 30 June		3,150	8,977	668	5,701

The significant accounting policies and notes to the financial statements on pages 22 to 48 form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

1. Reporting entity

Market Gardeners Limited (the "Parent Company") is a cooperative company domiciled in New Zealand, registered under the Companies Act 1993 and the Cooperative Companies Act 1996. The Parent Company is an issuer in terms of the Financial Reporting Act 2013.

Financial statements are presented for the Parent Company and consolidated financial statements. The consolidated financial statements of Market Gardeners Limited as at and for the year ended 30 June 2014 comprise the Parent Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The Group and the Parent Company are primarily involved in growing, merchandising, wholesale, ripening, distribution, import and export operations of fresh fruit and produce.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 19 September 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Land and buildings which are carried at fair value less any subsequent accumulated depreciation and any subsequent accumulated impairment;
- Derivative financial instruments which are measured at fair value; and
- Financial instruments classified as available for sale which are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Parent Company's functional currency. All financial information presented in New Zealand dollars has, where denoted by "$'000", been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 4 and in the following notes:

- Note 10 – valuation of land and buildings;
- Note 11 – valuation and recoverable amount of intangible assets;
- Note 13 – recognition of deferred tax assets and deferred tax liabilities;
- Note 15 – valuation of trade and other receivables; and
- Note 17 – cooperative share capital classification.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, substantive voting rights are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(ii) Associates 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 consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term advances) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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

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

(b) Foreign currency

(i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in 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 directly in equity, in the FCTR, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in 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.

(c) Financial instruments

(i) Non-derivative financial instruments
Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

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

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, being the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Cash and cash equivalents comprise cash balances and call deposits and are classified as "loans and receivables" financial instruments.

Accounting for finance income and expense is discussed in note 3 (m).

Investments in equity securities held by the Group are classified as available-for-sale, except for investments in equity securities of subsidiaries and associates which are measured at cost in the separate financial statements of the Parent Company.

Trade and other receivables are stated at their cost plus GST (if any) less impairment losses and are classified as "loans and receivables" financial instruments.

Interest-bearing loans and borrowings, trade and other payables are stated at amortised cost using the effective interest rate method and are classified as "other amortised cost" financial instruments.

(ii) Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash flow hedges - Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in equity is transferred to profit or loss in the same period as the hedged item that affects profit or loss.

(iii) Share capital

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

"D" shares are classified as a liability as the dividend payments on those shares are not discretionary. Dividends thereon are recognised as interest expense in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (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.

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 transferred directly to equity unless it offsets a previous decrease in value recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Upon revaluation all accumulated depreciation is netted against the cost of the land and buildings prior to determining the amount by which the land and buildings are to be revalued.

(ii) Subsequent costs

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(iii) Depreciation

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

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

(iv) Capital work in progress

Capital work in progress is recognised as an asset and is stated at cost less impairment. Expenditure directly attributable to the acquisition or creation of the asset, 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.

(e) Intangible assets

(i) Goodwill

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

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

(ii) Brand

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

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

(f) Leased assets

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

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

(g) Inventories

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

(h) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

(i) Impairment of equity instruments

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(ii) Impairment of receivables
The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

For trade receivables which are not significant on an individual basis, collective impairment is assessed on a portfolio basis based on number of days overdue taking into account the historical loss experience in portfolios with a similar amount of days overdue.

(iii) Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

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

(i) Employee benefits

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

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

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

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) Revenue and other operating income

(i) Revenue - sale of goods
Operating revenue represents the value of traded product and the commission earned from sales made as agent.

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

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.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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

(ii) Other operating income - rental income
Rental income from property is recognised in the profit or loss on a straight-line basis over the term of the lease.

(l) Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and expenses
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method.

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

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

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

Deferred tax is not recognised for the following temporary differences:

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

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

(o) New standards, amendments and interpretations

(i)Changes in accounting policies and disclosures

These financial statements were prepared using accounting policies that are consistent with those of the previous financial year except for new accounting policies adopted during the year. The adoption of the following standards did not have a material impact on the accounting policies, financial position and financial performance of the Group:

- Amendments to NZ IAS 1 Presentation of Financial Statements - Presentation of Other Comprehensive Income -This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments).

- NZ IAS 27 Separate Financial Statements (as amended in 2011) removes the accounting and disclosure requirements for consolidated financial statements, as a result of the issue of NZ IFRS 10 Consolidated Financial Statements & NZ IFRS 12 Disclosures of Interests in Other Entities, which establish new consolidation and disclosure standards.

- NZ IAS 28 (as amended in 2011) prescribes the accounting for investments in associates, joint ventures and joint arrangements, and sets out the requirements for the application of the equity method when accounting for investments in associates, joint ventures and joint arrangements. Disclosure requirements relating to these investments are now contained in NZ IFRS 12.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

- NZ IFRS 10 establishes a new control model. It replaces parts of NZ IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to control another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

- NZ IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

- NZ IFRS 13 establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. NZ IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. Application of this guidance may result in different fair values being determined for the relevant assets. NZ IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

(ii) Accounting standards issued but not yet effective

A number of new standards, amendments and interpretations are not yet effective for the year ended 30 June 2014 and have not been applied in preparing these financial statements. The relevant standards are detailed below. At the time of the annual report the impact of each relevant standard had not yet been determined:

- NZ IFRS 9 Financial Instruments (issued November 2009) issued as a wider project to replace NZ IAS 39. NZ IFRS 9 retained but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of the classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in NZ IAS 39 on impairment of financial assets and hedge accounting continues to apply. The amended standard will be effective for the 2018 Group financial statements.

- NZ IFRS 9 Financial Instruments (issued October 2010) adds the requirements related to classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The standard will be effective for the 2018 Group financial statements.

- NZ IFRS 9 Financial Instruments (issued December 2013) incorporates the following primary changes:
    - New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures;
    - Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of NZ IFRS 9 at the same time; and

  The standard will be effective for the 2018 Group financial statements.

(p) Comparative information

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

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Land and buildings

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 10.

Notes to the financial statements (continued)

4. Determination of fair values (continued)

(b) Derivatives

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

5. Revenue – sale of goods

Revenue from the sale of goods represents the value of traded product and the commissions earned from sales made as agent. Gross sales under management represent the value of traded product and the gross value of sales made as agent. In 2014 gross sales under management for the Group were $538,872,000 (2013: $563,759,000) and for the Parent Company $342,419,000 (2013: $342,929,000).

	Group		Parent Company	
6. Other operating income	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Bad debts recovered	4	2	4	2
Net gain / (loss) on sale of property, plant and equipment	7	(76)	(13)	(23)
Rental income	1,818	1,913	1,020	1,111
Total other income	1,829	1,839	1,011	1,090

7. Administrative expenses

The following items of expenditure are included in administrative expenses:

Auditor's remuneration comprises:				
For audit work:				
• to Market Gardeners Limited and subsidiaries (KPMG)	66	64	66	64
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	81	81	-	-
For other services:				
• to Market Gardeners Limited and subsidiaries (KPMG)	2	2	2	2
• to Market Gardeners Limited (BDO)	6	5	6	5
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	47	47	-	-
Total auditor's remuneration	202	199	74	71

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 internal audit, accounts preparation and taxation services.

8. Personnel expenses

Wages and salaries	39,207	38,820	18,835	18,261
Contributions to defined contribution superannuation plans	1,929	1,890	697	641
Increase/(decrease) in liability for long-service leave	43	227	23	17
Total personnel expenses	41,179	40,937	19,555	18,919

9. Income tax expense in the statement of comprehensive income

Current tax expense	2,568	2,537	1,977	2,289
Prior period adjustment to current tax	5	254	5	254
	2,573	2,791	1,982	2,543
Deferred tax - origination and reversal of temporary differences	(118)	735	(79)	139
Tax (credit)/expense	(118)	735	(79)	139
Total income tax expense	2,455	3,526	1,903	2,682

Notes to the financial statements (continued)

9. Income tax expense in the statement of comprehensive income (continued)	**Group 2014 $'000**	**Group 2013 $'000**	**Parent Company 2014 $'000**	**Parent Company 2013 $'000**
Profit before tax	8,837	7,549	8,168	6,881
Income tax using the Parent Company's domestic tax rate	2,474	2,114	2,287	1,927
Add/(deduct) taxation effect of:				
Effect of tax rates in foreign jurisdictions	53	62	-	-
Tax impact of equity accounted investees	(86)	17	-	-
Non-deductible expenses	401	1,336	57	838
Tax exempt income	(280)	(383)	(70)	(70)
Group loss offset	-	-	(379)	(309)
Current year losses for which no deferred tax asset is recognised	47	(11)	-	-
Under/(over) provided in prior periods	34	391	8	296
Prior year losses for which no deferred tax was recognised	(188)	-	-	-
Total income tax expense	2,455	3,526	1,903	2,682

Imputation credits

	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
The imputation credits are available to shareholders of the Parent Company:				
Through the Parent Company	9,472	7,922	9,472	7,922
Through subsidiaries	152	118	-	-
Imputation credits at 30 June	9,624	8,040	9,472	7,922

10. Property, plant and equipment

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 2012	67,502	2,193	3,780	20,257	2,532	96,264
Additions	2,819	82	237	873	1,503	5,514
Disposals	(3)	(184)	(358)	(481)	(17)	(1,043)
Revaluations	(665)	-	-	-	-	(665)
Reclassification	1,112	-	-	1,280	(2,392)	-
Effect of movements in exchange rates	(1,150)	(151)	(84)	(939)	-	(2,324)
Balance at 30 June 2013	69,615	1,940	3,575	20,990	1,626	97,746
Balance at 1 July 2013	69,615	1,940	3,575	20,990	1,626	97,746
Additions	24	58	134	782	2,806	3,804
Disposals	(11)	(69)	(423)	(259)	-	(762)
Transfer from non-current asset held for sale	1,744	-	-	-	-	1,744
Transfer to finance lease receivable	-	-	-	-	(1,802)	(1,802)
Reclassification	1,594	49	-	458	(2,101)	-
Effect of movements in exchange rates	(1,164)	(155)	(89)	(969)	-	(2,377)
Balance at 30 June 2014	71,802	1,823	3,197	21,002	529	98,353

Notes to the financial statements (continued)

10. Property, plant and equipment (continued)

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Accumulated depreciation						
Balance at 1 July 2012	3,942	1,391	3,322	11,105	-	19,760
Depreciation for the year	1,640	177	216	1,529	-	3,562
Disposals	(1)	(95)	(333)	(370)	-	(799)
Revaluations	(3,990)	-	-	-	-	(3,990)
Reclassification	(45)	8	1	36	-	-
Effect of movements in exchange rates	(102)	(109)	(74)	(609)	-	(894)
Balance at 30 June 2013	1,444	1,372	3,132	11,691	-	17,639
Balance at 1 July 2013	1,444	1,372	3,132	11,691	-	17,639
Depreciation for the year	1,813	144	198	1,234	-	3,389
Disposals	(9)	(59)	(415)	(159)	-	(642)
Reclassification	(507)	-	-	507	-	-
Effect of movements in exchange rates	(106)	(113)	(77)	(641)	-	(937)
Balance at 30 June 2014	2,635	1,344	2,838	12,632	-	19,449
Carrying amounts						
At 1 July 2012	63,560	802	458	9,152	2,532	76,504
At 30 June 2013	68,171	568	443	9,299	1,626	80,107
At 1 July 2013	68,171	568	443	9,299	1,626	80,107
At 30 June 2014	69,167	479	359	8,370	529	78,904

Parent Company

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Cost or valuation						
Balance at 1 July 2012	23,704	154	2,436	8,201	2,532	37,027
Additions	2,819	-	232	618	1,503	5,172
Disposals	(3)	(21)	(110)	(6)	(17)	(157)
Revaluations	1,300	-	-	-	-	1,300
Reclassification	1,112	-	-	1,280	(2,392)	-
Balance at 30 June 2013	28,932	133	2,558	10,093	1,626	43,342
Balance at 1 July 2013	28,932	133	2,558	10,093	1,626	43,342
Additions	3	57	93	133	1,805	2,091
Disposals	(11)	(54)	(423)	(205)	-	(693)
Transfer from non-current asset held for sale	1,744	-	-	-	-	1,744
Transfer to finance lease receivable	-	-	-	-	(1,802)	(1,802)
Reclassification	1,100	49	-	(49)	(1,100)	-
Balance at 30 June 2014	31,768	185	2,228	9,972	529	44,682
Accumulated depreciation						
Balance at 1 July 2012	793	93	2,189	3,876	-	6,951
Depreciation for the year	481	14	156	686	-	1,337
Disposals	(1)	(8)	(87)	(5)	-	(101)
Revaluations	(1,036)	-	-	-	-	(1,036)
Balance at 30 June 2013	237	99	2,258	4,557	-	7,151
Balance at 1 July 2013	237	99	2,258	4,557	-	7,151
Depreciation for the year	670	27	149	658	-	1,504
Disposals	(9)	(50)	(415)	(148)	-	(622)
Balance at 30 June 2014	898	76	1,992	5,067	-	8,033

Notes to the financial statements (continued)

10. Property, plant and equipment (continued)

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Carrying amounts						
At 1 July 2012	22,911	61	247	4,325	2,532	30,076
At 30 June 2013	28,695	34	300	5,536	1,626	36,191
At 1 July 2013	28,695	34	300	5,536	1,626	36,191
At 30 June 2014	30,870	109	236	4,905	529	36,649

Security
Property, plant and equipment forms part of and is security for bank loans and finance leases (refer to note 18).

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 $811,000 (2013: $1,025,000).

Land and buildings
Land and buildings include leasehold improvements and leasehold entitlements. Land and buildings (and 2013: non-current assets held for sale) were revalued to net current value as at 30 June 2013 based on the valuations provided as at that date by the following registered valuers: Duke and Cooke Ltd ($8,890,000), Truebridge Partners ($47,875,000), Coast Valuations ($95,000), Chadderton Valuation ($1,010,000), Herron Todd White (AUD$1,570,000), Valuecorp (AUD$5,500,000), Integrated Valuation Services (AUD$2,100,000).

Fair value
The Directors consider that the fair value of land and buildings is approximated by their carrying value. The most recent independent valuations as detailed above are reflected in the 30 June 2014 financial statements. If the land and buildings were measured using the cost model then the carrying value would be $41,661,000 (2013: $41,133,000) for the Group and $15,492,000 (2013: $14,561,000) for the Parent Company.

Fair Value Hierarchy
Land and buildings are both categorised as level 2 fair values. The fair value hierarchy levels are defined as set out below.

- 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).

11. Intangible assets

Group	Goodwill $'000	Brand $'000	Trademarks $'000	Total $'000
Cost				
Balance at 1 July 2012	21,693	13,865	9	35,567
Effect of movements in exchange rates	(1,695)	(1,083)	-	(2,778)
Balance at 30 June 2013	19,998	12,782	9	32,789
Balance at 1 July 2013	19,998	12,782	9	32,789
Goodwill reduction on unfulfilled contract	(75)	-	-	(75)
Effect of movements in exchange rates	(1,709)	(1,155)	-	(2,864)
Balance at 30 June 2014	18,214	11,627	9	29,850
Accumulated amortisation and impairment losses				
Balance at 1 July 2012	-	-	5	5
Amortisation for the year	-	-	1	1
Balance at 30 June 2013	-	-	6	6
Balance at 1 July 2013	-	-	6	6
Amortisation for the year	-	-	1	1
Balance at 30 June 2014	-	-	7	7

Notes to the financial statements (continued)

11. Intangible assets (continued)

	Goodwill $'000	Brand $'000	Trademarks $'000	Total $'000
Carrying amounts				
At 1 July 2012	21,693	13,865	4	35,562
At 30 June 2013	19,998	12,782	3	32,783
At 1 July 2013	19,998	12,782	3	32,783
At 30 June 2014	18,214	11,627	2	29,843

Parent Company	Goodwill $'000	Trademarks $'000	Total $'000
Cost			
Balance at 1 July 2012	432	9	441
Balance at 30 June 2013	432	9	441
Balance at 1 July 2013	432	9	441
Goodwill reduction on unfulfilled contract	(75)	-	(75)
Balance at 30 June 2014	357	9	366
Accumulated amortisation and impairment losses			
Balance at 1 July 2012	-	5	5
Amortisation for the year	-	1	1
Balance at 30 June 2013	-	6	6
Balance at 1 July 2013	-	6	6
Amortisation for the year	-	1	1
Balance at 30 June 2014	-	7	7
Carrying amounts			
At 1 July 2012	432	4	436
At 30 June 2013	432	3	435
At 1 July 2013	432	3	435
At 30 June 2014	357	2	359

With the exception of $357,000 of goodwill (in the Parent and Group), which relates to the New Zealand cash generating unit, the goodwill and the indefinite life brand intangible asset of the Group have been allocated to the Australian operation cash generating unit (CGU).

The recoverable amount of the Australian operation cash CGU is based on fair value less costs to sell. The fair value less costs to sell has been estimated using the methodology of capitalisation of maintainable earnings. The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss (2013:$Nil) was recognised.

The key assumptions used in the calculation of recoverable amounts are a normalised maintainable EBITDA and an EBITDA multiple. These assumptions are a normalised maintainable EBITDA of AUD$5.1 million (2013: AUD$6.7 million) and a mid point EBITDA multiple of 7.0 times (2013: 5.0 times). Normalised maintainable EBITDA is determined based on the historical average EBITDA of the Australian CGU adjusted for any one off or non-core business transactions, synergies and other benefits that may accrue on a willing buyer willing seller basis. The EBITDA of the Australian CGU for the year ended 30 June 2014 was $4.69 million (2013: $6.15 million).

EBITDA multiples observed in the market for comparable companies in the fresh produce, food and agribusiness sector and recent transactions that have occurred have been considered when the EBITDA multiple is determined and revised as detailed above. Other factors considered when determining the EBITDA multiple include the nature and size of the Australian CGU, the stability and quality of earnings, potential growth rate and risks inherent in the business.

The estimated recoverable amount of the Australian CGU using the mid point EBITDA multiple is equal to its carrying amount. A movement in the EBITDA multiple of plus or minus 0.5 times will result in a movement in the recoverable amount of the Australian CGU of $3.9 million (2013: $4.0 million) above or below the carrying value. A movement in the EBITDA of plus or minus 10% will result in a movement in the recoverable amount of the Australian CGU of $3.9 million (2013: $3.35 million) above or below the carrying value.

Notes to the financial statements (continued)

12. Investments in equity accounted investees (associates and joint arrangements)

The Group's share of profit in its equity accounted investees for the year was $1,277,000 (2013: $803,000).

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

Group summary of financial information for individually immaterial but collectively material equity accounted investees (associates and joint arrangements)	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
2014	3,184	-	-	2,225	8,182
2013	1,628	-	-	1,123	8,463

13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Property, plant and equipment	-	-	(3,005)	(3,857)	(3,005)	(3,857)
Derivatives	103	306	(3)	(9)	100	297
Provisions	2,394	2,036	(930)	(514)	1,464	1,522
Losses carried forward	-	776	-	-	-	776
Tax assets/(liabilities)	2,497	3,118	(3,938)	(4,380)	(1,441)	(1,262)

	Assets		Liabilities		Net	
Parent Company	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Property, plant and equipment	-	-	(678)	(1,074)	(678)	(1,074)
Derivatives	79	259	(3)	(9)	76	250
Provisions	1,362	1,264	(930)	(515)	432	749
Tax assets/(liabilities)	1,441	1,523	(1,611)	(1,598)	(170)	(75)

Movement in temporary differences during the year **Group**	**Balance 1 July 12 $'000**	**Recognised in Profit and Loss $'000**	**Recognised in equity $'000**	**Balance 30 June 13 $'000**
Property, plant and equipment	(3,141)	78	(794)	(3,857)
Derivatives	547	(67)	(183)	297
Provisions	1,463	124	(65)	1,522
Losses carried forward	1,722	(870)	(76)	776
	591	(735)	(1,118)	(1,262)

Notes to the financial statements (continued)

13. Deferred tax assets and liabilities (continued)

Group	Balance 1 July 13 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 14 $'000
Property, plant and equipment	(3,857)	818	34	(3,005)
Derivatives	297	-	(197)	100
Provisions	1,522	12	(70)	1,464
Losses carried forward	776	(712)	(64)	-
	(1,262)	118	(297)	(1,441)

Parent Company	Balance 1 July 12 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 13 $'000
Property, plant and equipment	(578)	(148)	(348)	(1,074)
Derivatives	454	-	(204)	250
Provisions	740	9	-	749
	616	(139)	(552)	(75)

Parent Company	Balance 1 July 13 $'000	Recognised in Profit and Loss $'000	Recognised in equity $'000	Balance 30 June 14 $'000
Property, plant and equipment	(1,074)	396	-	(678)
Derivatives	250	-	(174)	76
Provisions	749	(317)	-	432
	(75)	79	(174)	(170)

14. Inventories

	Group		Parent Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Inventory	6,411	5,520	3,847	3,437
Inventory subject to contract	1,527	2,007	1,527	2,007
Amount due to supplier	(1,527)	(2,007)	(1,527)	(2,007)
	6,411	5,520	3,847	3,437

In 2014 inventories recognised as cost of sales amounted to $217,797,000 (2013: $221,090,000) for the Group and $66,491,000 (2013: $66,945,000) for the Parent Company. In 2014 the Parent Company and Group write-down of inventories to net realisable value amounted to $Nil (2013: $Nil). In 2014 the Parent Company and Group inventories stated at net realisable value amounted to $Nil (2013: $Nil).

Notes to the financial statements (continued)

15. Trade and other receivables

	Note	Group 2014 $'000	Group 2013 $'000	Parent Company 2014 $'000	Parent Company 2013 $'000
Non-current					
Finance lease receivables		2,898	1,589	2,898	1,589
Receivable from subsidiaries		-	-	52,433	51,236
Prepayments and other receivables		18,108	14,770	18,108	14,770
Provision for prepayments and other receivables		(5,647)	(5,647)	(5,647)	(5,647)
Total non-current trade and other receivables		15,359	10,712	67,792	61,948
Current					
Trade receivables	20	27,421	25,838	15,755	14,898
Receivable from subsidiaries		-	-	413	616
Prepayments and other receivables		6,618	6,881	5,306	5,372
Finance lease receivable		423	249	423	249
Derivatives		11	32	11	32
Total current trade and other receivables		34,473	33,000	21,908	21,167
Total trade and other receivables		49,832	43,712	89,700	83,115

Receivables for the Group denominated in currencies other than the functional currency comprise $11,550,000 (2013: $11,102,000) of trade receivables denominated in Australian dollars and $115,000 (2013: $Nil) of trade receivables denominated in US dollars. The finance lease receivable relates to assets used by the fruit ripening business which is classified as a finance lease. Details of the impairment of trade receivables are shown in note 20.

Certain receivables from subsidiaries have been reclassified into non-current in the above table to reflect the underlying time frames in which the receivables will be collected.

As detailed in the above table a provision was taken up in prior years against prepayments and other receivables. When the receipt of a prepayment or other receivable, 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 2014 was $1,500,000 (2013: $1,500,000). In addition, in the prior year, a provision was also raised against a related party receivable, as detailed in note 25. There was no movement in the provision in the current period.

16. Cash and cash equivalents

The effective interest rate on bank balances for the Group in 2014 was 6.54% (2013: 6.47%) and Parent Company in 2014 was 7.04% (2013: 6.80%).

17. Capital and reserves

a) Issued and paid up share capital

	Rebate Shares (Number '000 / $'000) A Shares	B Shares	C Shares	Total
Balance at 1 July 2012	12,570	2,972	500	16,042
Shares issued	272	-	500	772
Shares transferred	646	(146)	(500)	-
Shares surrendered	(513)	(33)	(1)	(547)
Balance at 30 June 2013	12,975	2,793	499	16,267
Balance at 1 July 2013	12,975	2,793	499	16,267
Shares issued	283	-	750	1,033
Shares transferred	669	(170)	(499)	-
Shares surrendered	(564)	(33)	(2)	(599)
Balance at 30 June 2014	13,363	2,590	748	16,701

"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.

Notes to the financial statements (continued)

17. Capital and reserves (continued)

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

"D" shares have been classified as non-current liabilities as at 30 June 2014 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 (30 June 2013 classified as current liabilities as they were due for repayment on 31 March 2014).

All shares have a nominal value of $1.00 as permitted by the Cooperative Companies Act 1996. As a result, the above table represents the dollar value and number of shares on issue and the movements in each class of share. "D" shares are classified as non-current liabilities under NZ IFRS and are excluded from the above table. Refer to note 18 for further disclosures.

From time to time the Directors declare distributions including rebates, bonus issues and dividends. These distributions are accounted for in the period in which the actual declaration is made. As a result, the November 2013 announcement of a $250,000 taxable rebate (capitalised into "C" shares), a bonus issue of two for one on this rebate amounting to $500,000 (capitalized into "C" shares) and a fully imputed taxable gross final dividend of 6.0 cents on all "A" and 8.0 cents on all "D" shares issued under prospectus dated 18 December 2007 (being 4.667 cents per share dividend paid on 30 June 2013 and 3.333 cents per share dividend payable on 27 November 2013), is accounted for in the year ended 30 June 2014. In addition, the 31 March 2014 final gross dividend on the 2007 Prospectus "D" shares of 2.667 cents per share is accounted for in the year ended 30 June 2014.

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

Each holder of "A" shares has one vote for each "A" share up to a maximum of 1,000 votes if 1,000 or more "A " shares are held by that holder. Such voting rights are suspended if the shareholder has not transacted business (i.e. is not a Current Producer as defined in the Parent Company's constitution) with the Parent Company or a subsidiary for a period of two years until such time as the shareholder recommences transacting with the Parent Company or a subsidiary.

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

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

Upon winding up all shareholders rank equally with regard to the Parent Company's residual assets however any outstanding payment for "D" share dividends shall rank ahead of all other payments to shareholders.

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

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

All shares are surrendered at the lesser of their nominal value of $1.00 or the amount paid up on those shares. Where a shareholder holds over 50,000 but less than 100,000 shares, the Board may limit the surrender of those shares to 20% of the holding in any one year. Where a shareholder holds over 100,000 shares, the Board may limit the surrender of those shares to 10% of the holding in any one year.

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

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

b) Foreign currency translation reserve

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

Notes to the financial statements (continued)

17. Capital and reserves (continued)

c) Revaluation reserve
The revaluation reserve relates to the revaluation of land and buildings.

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

e) Supplier shareholder rebate (2014)
On 21 August 2014, a taxable rebate of $250,000 was declared by the Directors for the year to 30 June 2014 (2013: $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 2014 Annual Meeting. The rebate will be accounted for in the period it is declared, namely the year ended 30 June 2015.

f) Bonus issue on supplier shareholder rebate (2014)
On 21 August 2014, the directors declared a three for one (3 for 1) bonus issue on the above "supplier shareholder rebate (2014)". The bonus issue will be accounted for in the period it is declared, namely the year ended 30 June 2015 (the bonus issue for the year ended 30 June 2013 was two for one (2 for 1)).

g) Final dividend
On 21 August 2014 the Directors declared a fully imputed taxable gross final dividend of 6 cents per "A" share (2013 : 6 cents per "A" share) and 4 cents per "D" share issued under prospectus dated 14 November 2013 (based on 6 cents gross for the 8 months from 1 April 2014 to 30 November 2014) (2013: 8 cents per "D" share issued under prospectus dated 18 December 2007 (being 4.667 per cents per share dividend paid in June 2013 and 3.333 cents per share paid in November 2013)). It is also noted that a dividend of 2.667 cents per "D" share issued under the prospectus dated 18 December 2007 was paid in March 2014 (being the final dividend payable on "D" shares issued under prospectus dated 18 December 2007). The final dividend is to be issued from retained earnings upon completion at the 2014 Annual Meeting. The final dividend will be accounted for in the period the dividend is actually declared, namely the 30 June 2015 financial statements. No interim dividend was declared in the year to 30 June 2014 (2013: $Nil).

18. Loans and borrowings

This note provides information about the contractual terms of the Parent Company and Group's interest-bearing loans and borrowings. For more information about the Parent Company and Group's exposure to interest rate and foreign currency risk, see note 20.

	Group		Parent Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Non-current liabilities				
Secured bank loans	29,307	32,780	23,413	24,900
Finance lease liabilities	54	446	-	-
Redeemable "D" shares	2,314	-	2,314	-
	31,675	33,226	25,727	24,900
Current liabilities				
Current portion of secured bank loans	7,322	11,664	5,500	7,900
Current portion of finance lease liabilities	399	438	-	-
Redeemable "D" shares	-	2,556	-	2,556
	7,721	14,658	5,500	10,456
Total loans and borrowings	39,396	47,884	31,227	35,356

The bank loans are secured over land and buildings with a carrying amount of $69,167,000 (2013: $68,171,000) (see note 10) and non-current assets held for sale $Nil (2013: $1,744,000).

The Parent Company has issued "D" shares under two separate prospectuses being 18 December 2007 and 14 November 2013 respectively. The "D" shares issued under the 2007 prospectus were redeemed and a final dividend paid to shareholders on 31 March 2014 (being 2.667 per "D" share). The "D" shares issued under the 2013 prospectus carry the right to an annual dividend payable at the end of November each year. The dividend payable as at the end of November 2014 is to be calculated on a pro-rata basis for the 8 months from 1 April 2014 to 30 November 2014.

Notes to the financial statements (continued)

18. Loans and borrowings (continued)

“D” shares have been classified as non-current liabilities (2013: current liabilities) on the basis that the Parent Company and Group has an obligation to pay a minimum fixed dividend and may be redeemed for cash at the end of their term at the option of the shareholder. “D” shares carry the right to an annual dividend of 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.

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.

	Group		Parent Company	
19. Trade and other payables	**2014 $’000**	**2013 $’000**	**2014 $’000**	**2013 $’000**
Non-current				
Derivatives	311	908	229	908
Employee benefits	388	441	160	150
Total non-current trade and other payables	699	1,349	389	1,058
Current				
Trade payables	42,520	41,739	29,999	30,498
Derivatives	52	173	52	16
Employee benefits	5,204	4,979	3,093	2,943
Total current trade and other payables	47,776	46,891	33,144	33,457
Total trade and other payables	48,475	48,240	33,533	34,515

Payables denominated in currencies other than the functional currency comprise $13,673,000 (2013: $12,913,000) of trade payables denominated in Australian dollars and $3,309,000 (2013: $3,075,000) of trade payables denominated in US dollars.

20. Financial instruments

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

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

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

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

Notes to the financial statements (continued)

20. Financial instruments (continued)

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

Interest rate risk
The Group manages interest rate risk through policies determined by the Board. Interest rate swaps have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy.

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

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

	Group		Parent Company	
Trade receivables	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Not past due	26,500	24,763	16,347	15,450
Past due 1-30 days	1,227	1,238	101	30
Past due 31-60 days	180	283	59	18
Past due 61-90 days	364	296	28	16
Past due greater than 91 days	351	293	15	13
Total trade receivables (gross)	28,622	26,873	16,550	15,527
Provision for doubtful debts	(1,201)	(1,035)	(795)	(629)
Total trade receivables (net)	27,421	25,838	15,755	14,898
Provision for doubtful debts				
Opening provision	1,035	988	629	530
Bad debts written off	(252)	(273)	(32)	(53)
Increase in provision	418	320	198	152
Closing provision	1,201	1,035	795	629

Liquidity risk
The following table sets out the contractual cash flows for all financial liabilities and for derivatives that are settled on a gross cash flow basis.

Group 2014	**Balance sheet $'000**	**Contractual cash flows $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Non-derivative financial instruments							
Loans and borrowings	39,396	47,802	4,721	5,361	5,032	32,688	-
Trade and other payables	48,112	48,112	45,116	2,608	81	172	135
Total financial liabilities	87,508	95,914	49,837	7,969	5,113	32,860	135
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	352	891	164	129	367	231	-
Group 2013							
Non-derivative financial instruments							
Loans and borrowings	47,884	53,110	4,650	12,140	4,850	31,470	-
Trade and other payables	47,159	47,159	44,284	2,433	95	202	145
Total financial liabilities	95,043	100,269	48,934	14,573	4,945	31,672	145
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	1,049	2,229	426	847	302	654	-

Notes to the financial statements (continued)

20. Financial instruments (continued)

Parent Company 2014	Balance sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial instruments							
Loans and borrowings	31,227	38,411	3,042	4,471	4,706	26,192	-
Trade and other payables	33,252	33,252	31,540	1,552	24	58	78
Total financial liabilities	64,479	71,663	34,582	6,023	4,730	26,250	78
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	270	558	139	104	315	-	-
Parent Company 2013							
Non-derivative financial instruments							
Loans and borrowings	35,356	39,288	2,726	9,328	4,112	23,122	-
Trade and other payables	34,981	34,981	33,416	1,415	22	56	72
Total financial liabilities	70,337	74,269	36,142	10,743	4,134	23,178	72
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	892	1,950	320	674	302	654	-

Foreign currency exchange risk

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

	Group		Parent Company	
2014	**USD**	**AUD**	**USD**	**AUD**
Trading foreign currency risk	**$'000**	**$'000**	**$'000**	**$'000**
Due within 12 months				
Bank	238	2,182	3	118
Trade receivables	1,492	10,779	-	-
Trade payables	(3,796)	(11,206)	(2,201)	(975)
Net balance sheet exposure before hedging activity	(2,066)	1,755	(2,198)	(857)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	2,201	975	2,201	975
Net unhedged exposure	135	2,730	3	118
2013				
Trading foreign currency risk				
Due within 12 months				
Bank	399	2,357	1	11
Trade receivables	1,074	9,439	-	-
Trade payables	(2,709)	(9,516)	(1,585)	(760)
Net balance sheet exposure before hedging activity	(1,236)	2,280	(1,584)	(749)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	1,611	760	1,585	760
Net unhedged exposure	375	3,040	1	11

Notes to the financial statements (continued)

20. Financial instruments (continued)

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

	2014 AUD $'000	2013 AUD $'000
Investment foreign currency risk		
Net investment (including intangible assets that arise on consolidation) in Australian operations	35,157	34,180
Foreign currency denominated borrowings		
Secured bank borrowings	(11,350)	(11,350)
Net unhedged exposure	23,807	22,830

Interest rate risk - repricing analysis **2014** **Group**	**Note**	**Total $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Fixed rate instruments							
Finance lease receivable		3,321	212	211	423	1,269	1,206
Finance lease liabilities		(453)	(201)	(198)	(54)	-	-
Total fixed rate instruments		2,868	11	13	369	1,269	1,206
Variable rate instruments and related derivatives							
Cash and cash equivalents		3,150	3,150	-	-	-	-
Secured bank loans		(36,629)	(36,629)	-	-	-	-
"D" shares	18	(2,314)	-	-	-	(2,314)	-
Effect of interest rate swaps		-	14,358	-	(9,000)	(5,358)	-
Total variable rate instruments and related derivatives		(35,793)	(19,121)	-	(9,000)	(7,672)	-
Parent Company							
Fixed rate instruments							
Finance lease receivable		3,321	212	211	423	1,269	1,206
Total fixed rate instruments		3,321	212	211	423	1,269	1,206
Variable rate instruments and related derivatives							
Cash and cash equivalents		668	668	-	-	-	-
Secured bank loans		(28,913)	(28,913)	-	-	-	-
"D" shares	18	(2,314)	-	-	-	(2,314)	-
Effect of interest rate swaps		-	9,000	-	(9,000)	-	-
Total variable rate instruments and related derivatives		(30,559)	(19,245)	-	(9,000)	(2,314)	-

Notes to the financial statements (continued)

20. Financial instruments (continued)

Interest rate risk - repricing analysis 2013 Group	Note	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Fixed rate instruments							
Finance lease receivable		1,838	125	125	250	750	588
Finance lease liabilities		(884)	(241)	(197)	(382)	(64)	-
Total fixed rate instruments		954	(116)	(72)	(132)	686	588
Variable rate instruments and related derivatives							
Cash and cash equivalents		8,977	8,977	-	-	-	-
Secured bank loans		(44,444)	(44,444)	-	-	-	-
"D" shares	18	(2,556)	(2,556)	-	-	-	-
Effect of interest rate swaps		-	40,183	(18,362)	(12,821)	(9,000)	-
Total variable rate instruments and related derivatives		(38,023)	2,160	(18,362)	(12,821)	(9,000)	-

Parent Company

	Note	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Fixed rate instruments							
Finance lease receivable		1,838	125	125	250	750	588
Total fixed rate instruments		1,838	125	125	250	750	588
Variable rate instruments and related derivatives							
Cash and cash equivalents		5,701	5,701	-	-	-	-
Secured bank loans		(32,800)	(32,800)	-	-	-	-
"D" shares	18	(2,556)	(2,556)	-	-	-	-
Effect of interest rate swaps		-	28,421	(6,600)	(12,821)	(9,000)	-
Total variable rate instruments and related derivatives		(29,655)	(1,234)	(6,600)	(12,821)	(9,000)	-

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 cooperative principles. These principles form the basis for rebates to transacting shareholders, distributions to shareholders in general and the surrender of share capital to those shareholders leaving the cooperative.

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

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

The Group's capital management allocation is regularly considered and reviewed by the Board.

There have been no material changes in the Group's management of capital during the period.

Sensitivity analysis
At 30 June 2014 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $192,000 (2013: $19,000). Interest rate swaps have been taken into account in this calculation.

Notes to the financial statements (continued)

20. Financial instruments (continued)

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased the Group's profit before income tax by approximately $27,000 for the year ended 30 June 2014 (2013: $35,000). The Group policy of entering into forward exchange contracts has been allowed for in this calculation. The impact of such a foreign currency movement is generally mitigated by a similar movement in the pricing of the associated produce sold.

Hedging
Interest rate hedges
The Group has a policy of having, on average, between 70 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in Australian and New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next five years following the maturity of the related loans and have fixed swap interest rates ranging from 3.18 percent to 5.92 percent (2013: 3.18 percent to 5.92 percent). At 30 June 2014, the Group had interest rate swaps with a notional contract amount of $17,358,000 (2013: $42,536,000). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 June 2014 was $304,000 payable (2013: $1,065,000 payable).

Forecast transactions
The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The net fair value of forward exchange contracts used as hedges of forecast transactions at 30 June 2014 was $49,000 payable (2013: $16,000 receivable) comprising assets of $3,000 (2013: $32,000) and liabilities of $52,000 (2013: $16,000).

Recognised assets and liabilities
The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2014 was $Nil (2013: $Nil) recognised in fair value derivatives.

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

Classification and fair values

	Derivatives $'000	Loans and receivables $'000	Available for sale $'000	Other amortised cost $'000	Total $'000	Fair value $'000
Group						
2014						
Total assets	11	49,650	-	3,321	52,982	52,982
Total liabilities	363	-	-	87,508	87,871	87,871
2013						
Total assets	32	50,819	-	1,838	52,689	52,689
Total liabilities	1,081	-	-	95,043	96,124	96,124
Parent						
2014						
Total assets	11	87,036	-	3,321	90,368	90,368
Total liabilities	281	-	-	64,479	64,760	64,760
2013						
Total assets	32	88,336	-	1,838	90,206	90,206
Total liabilities	924	-	-	70,337	71,261	71,261

Fair value hierarchy
Derivatives, loans and receivables, available for sale and other amortised cost are all categorised as level 2 fair values. The fair value hierarchy levels are defined as set out below.

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

Notes to the financial statements (continued)

21. Operating leases

	Group		Parent	
Leases as lessee	**2014**	**2013**	**2014**	**2013**
Non-cancellable operating lease rentals are payable as follows:	**$'000**	**$'000**	**$'000**	**$'000**
Less than one year	3,718	3,838	1,930	1,918
Between one and five years	8,745	9,370	3,397	3,542
More than five years	1,347	1,121	804	769
	13,810	14,329	6,131	6,229

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.

During the year ended 30 June 2014 $4,766,000 (2013: $4,038,000) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases for the Group and $1,820,000 (2013: $1,915,000) for the Parent Company.

Leases as lessor
The Group leases out some of its property held under operating leases. The Parent Company acts as the lessor of packaging equipment to certain suppliers. The future minimum lease payments under non-cancellable leases are as follows:

Less than one year	1,310	1,504	784	979
Between one and five years	4,170	4,593	2,118	2,693
More than five years	30	1,080	30	611
	5,510	7,177	2,932	4,283

22. Capital commitments

Capital commitments as at 30 June	500	4,200	500	4,200

As at 30 June 2014 the Group had capital commitments of $500,000 for the extension and refurbishment of the Christchurch branch main floor (30 June 2013: $4,200,000 of which $1,100,000 was for a building extension in Auckland and $3,100,000 was for a centralised ripening and distribution centre in Christchurch). The Parent Company had capital commitments of $500,000 (30 June 2013: $4,200,000).

23. Contingencies

The Group and Parent Company had the following contingencies.

The Parent Company guarantees the LaManna Group and associates borrowings of $7,715,000 (2013: $13,702,000).

Trade indemnities and guarantees issued $800,000 (2013: $2,576,500) of which $Nil was for the benefit of a related party (2013: $1,776,500), and $800,000 for an associate company (2013: $800,000 for an associate company).

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

Notes to the financial statements (continued)

24. Reconciliation of the profit for the period with the net cash from operating activities	**Group 2014 $'000**	**Group 2013 $'000**	**Parent Company 2014 $'000**	**Parent Company 2013 $'000**
Profit for the year	6,382	4,023	6,265	4,199
Adjustments for:				
Advance to subsidiaries, equity accounted investees and other parties	3,535	445	5,223	238
Depreciation	3,389	3,562	1,504	1,337
Change in derivatives recognised in hedging reserve	697	880	622	730
(Increase) in deferred tax on reserves	(297)	(1,118)	(174)	(552)
Decrease in future taxation benefit	179	1,853	95	691
Equity accounted earnings of equity accounted investees	(275)	393	-	-
Unrealised foreign currency translation of subsidiaries	(687)	(647)	-	-
Loss on revaluation of property, plant & equipment	-	476	-	17
Effect of movement in foreign exchange rate on investing / financing activities	-	-	(1,187)	(1,153)
Other	187	323	164	238
	13,110	10,140	12,512	5,695
Impact of changes in working capital items:				
Change in inventories	(891)	(1,232)	(411)	(813)
Change in trade and other receivables	(4,298)	(419)	(4,763)	(989)
Change in taxation receivable / payable	142	1,118	(172)	3,637
Change in trade and other payables	235	1,658	(981)	1,095
	(4,812)	1,125	(6,327)	2,930
Net cash from operating activities	8,298	11,265	6,185	8,625

25. Related parties

The immediate parent and ultimate controlling party of the Group is Market Gardeners Limited. The following transactions are conducted on normal commercial terms.

From time to time the Parent Company makes advances to associates and subsidiaries. Associate advances are not interest bearing where they are considered to be part of the investment or are otherwise interest bearing at the Parent Company's average cost of borrowing. Advances to subsidiary companies are not interest bearing with the exception of certain advances which are made to allow the subsidiary to acquire an investment.
Sales of goods and services and purchases of goods and services transactions with subsidiaries detailed in the table below includes sales and purchases of produce, property rentals, management fees and interest charges.

Transactions with subsidiaries				
Sales of goods and services	-	-	5,574	5,368
Purchases of goods and services	-	-	7,543	8,504
Closing advances/receivables	-	-	52,846	51,852
Transactions with associates				
Sales of goods and services	3,567	3,453	965	695
Purchases of goods and services	22,756	21,925	19,729	18,253
Closing advances/receivables	13,725	11,435	13,725	11,435
Closing loans/payables	56	410	-	388

For the year ended 30 June 2014 there has been no expense recognised or any movement in provisions relating to outstanding balances with subsidiaries or associates (2013: $Nil expense / movement).

Notes to the financial statements (continued)

25. Related parties (continued)

The Parent Company is a participating employer in a defined contribution superannuation fund. During the year the Parent Company made employer contributions to the fund as disclosed in note 8. In addition, the Parent Company leased premises and motor vehicles on an operating lease basis from the superannuation fund. These lease payments represented $188,000 and $716,000 of the Parent Company and Group lease costs respectively (2013: $186,000 and $734,000). The Parent Company does not guarantee the performance or value of the superannuation fund but does appoint the Trustees of the fund who at balance date were the Chairman Mr B.D. Gargiulo, MBE; the Deputy Chairman Mr F.P. Di Leva; the Chief Executive Mr P.S. Hendry; the Company Secretary Mr D.J. Pryor and Mr D.J. Stock (Barrister and Solicitor).

Mr Mario Di Leva (the son of a Market Gardeners Ltd Director) is the owner and Director of Brenics Transport Ltd (Brenics) which provided Market Gardeners Ltd with transport services totalling $142,000 for the year to 30 June 2014 (2013: $11,478,000). The Parent Company has loans to Brenics which, as at 30 June 2013, were considered to be impaired and were provided against in the 30 June 2013 year. As at the 30 June 2014 the residual balance of these loans amounted to $1,766,000 (2013: $2,764,000) which is repayable on demand. Certain portions of the loan are secured by Brenics' remaining plant and equipment. Repayments of $998,000 were received in the year to 30 June 2014 (2013: No loan repayments).

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 cooperatives the Parent Company and Group has frequent transactions with its grower Director's (sales to, agency sales for and purchases from Director's) in the ordinary course of business.

Key management personnel compensation comprised:

	2014 $'000	2013 $'000
Directors fees and remuneration	1,281	1,250
Gross value of Director's transactions (sales to, agency sales for, prepacking services and purchases from Director's)	20,826	20,972
Short-term employee benefits	2,198	2,105

26. Subsidiary with material non-controlling interest - LaManna Bananas Pty Ltd

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

(a) Summarised statement of financial position		
Total equity	19,609	20,374
Total non-current assets	32,080	36,241
Total current assets	17,446	17,301
Total assets	49,526	53,542
Total non-current liabilities	6,175	8,618
Total current liabilities	23,742	24,550
Total liabilities	29,917	33,168
NET ASSETS	19,609	20,374
(b) Summarised statement of comprehensive income		
Profit for the year	1,908	2,096
Other comprehensive income for the year	43	(61)
Total comprehensive income for the year	1,951	2,035

Notes to the financial statements (continued)

27. Group entities

Significant subsidiaries	Country of incorporation and principle place of business	2014 %	2013 %	Balance date	Principal activity
Hansons Lane International Holdings Ltd	New Zealand	100	100	30 June	Investment Holding
Blackbyre Horticulture Ltd	New Zealand	100	100	30 June	Property Holding
Market Fresh Wholesale Ltd	New Zealand	100	100	30 June	Property Holding
Phimai Holdings Ltd	New Zealand	100	100	30 June	Property Holding
Southland Produce Markets Ltd	New Zealand	100	100	30 June	Property Holding
Mainland Tomatoes Ltd	New Zealand	100	100	30 June	Property Holding
Market Gardeners (USA) Inc.	USA	100	100	30 June	Produce Sourcing and Exporting
LaManna Bananas Pty Ltd	Australia	96	96	30 June	Produce Wholesale
Verona Fruit Pty Ltd	Australia	100	100	30 June	Produce Wholesale
LaManna Bananas (Adelaide) Pty Ltd	Australia	100	100	30 June	Produce Wholesale
Fruitology Pty Ltd	Australia	100	100	30 June	Produce Broker
Australian Banana Company Pty Ltd	Australia	100	100	30 June	Produce Packing & Wholesale
Carbis Bananas Pty Ltd	Australia	100	100	30 June	Investment Holding
LaManna Bananas Property One Pty Ltd	Australia	100	100	30 June	Property Holding
LaManna Bananas Property Two Pty Ltd	Australia	100	100	30 June	Property Holding
LaManna Group Holdings Three Pty Ltd	Australia	100	100	30 June	Investment Holding

Equity accounted investees (associates and joint arrangements)					
Fresh Vegetable Packers Ltd (1)	New Zealand	34	34	30 June	Vegetable Packing
United Flower Growers Ltd (2)	New Zealand	50	50	30 June	Flower Wholesale
Te Mata Exports 2012 Ltd (2)	New Zealand	50	50	31 December	Produce Exporting
J. S. Ewers Ltd (1)	New Zealand	-	-	31 March	Produce Grower
Fresh Choice W.A. Pty Ltd (2)	Australia	50	50	30 June	Produce Wholesale
Darwin Banana Farming Co. Pty Ltd (2)	Australia	50	50	30 June	Banana Production
Darwin Pineapple Farming Co. Pty Ltd (2)	Australia	50	-	30 June	Pineapple Production
Innisfail Banana Farming Co. Pty Ltd (2)	Australia	50	50	30 June	Banana Production

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

The Group is presumed to have significant influence over Fresh Vegetable Packers Ltd through its 34% shareholding and over J.S. Ewers Limited due to the management agreement in place that allows the Group to exert significant influence over the decisions made by the Company.

The interests in the Australian incorporated companies detailed in the table above are the actual interests held by the Group. As LaManna Bananas Pty Ltd is a 96% (2013: 96%) owned subsidiary company, all of its subsidiaries (being the other Australian incorporated subsidiaries listed above) are effectively 96% (2013: 96%) owned by the Group and its associate companies, Fresh Choice W.A. Pty Ltd, Darwin Banana Farming Company Pty Ltd, and Innisfail Banana Farming Company Pty Ltd are effectively 48% (2013: 48%) owned by the Group. Darwin Pineapple Farming Company Pty Ltd is 50% (2013: Nil%) owned by Darwin Banana Farming Company Pty Ltd and is therefore effectively 24% (2013: Nil%) owned by the Group.

28. Subsequent events

There were no reportable events subsequent to 30 June 2014 (30 June 2013: Nil).

Independent Auditor's Report

To the Shareholders of Market Gardeners Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of Market Gardeners Limited ("the Company") and the Group, comprising the Company and its subsidiaries, on pages 16 to 48. The financial statements comprise the statements of financial position as at 30 June 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' Responsibility for the Company and Group Financial Statements

The directors are responsible for the preparation of Company and Group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of Company and Group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these Company and Group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Company and Group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company and Group.

Opinion

In our opinion the financial statements on pages 16 to 48:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Company and the Group as at 30 June 2014 and of the financial performance and cash flows of the Company and the Group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Market Gardeners Limited as far as appears from our examination of those records.

KPMG

19 September 2014

Wellington

Statutory information

1. Directors' fees & remuneration

Parent Company The following people held office as Director of the Parent Company during the year and received the following remuneration and other benefits for acting as such:	*** Directors' fees**	*** Special project and other fees**	**Other benefits**
J.R. Clarke	55,000	10,350	1,237
L.T. Crozier	55,000	4,000	1,237
F.P. Di Leva (Deputy Chairman)	68,750	16,000	1,237
A.G. Fenton	55,000	7,000	1,237
A.G. Franklin	55,000	5,750	1,237
B.D. Gargiulo, MBE. (Chairman)	111,000	84,000	1,237
B.R. Irvine	55,000	16,250	1,237
T.M. Treacy	55,000	4,250	1,237
	509,750	147,600	9,896

Subsidiary Company The following people held office as Director of subsidiary company LaManna Bananas Pty Ltd and received the following remuneration and other benefits for acting as such:			
A.G. Fenton	* 59,982	* 58,771	-
B.D. Gargiulo, MBE. (Chairman)	* 103,605	* 91,871	-
P.C.L. Holberton	59,982	14,750	-
B.R. Irvine	* 59,982	* 45,453	-
T.M. Treacy	* 59,982	* 60,277	-
	343,533	271,122	-

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

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

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

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note 7 of the attached financial statements to 30 June 2014.

3. Cooperative Companies Act 1996 Declaration

In compliance with clause 10 of the Cooperative Companies Act 1996 the Board of Directors of Market Gardeners Limited unanimously resolved on 21 August 2014 that, in their opinion, the Parent Company had been a cooperative company throughout the period 1 July 2013 to 30 June 2014. This opinion was based on the fact that, more than 60% of the voting rights were held by transacting shareholders and that the Parent Company continued to carry on its principal cooperative activities as detailed in its constitution.

Statutory information (continued)

4. Executive employees' remuneration

During the year the following numbers of employees received remuneration in excess of $100,000:

Remuneration range	Number of employees	Remuneration range	Number of employees
100,000 to 109,999	17	220,000 to 229,999	2
110,000 to 119,999	14	230,000 to 239,999	1
120,000 to 129,999	9	240,000 to 249,999	2
130,000 to 139,999	10	250,000 to 259,999	4
140,000 to 149,999	7	260,000 to 269,999	1
150,000 to 159,999	5	270,000 to 279,999	1
160,000 to 169,999	3	290,000 to 299,999	1
170,000 to 179,999	4	350,000 to 359,999	1
180,000 to 189,999	5	370,000 to 379,999	1
190,000 to 199,999	1	400,000 to 409,999	1
200,000 to 209,999	2	420,000 to 429,999	1
210,000 to 219,999	1	490,000 to 499,999	1

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

The remuneration of subsidiary company's employees, including those outside New Zealand, is included in the above table.

5. Interests register

The following entries were recorded in the interest's register of the Parent Company and its subsidiaries during the accounting period.

General disclosures

Like most cooperative companies, Market Gardeners Limited has frequent transactions with its grower Directors (sales to, agency sales for and purchases from Directors) in the ordinary course of business. For additional information refer to note 25 of the attached financial statements to 30 June 2014.

The following are the new disclosures made in the general interests register of the Parent Company and its subsidiaries:

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

Director	Nature of Interest	Company / Entity
As directors of the Parent Company, Market Gardeners Ltd		
Messrs Gargiulo, Irvine, Fenton and Treacy	Shareholding	Darwin Pineapple Farming Company Pty Ltd which is 50% owned by Darwin Banana Farming Company Pty Ltd which itself is a 50% owned associate company of subsidiary company LaManna Bananas Pty Ltd.
B.D. Gargiulo	Directorship	Darwin Pineapple Farming Company Pty Ltd (refer above).

Statutory information (continued)

5. Interests register (continued)

Director	Nature of Interest	Company / Entity
As directors of the subsidiary company, LaManna Bananas Pty Ltd		
Messrs Gargiulo, Irvine, Fenton, Treacy and Holberton	Shareholding	Darwin Pineapple Farming Company Pty Ltd which is 50% owned by Darwin Banana Farming Company Pty Ltd which itself is a 50% owned associate company of subsidiary company LaManna Bananas Pty Ltd.
B.D. Gargiulo	Directorship	Darwin Pineapple Farming Company Pty Ltd (refer above).
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

No additional particular disclosures were declared during the year to 30 June 2014.

(a) Share dealings

The following are the shareholdings of Directors of the Parent Company. The changes in the shareholdings are in accordance with the Parent Company's normal operating policies and constitution which are applied equally to all shareholders.

	30 June 2014				30 June 2013			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
J.R. Clarke	630,739	160,298	48,897	-	556,142	180,927	31,612	-
Held by a company of which he is a shareholder and director	1,743	-	-	-	1,676	-	-	-
L. Crozier	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	6,000	17,644	5,664	-	6,000	12,696	4,948	-
F.P. Di Leva	83,778	29	21	426,644	80,529	29	12	292,684
A.G. Fenton	-	-	-	-	-	-	-	-
Held by a trust in which he is a trustee and beneficiary	9,906	24	-	11,036	9,906	16	8	10,769
A.G. Franklin	84,503	9,109	3,858	104,378	80,200	7,628	2,560	172,166
B.D. Gargiulo, MBE. (Chairman)	379,566	269	39	18,032	364,898	233	36	17,212
Messrs Gargiulo, Irvine and Di Leva as Directors of Mainland Tomatoes Ltd (100% subsidiary company of Market Gardeners Ltd)	97,339	19,869	-	-	72,662	44,546	-	-
T.M. Treacy	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	6,109	-	-	215,186	5,873	-	-	86,080

Statutory information (continued)

5. Interests register (continued)

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.

(b) Directors' & officers' indemnity and insurance

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

(c) Use of company information

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

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

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

6. Changes in accounting policies

The attached financial statements to 30 June 2014 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 $16,000 (2013: $10,000), the Group $21,000 (2013: $15,000).

8. Directors of subsidiaries

As at 30 June 2014:

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

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

Messrs B.D. Gargiulo (MBE), A.G. Fenton, P.C.L. Holberton, B.R. Irvine and T.M. Treacy were the directors of LaManna Bananas Pty Ltd.

Messrs B.D. Gargiulo (MBE), G. Thompson and T.M. Treacy were the directors of Verona Fruit Pty Ltd, Fruitology Pty Ltd, LaManna Bananas (Adelaide) Pty Ltd and Carbis Bananas Pty Ltd.

Messrs B.D. Gargiulo (MBE), T.M. Treacy and R. Borsato were the directors of Australian Banana Company Pty Ltd.

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

Corporate governance statement

The Board of Market Gardeners Ltd (MG) is committed 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 special directors able to be appointed by the shareholder appointed grower directors. Under the Companies Act 1993 and the Cooperative Companies Act 1996 the Board has overall responsibility for the governance, management and supervision of the Company and wider Group.

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

Board Operations and Membership
The Board 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, Di Leva, Clarke, Fenton, Franklin and Crozier) and 2 Special Directors (Messrs Irvine and Treacy). 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 Treacy who was appointed in December 2011.

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 this 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 LaManna Bananas Pty Ltd (LaManna), a 96% subsidiary, has non-controlling interest shareholders, the independent director on the LaManna board, Mr Holberton, has been nominated to specifically represent the minority shareholder interests in addition to normal Director duties and responsibilities.

MG's constitution has specific procedures for the appointment and retirement of MG Directors, eligibility requirements (such as active and minimum shareholdings) and automatic retirement rotations every three years. The MG Board met 13 times during the financial year (12 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 Bananas Pty Ltd and its subsidiaries and associates. MG is represented on the boards of the subsidiary and associate companies by members of the MG Board and / or senior management.

The Board delegates the management of the day-to-day affairs of the Company to the Senior Management Team under the leadership of the CEO. MG's Chief Executive together with the Company Secretary/Chief Financial Officer and International Business Manager attend all MG Board meetings. Similarly LaManna's Chief Executive, Chief Financial Officer and certain other senior executives of LaManna and MG attend all LaManna Group company board meetings.

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

Corporate governance statement (continued)

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. No change is being sought in the current year.

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

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 and is in the process of expanding its regular 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:

- Determined the nature and extent of risk the Board is willing to take to meet the company's strategic objectives through an agreed risk framework;
- 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 it's behalf.

Board Committees

Audit Committee
This sub-committee of the MG Board met 5 times during the year (3 times last year) in its chartered role of reviewing all financial, management, auditing, compliance and risk factors affecting the Company and Group. As a sub-committee of the MG Board, it is made up of three Directors, one of whom (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, Internal auditor and the Company's external auditors, KPMG, as required.

As in the past, the focus of this Committee was on the accuracy of external financial reporting and in ensuring that all branches and divisions of MG were subject to an internal audit together with considering the future direction of the internal audit function and its responsibilities / duties within the Group. The LaManna Group also has an Audit Committee and continues to develop the internal audit function – to date the LaManna Group has been subject to limited internal audit reviews which are undertaken on a targeted basis and has appointed an external provider to undertake internal audit visits.

The Audit Committee continues to monitor domestic and international developments in corporate governance best practices, procedures and policies, however this has not resulted in any significant modifications in the current year. The audit committee oversees the Internal Audit function.

In New Zealand, MG has an Internal Auditor who is responsible for checking all aspects of the New Zealand Company's operational and financial activities. All internal audit reports are presented to and considered by the Audit Committee. This function provides assistance to the Board and management in the discharge of their duties in ensuring that appropriate controls exist within the Group.

In Australia, the LaManna Group Audit Committee is continuing to develop its own internal audit function. To date LaManna has been subject to a number of internal audit reviews which are undertaken on a targeted basis by an independent external party. These reviews are reported directly to the LaManna audit committee.

Corporate governance statement (continued)

Remuneration Committee
The Remuneration Committee consists of the MG Chairman, Deputy Chairman (Chairman of this committee) and one other director (Mr A.G. Fenton). The committee is responsible for the review and administration of director's fees, establishing coherent remuneration policies and practices, and the remuneration of the MG Chief Executive and senior management personnel. As a result of the independent Review Committee review that occurred during the year, this committee has since been renamed as the Remuneration and Nomination Committee to better reflect its chartered responsibilities. The Remuneration and Nomination Committee Charter is being updated further to reflect Institute of Directors best practice recommendations.

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

Review Committee
After taking into account the discussions / comments at the November 2013 Annual Meeting of Shareholders, the Board formed a Review Committee which comprised of 7 people – 2 grower shareholders, 2 MG directors, 1 person with banking and finance experience and 2 independent people with suitable experience including cooperatives (one of whom acted as independent chairman of the committee).

The committees key terms of reference were "to consider, in the context of MG as a cooperative company:

- MG's current structure (on an ongoing basis);
- MG's capital structure, reserves and methods of returning value to shareholders;
- MG's Shareholding criteria (current and future);
- MG's supply requirements (including from shareholders, non-shareholders, MG direct involvement in growing and / or funding of growers) and supply criteria (including supply commitments or otherwise given the industry supply chain channels).

The Review Committee completed its review and concluded its duties by reporting its recommendations to the MG Board. The outcomes from the review were then reported to all shareholders on 22 May 2014 in a letter which outlined the findings, recommendations and actions that would be undertaken by the Board and Company. As part of an enhanced communications strategy, and as this is a continuing process, there will be further communications to shareholders as progress is made.

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