mg marketing

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MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2021

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Financial highlights

• **Group gross sales under management**	$962.704 million
• **Group profit before income tax and impairment**	$13.719 million
• **Group profit for the year (after income tax and impairment)**	$6.773 million
• **Group total equity**	$151.044 million
• **Group total assets**	$368.816 million

Shareholder distributions	**2021** $'000	**2020** $'000
• Special Bonus Issue (November 2021)		
• 1 for 30 on "A" shares (2020 : 1 for 30)	1,160	941
• 1 for 2 on "B" shares (2020 : 2 for 5)	4,794	3,068
• 1 for 1 on "C" shares (2020 : 1 for 2)	1,000	741
• Supplier shareholder rebate (issued as 2021 "C" shares) (2020: issued as 2020 "C" shares)	250	250
• Bonus issue on supplier shareholder rebate of 3 for 1 (2020 : 3 for 1)	750	750
• Final gross dividend on "A" shares : 3 cents per share (2020 : 5 cents per share)	1,079	1,459
• Imputation credits attaching to the above distributions	3,415	2,706
Total shareholder distributions in relation to the year ended 30 June	12,448	9,915

Chairman's and Chief Executive Officer's review

It is our pleasure to provide this update on the performance of the Market Gardeners Group on behalf of the Board and Management.

Our 2020-2021 Financial Year has presented a number of unique challenges for our Co-operative and the horticulture sector more broadly. It has been a period of variable market conditions, increased compliance requirements, strong competition, labour shortages, logistical challenges, heightened environmental concern, and increased business costs, all while operating through a global pandemic.

Against that backdrop, our Co-operative delivered another strong financial result and demonstrated our ability to navigate the challenges that are increasingly prevalent in our sector.

Our New Zealand trading operations, Market Gardeners Ltd, trading as MG Marketing, and subsidiaries, again led the way, growing gross sales by 6.0% to $516.1 million.

Our efforts to diversify and invest in complementary businesses has benefited our Co-operative, with all of our New Zealand subsidiaries and associates performing well. Along with our New Zealand domestic wholesale business, our farming operations, export business, flower auction and trading business, intellectual property business and citrus and persimmon supply business all contributed towards our positive result. This resulted in a profit for the wider New Zealand business of $19.8 million compared to $18.1 million in the prior year.

However, the 2021 financial year will be remembered as one of the most challenging for our Australian business, the LaManna Premier Group (LPG). Several adverse weather events impacted farming operations, and the business suffered the knock-on effect of widespread shutdowns across the country caused by COVID-19. As a consequence, the business was forced to market a limited range of produce to a smaller customer base, and while gross sales of $432.4 million were relatively high, the increased cost of doing business and the farming losses eroded profits. These challenges have led to a $9.0 million loss for LPG (after the $2.874 million of goodwill impairment) compared to last year's loss of $5.2 million.

Given the financial result, the Board has decided to take a $2.874 million impairment of goodwill related to the LPG business. This is a non-cash reduction in the value of the goodwill in the business.

This financial performance is disappointing and there are a large number of actions underway to address the challenges. Last year we announced a new strategic improvement plan for LPG that sets a very clear path for the business. It focuses LPG's operations on strengthening its position in key categories, consolidating facilities, rationalising farming operations and reducing costs across a number of areas. While progress has been pleasing, there's no instant fix and there is a capital cost associated with such significant change. We would like to assure shareholders that despite the difficulties we have faced in Australia again this year, your Board and Management is committed to investing in the areas that will build a more resilient business that delivers better returns over time.

Taking into account the loss and impairment in Australia, the overall MG Group recorded a consolidated Group net profit before tax of $10.845 million. Based on this result the Board has again declared a substantial bonus share issue, which together with normal distributions and imputation credits, amounts to $12.448 million. This reflects our ongoing commitment to reward transacting shareholders who continue to loyally support our Co-operative. A more detailed overview of our financials and distributions is outlined later in this review.

The strong set of results from our New Zealand wholesale business was achieved despite several months that were marred by a sustained period of flat demand and low values. COVID-19 travel restrictions had an impact with softer demand at branches that supply regions connected to international tourism. Our significant imports programme was also impacted by COVID-19, with the virus severely disrupting the global freight network and our international supplier partners dealing with major outbreaks. It is when we come up against such challenges that the commitment and drive of our talented people is highlighted. Due to their efforts, we increased our market share and achieved record growth in our gross sales.

Our broader strategic agenda is progressing well. Our New Zealand domestic supply strategy has been successful, maintaining solid volumes of produce in our markets throughout the country. There have also been exciting developments with our IP strategy which centres around obtaining rights for varieties and then partnering with growers to bring them to market. This includes securing the rights to a locally developed apple variety called Bay Queen®, partnering with a number of berry fruit growers to trial the BerryWorld® varieties and substantially increasing the number of bulk tree sales of the unique Avogrey® Greenskin avocados.

We progressed development of our cloud-suite, "M3", technology platform which has been launched in our Nelson branch and will be progressively released throughout our network across the next 12 to 18 months. M3, along with other investments in technology, will deliver greater efficiency and improved productivity across our operations.

We've also made steady progress against the objectives we set in our sustainability strategy with details outlined later in the review.

Beyond the focus on business operations, the Board concluded the review of our capital structure, which resulted in a number of decisions about the future. Shareholder feedback indicated there was more support for the current co-operative model than for any change, particularly continued grower-shareholder control. However, there is a strong appetite to have the value of shares more closely reflect the equity value of the business. As such, we will continue our significant programme of issuing bonus shares to shareholders, particularly those who are current producers. Of course, there's a balance between increasing shareholder wealth by growing the size of individual shareholdings while still retaining the current fundamental co-operative structure of having nominal value shares.

Another action from the review was for the Board to explore ways MG could assist with share-trading between shareholders. This is where transacting shareholders purchase further shares from shareholders leaving the Co-operative. Work is underway and shareholders will be asked to consider initiatives that support this structure at the Annual Meeting of Shareholders.

This financial year, the Board and Management also oversaw the progression of the MG Marketing Charitable Trust (MG Trust) to a point where the initial group of Trustees were appointed. While the MG Trust is run independently from MG by a group of Trustees, it is primarily funded through the Co-operative and is provided with administration support from the Management team. It has been established to provide funding for projects and initiatives which have a positive impact on the horticulture sector.

We've come a long way since our founding members formed our Co-operative in 1923. Today, the underlying strength and performance of MG is testament to the effectiveness of our strategy to evolve over time so we can continue to add value to our growers' businesses while driving an offering that remains relevant to our customers' needs.

Our solid foundations, combined with the strong balance sheet we have built, place us in a unique position from which to explore investments and growth initiatives over the years ahead. We will continue to consider opportunities to enhance and expand our activities in order to protect and strengthen our position in the market, while also growing the overall wealth for the benefit of our shareholders.

Our financial results of more recent years mean we are well-placed to deal with a range of economic conditions. We could not have achieved these results without the support of our dedicated and skilled staff, to whom we would like to offer our sincere thanks. We would also like to thank our customers for their continued loyalty.

Looking ahead, the Board and Management remain focussed on strengthening our position as New Zealand's leading domestic produce wholesaler, supporting the steady growth of our New Zealand subsidiary and associate businesses and stabilising our Australian business by embedding our new improvement strategy.

Lastly, we recognise and thank our family of growers for the trust they place in us to market their produce and our shareholders for their ongoing support.
Together. Stronger.

Financial overview | Distributions | AGM

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

For the year to 30 June 2021 Group Gross Sales amounted to $962.7 million.

For the same period Group net profit before tax and impairment of goodwill amounted to $13.7 million compared to $12.8 million in 2020. This result came from the strength of the New Zealand market offset by the challenges that were faced by our Australian business. The decision to impair the goodwill in the Australian business reduced the 2021 net profit before tax by $2.874 million to a total of $10.8 million.

Reflecting this performance is the continued growth in the Group Equity which now stands at $151.0 million compared to last year's $143.8 million, an increase in Group Assets to $368.8 million and Group Liabilities now sitting at $217.7 million. The increase in Group Assets is primarily in property, plant and equipment, the bulk of which includes the work underway with construction of the new Auckland building.

Cashflows continue to be strong, which provides the basis for MG to invest in the infrastructure used by the Group – this year alone saw $18.6 million invested in property, plant and equipment.

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

Distributions

Given the strength of the Company and the strong results that have come from the New Zealand operations, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling $12.4 million (2020: $9.9m) by way of rebate shares, bonus issues and dividends. This is the seventh consecutive year that shareholders have received a special bonus issue.
On 5 August 2021 the Board declared the following distributions in relation to the year ended 30 June 2021:

- Special bonus issue – a fully imputed taxable special bonus issue of:
    - 1 new "A" share for every 30 existing "A" shares; and
    - 1 new "B" share for every 2 existing "B" shares; and
    - 1 new "C" share for every 1 existing "C" share; and

- Supplier shareholder rebate – a taxable rebate of $250,000 to be applied by the Company in paying up in full "C" shares of the Company to be issued at $1.00 each and made in such manner as the Directors determine to those shareholders that are Current Producers that have supplied on a consignment basis during the financial year ended 30 June 2021.

- Bonus issue – a 3 for 1 fully imputed taxable bonus issue on the "C" shares issued out of the above rebate. This amounts to $750,000 worth of "C" shares being issued (Shareholders that are Current Producers receive three further "C" shares for every one "C" share they receive from the above rebate). As imputation credits have been attached to the bonus issue shares they are mostly tax paid in the hands of the shareholder.

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

The distributions will be made only to those shareholders entered on the share register at 30 June 2021 who continue to hold, at the date of the 2021 Annual Meeting, the shares held at 30 June 2021.

The special bonus issue, rebate, bonus issue and dividends represent $12.4 million being distributed back to MG's loyal and supportive shareholders. Not only is this a significant distribution of wealth to the shareholders, it also represents the strength of the Co-operative as a whole.

In addition, and as has occurred for many years now, we are pleased to note the support of the shareholders through their high level of reinvestment of their dividends back into more MG "A" shares through the dividend election plan (which any shareholder can elect to participate in).

Annual Meeting of Shareholders

All shareholders are invited to attend MG's Annual Meeting of shareholders. This year the event will be held at the Rydges Latimer, 30 Latimer Square, Christchurch Central City, on Wednesday 24 November 2021, commencing at 5.00pm. Shareholders are welcome to join MG directors, Management and staff to formally or informally discuss topics of interest.

There will be a dinner following on from the meeting at approximately 7.30 pm. All shareholders and their partners are warmly welcome to attend. Details are included in the Notice of Meeting.

Register your attendance

RSVP registration is required for catering purposes. If you wish to attend the AGM, please complete the online form at www.mgmarketing.co.nz/agmrsvp or contact our Assistant Company Secretary, Trudy Lewis (tlewis@mgmarketing.co.nz) by 9 November 2021.

If necessary due to COVID-19 alert levels, the meeting will be transferred to an electronic venue which will be advised to shareholders and the details of which will be published on the MG Marketing website (www.mgmarketing.co.nz).

Directors and Management

The focus of the Board and Management is to deliver long-term value to shareholders, which starts with the quality of our relationships with stakeholders and the effective utilisation of our assets, while ensuring we have the financial and people capability to grow and manage risk effectively.

Our commitment to our shareholders extends to our corporate governance where the Board aims to achieve the highest standards of diligence. We continue to review our policies to ensure they are best practice, and actively monitor commercial focus and effectiveness of the guidance work we provide to ensure long-term success.

Along with positioning the Co-operative for the future, the Board is engaged to ensure we enhance our entire business by having a more focused environmental, social and governance lens in its approach.

The Management team has done a fantastic job through the year to minimise COVID-19's impact on the Co-operative while continuing to drive the business forward.

At the last AGM we welcomed Robin Oakley, who was voted onto the MG Board, with Andrew Fenton stepping down after more than 18 years of service. Mark O'Connor was also re-elected for a third term.

In accordance with the constitution, Joanna Lim and Lynn Crozier retired by rotation and, being eligible, offered themselves forward for re-election. As no valid nominations were received their re-election will be announced at the Annual Meeting on 24 November 2021.

Robyn Wickenden completed her extended term as Associate Director this year. The Associate Director programme and preceding Intern Director programme, which started in 2016, was initiated to offer emerging directors the opportunity to develop their boardroom experience. We would like to thank Robyn for her contribution and are pleased she was able to benefit from the mentoring and professional development opportunities over the past year. The Board has decided to pause the Associate Director programme for the upcoming year and will consider reinstating it again in the future.

Bruce Irvine, Chairman, Appointed Special Director.
Bruce joined the MG Marketing Board in 1994. He has an extensive business background and previously held the position of Managing Partner of the Christchurch office of Chartered Accountants, Deloitte, between 1995 and 2007; and is past Chairman of Christchurch City Holdings Limited. Bruce is currently Chairman of Heartland Bank, House of Travel Holdings, Rakon and Skope Industries and director of a number of other public and private companies. Bruce is MG's Chairman, Chair of the LaManna Premier Group's Audit Committee and a Director of LaManna Premier Group Pty Ltd.
Member of MG's Remuneration & Nomination Committee and Audit Committee.
Chartered Fellow of the IOD* and Accredited Fellow of the Chartered Accountants Australia and New Zealand.

Trevor Burt, Appointed Special Director.
Trevor has high level experience in the strategic leadership of large and complex corporate organisations, and a proven record of implementing change and achieving results. As an experienced professional director, Trevor has held a number of previous roles including Chair of Ngai Tahu Holdings Corporation Ltd and Lyttelton Port of Christchurch Ltd, Deputy Chair of PGG Wrightson Ltd and Director of Silver Fern Farms Ltd. Trevor is currently Chair of the New Zealand Lamb Company Ltd, Rua Bioscience Ltd and MHM Automation Ltd and is a Director of Landpower NZ Ltd and Hossack Station Ltd. He is also a trustee of the Māia Health Foundation.
Chairman of the MG Remuneration & Nomination Committee and member of the Audit Committee.
Chartered fellow of the IOD*.

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

Mike Russell, Elected Director.
Mike was appointed to the MG Marketing Board in November 2016.
Mike is a first-generation Hawkes Bay grower with 35 years' experience, in partnership with his wife Julie, specialising in plums.
Member of the MG Audit Committee and Trustee of the MG Marketing Charitable Trust.
Member of the IOD*.

Mark O'Connor, Elected Director.

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

Joanna Lim, Elected Director.

Joanna (Jo) was elected to the MG Marketing board in 2018. Her family has a market garden business (Jade Garden Produce) and a share in a cucumber glasshouse operation (Island Horticulture Limited), both in the Christchurch area. Jo is also a Senior Associate at national law firm Simpson Grierson and specialises in financial markets / services and corporate advice. She also has expertise in climate change issues and the New Zealand emissions trading scheme.
Chair of the MG Audit Committee.
Member of the IOD*.

Trudi Webb, Elected Director.

Trudi is part of a fourth-generation family growing enterprise, Webb's Fruit, near Cromwell in Central Otago. Trudi holds a first-class honours Bachelor of Applied Science (Horticulture) degree and is Chairperson of the Otago Fruit Growers Association and director of Summerfruit NZ. Trudi completed the MG Director Internship programme (now Associate Director programme) in 2019 and became an elected director in the same year.
Member of the MG Remuneration & Nomination Committee.
Trustee of the MG Marketing Charitable Trust.
Member of the IOD*.

Robin Oakley, Elected Director.

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

* Institute of Directors

MG People

The MG Group is made up of a diverse team of passionate individuals who all contribute to the success of our Co-operative. Our positive performance is in no small part due to their dedication and commitment. We would like to specifically acknowledge those staff members who worked tirelessly throughout the challenging COVID-19 restrictions experienced in various locations throughout the year.

We continue to invest in our staff, to develop their talents, recognise their efforts and contributions, and empower them to add value for our growers and customers. This year we delivered a series of national workshops along with a range of professional development sessions to enhance product knowledge and service skills.

Ensuring that our people return home safely every day remains our most important priority for the Board, the Management Team, and every employee. Our focus on safety through our ® Together. Safer. programme, continues with no notifiable incidents during the year.

Our New Zealand operations introduced a new, simplified Health and Safety strategy for our people which centres around leadership, taking personal responsibility and reporting. Complementing this was the introduction of new health and safety visual communications, reinforcing our key safety messages. We recognise that the pursuit of health and safety excellence does not stop and we will continually improve our safety culture and performance well into the future.

Again, we pay tribute to our dedicated team members by publishing their names in the Annual Review. The last year has involved a range of unique challenges and our people have responded with great effort and loyalty.

Graduate Programme

We again focused on the MG Marketing Graduate Programme and currently have ten talented young men and women working across our branch network. The programme itself covers a wide range of topics, including warehousing, sales, procurement and logistics, along with coaching and career development.

Our future success is dependent on the skills and engagement of our people, as well as the continual development of their capabilities which will make us fit for the future. That is why nurturing talent through our Graduate Programme is such a focus for us.

New Zealand Operations

MG's national network of branches remain a source of real strength for our Co-operative.

The positive financial result for our New Zealand operations was delivered during a year with sharp contrasts. Demand across most categories was strong in the first half of the year before the industry entered into one of the most difficult periods in recent history. Soft consumer demand and oversupply put pressure on pricing which forced values down to an extremely low level.

This period coincided with an unseasonal cold-snap in Central Otago early in the New Year, bringing heavy rain which ruined unharvested produce, destroyed new trees and damaged infrastructure. Our summerfruit growers were particularly hard-hit which, in-turn, impacted our supply. We would like to acknowledge the strength and determination of the growers in the region who, despite suffering significant losses, have maintained a positive outlook.

Trading conditions improved significantly in the back end of the financial year with the entire market lifting from April through to June.

MG's operations have shown good resilience to the impact and disruption of COVID-19. While there has been a reduction in demand in some areas due to COVID-19, especially branches supplying tourist regions, this was largely offset by an increase in business in other parts of the country.

From the outset of the pandemic, our staff have responded, and continue to respond to the crisis, ensuring that we protect our essential service status and remain operating without interruption. This is particularly true of our Auckland branch, with a team that has put in an exceptional effort to navigate through a higher number of Alert Level changes.

The MG Direct model continues to build its footprint and is an increasingly important part of our domestic produce supply network, offering growers an efficient path to market.

The Board and Management continue to take great pride in the way our New Zealand wholesale operation has developed into the market-leading produce business it is today. In addition to our hardworking operational staff, recognition must be given to our other teams who have done an exceptional job driving the business forward. Another year of record sales growth across our domestic product range is credit to the hardworking procurement team and sales staff while our key accounts team helped grow our market share by strengthening relationships with major customers and developing new business.

Our wholesale markets were well supported by our two growing operations, JS Ewers Ltd which is 100% owned by MG and our 50% owned joint-venture berryfruit operation, Kaipaki Berryfruits Ltd. Not only do they contribute to our goal of creating shareholder wealth through returning a profit, they also provide the business with cornerstone supply in key categories. This has enabled MG to better service customers by strengthening our continuity of supply while also providing solid sales platform that benefits all growers supplying into those categories.

JS Ewers, our hothouse and outdoor vegetable operation in Nelson, is continuing to invest in projects to reduce carbon emissions and improve energy efficiency. Those projects, which are co-funded by the Energy Efficiency And Conservation Authority, include the installation of a new biomass-fuelled plant to heat the main hothouses, conversion to wood pellets on smaller sites and retrofitting thermal screens.

Now in its second year of production, Kaipaki Berryfruits has performed well, growing strawberries and raspberries. This modern operation grows berries undercover which mitigates issues associated with the weather and pests, while also extending the season. However, other risks that are prevalent across our industry have challenged Kaipaki Berryfruits, particularly attracting and retaining labour.

A key long-term focus at MG is developing or obtaining rights for IP varieties and then partnering with growers to bring them to market. This strategy is supported by our 33% shareholding in the New Zealand Fruit Tree Company Ltd, a specialist IP business which represents a wide-range of global plant breeders. This partnership continues to help strengthen MG's leading market position in the domestic supply of summerfruit, while also presenting the Co-operative with opportunities to make further headway in the pip-fruit category.

Looking forward, we anticipate steady growth across our New Zealand operations. Uncertainty around COVID-19 and its impacts will continue. Mitigating this is strong demand for healthy produce, resilient operations, talented people and a business model that has proven to add value to growers and customers.

New Auckland warehouse development

We are looking forward to the commissioning of the new 4,000 square-metre temperature-controlled Auckland warehouse. We were expecting it to be in operation and contributing to the Co-operative towards the end of 2021, however, the timeline has been impacted by COVID-19 Alert Level restrictions in the Auckland region. Some material that arrived on-site for the new building was stored in the banana ripening rooms and suffered damage during the 20 September 2021 fire (outlined below), which may also contribute to delays.

Construction started in early 2021 and by the financial year-end extensive groundwork had been completed, the external walls were erected and work was underway on the roof installation. The Auckland market has experienced significant year-on-year growth and the much-needed additional space will bring the total footprint for the MG Auckland branch to 12,000 square-metres.

It will host a new state-of-the-art banana ripening facility which will free up floor space in the current warehouse for other produce. It will also include a purpose built MPI clearance facility and provide an additional 469 square-metres of office space.

We are also taking the opportunity to enhance our environmental performance by investing in a more efficient and environmentally friendly refrigeration system while also installing a new solar system. With 893 solar panels, it will be the fifth largest on-roof system installed in New Zealand.

Auckland Branch 20 September 2021 fire

At the time of writing this review, our Auckland branch suffered a new wave of disruption with a fire which started in the banana holding rooms on 20 September 2021. While the fire falls outside our 2020-2021 reporting period, it is a significant subsequent event and warranted inclusion in this review.

Most importantly, when the alarm sounded, everyone evacuated the building safely. It was pleasing to hear how quickly and safely staff and on-site visitors responded.

The Fire and Emergency service arrived swiftly and were able to contain the fire. While there is significant damage to our banana holding rooms and ripening facility, the main market floor was not directly impacted. The Fire and Emergency service remained overnight to ensure the site was safe and were comfortable for the branch to reopen the following morning.

We are now working with our insurer to assess the damage, losses and repairs required and insurance claims will be lodged accordingly.

We are using a network of other sites, including our Wellington and Christchurch ripening facilities, to mitigate the impact of banana supply to our customers in the upper North Island.

We are proud of our Auckland people and leadership team who have navigated this uncertainty together and faced each challenge head-on.

Australian Operations - LaManna Premier Group Pty Ltd (LPG)

While it was a difficult year for LPG, the financial results do not reflect the considerable improvements made across the business and the significant effort from the Management and staff across Australia.

There are a number of factors that contributed to the financial loss, including challenging market conditions and a change in customer channels. There's also no escaping the significant impact of adverse weather events and labour shortages, which were further exacerbated by the COVID-19 pandemic. In addition, there were costs related to LPG's implementation of the business improvement plan which started last year and is in place to reset the business for long-term success.

At the time of writing this review, LPG is still fully engaged in its pandemic response with large parts of the country still in lockdown. The teams across our various operations in Australia should be very proud of the significant and ongoing contributions they've made to support the business and the wider produce industry. Everyone across the MG Group is filled with gratitude for their adaptation, effort and resilience – qualities that continue to drive LPG's response as an essential service, and that contribute to the supply of fresh produce for millions of Australians.
In addition to operational complexities, COVID-19 has resulted in a number of unique challenges the business has had to navigate. The restrictions imposed have resulted in substantial additional costs to keep employees and customers safe. As a business committed to retail, food production and food service markets, this presented a significant challenge.

The wholesale business actually started the year strongly and was well ahead of budget before a period of unfavourable trading conditions that persisted through the second half of the year. The lack of hospitality and cruise ship trade, along with a reduction in sales to independent retailers, has impacted on the LPG business nationally. Despite the challenges and disruption, LPG has secured a number of forward commitments from its major customers. This was largely due to the strength of their relationships but also supported by product development and innovation that is highly valued by the major chains. This includes some exciting steps forward in sustainable packaging development for prepacks and punnets.

The financial impact was mainly felt in farming where operations across the country were hit by a series of events beyond the control of the LPG team and accounted for 85% of the losses incurred. These included Cyclone Niran, which wiped out 1,000 hectares of banana crops in Queensland, with the joint venture farm, Innisfail Banana Farming Company, one of the worst hit in the region. A severe hailstorm in Northern Victoria affected 50% of the pumpkin crop while LPG's outdoor tomato farm also suffered major losses due to weather.

Labour shortages, caused by the lack of off-shore workers, along with limited inter-state travel, negatively affected production and led to increased costs across the network of farms. The LPG Management team was actively involved in getting Australia's Pacific Labour Scheme reinstated, but the reality is, the lack of backpackers and other working holiday visa-holders has had a significant impact on the ability to cost-effectively get produce to market.

Shareholders may be questioning why we continue farming after reporting another year of challenges. The answer is that farming helps the business maintain relevance with large supermarket customers, and in a similar way to our New Zealand operation, provides cornerstone supply in key categories. So, while the financial rewards of farming in its own right appear to be limited, farms are vital to the wider business strategy and LPG's ability to offer continuity of supply to key customers.

However, we acknowledge that we have to reduce the risks in farming and have made a number of steps forward in this area. This includes exiting some operations that do not align with our long-term strategy and where labour is more of an issue. This has allowed the business to focus resources on a smaller number of key operations, particularly those producing tomatoes, bananas and pumpkins - the categories where LPG is strongest.

We're also investing in areas that provide us with a greater level of certainty. This year, LPG has added a new misting, heating and rail system to the undercover operation at Lancaster Farm in Victoria. This will enhance the quality of tomatoes produced, provide greater continuity of supply for customers and improve yield and efficiencies.

The business has continued to focus on tighter operational execution, driving improvements and removing costs throughout the business. The team has advanced the plan to consolidate a number of facilities. The most significant was the closure of our Yarraville warehouse in Melbourne and relocating those operations to Epping to be closer to our central market. While there's a cost in exiting and moving, the team has been able to create net efficiencies that will reduce expenses over the long-term.

LPG's export arm, LPG Cutri Fruit Global, continues to grow. The joint venture business with Cutri Fruit successfully established and expanded new channels, resulting in record sales across a range of categories.

LPG has continued investing for growth and for the future during a difficult period, including recruiting a number of experienced sales specialists. They have proven to be valuable additions to the business, attracting new customers and strengthening LPG's position in the market.

The outlook for the produce sector in Australia remains uncertain, with ongoing changes to the way business is conducted and the unpredictable environment caused by COVID-19. We expect the work being done to position the business will allow LPG to navigate this environment, cement its place as a major player in the Australian fresh produce sector and deliver value for our shareholders.

International

Coming off the back of a significant number of disruptions in the 2019-20 year, we always knew 2020-21 was going to be another challenging year and planned accordingly.

The performance of our significant imports programme continues to be subject to international prices, foreign exchange rates, competitive factors, and seasonal outcomes. Additionally, this year was marked by severe disruptions to the supply chain as the impacts of COVID-19 continue globally. The issues we faced included limited airfreight, global shipping disruptions, variable container availability, lack of space on container ships, late arrivals, sharp increases in shipping costs, and labour shortages. Closer to home, our ports, along with our national rail and coastal shipping networks, were also affected, compounding problems, and causing further delays.

Managing the unprecedented challenges placed significant pressure on our Imports Team who had to deal with differing regulatory requirements, restrictions on movements, and other complexities across the 17 countries we source fresh produce from. Ongoing travel restrictions made it difficult for our teams to maintain relationships and build new partnerships face to face, although they have done an excellent job of this through the use of technology.

Overall volumes were lower than in previous years, however, the team worked hard to maintain a steady flow of different products throughout the year and, despite the various challenges, our imports programme still managed an increase in market share. We adjusted our strategy throughout the year to manage continuity of supply as well as we could, which included using alternative freight methods, sourcing produce from new markets and adjusting stock levels in key locations. Favourable market conditions, driven by consumer demand for fresh and healthy food, ensured our imports programme was able to achieve a profitable year.

In the banana category, through our partnership with Dole, MG remains the largest player in a highly competitive market. While volumes remain consistent, we have achieved a slight increase in market share. We continue to explore prospects in niche markets, with the plantain cooking banana introduced in early 2021. We also began trials of a sweeter, creamier banana called Sweetio, which will be launched in the later part of 2021. As outlined earlier in this review, we have invested in a new state-of-the-art ripening facility in Auckland which is currently under development. When complete, it will increase our ripening capacity for future growth, as well as providing further contingency cover for other regions if needed.

We would like to take this opportunity to thank our supply partners for their continuing support and loyalty, including Dole, Sunkist, Mildura Fruit Co, Jasmine Vineyards, Mulgowie, GV Independent Packers, Fruit Master and our many smaller family-owned businesses. Without their commitment we would not have been able to access the diverse portfolio of products and maintain our position as New Zealand’s leading produce importer.

Te Mata Exports 2012 Ltd (Te Mata Exports)

MG’s export business, Te Mata Exports, experienced mixed trading results across the different product portfolios. This was largely driven by the impacts of COVID-19 which contributed to the well-publicised freight, logistics and container challenges outlined earlier in this review along with market disruption and labour harvest issues.

Despite this, the result was satisfactory with an increase in overall sales, however profit was down for their financial year which ended on 31 December 2020. The business is tracking extremely well for the first-half of their 2021 financial year. To achieve this position, despite the disruption and uncertainty surrounding the COVID-19 pandemic, is a credit to the entire Te Mata Exports team and bodes extremely well for our future success.

The apple category has again been the stand-out performer, with volumes growing by more than 10% in 2020. Further growth this year was remarkable given the tight labour market which put enormous pressure on growers to get the crop off the tree and packed for export, along with difficulty the business faced obtaining containers and shipping space. A key to the success in this category continues to be the experience and planning by the Te Mata Exports team who managed to maintain the efficient movement of product to markets and therefore maximise grower returns.

The business continues to invest in pip fruit IP with Te Mata Exports securing the exclusive rights to the locally developed first-to-market variety, called Bay Queen®. Through the New Zealand Fruit Tree Company, they also have the exclusive rights to the internationally successful Snap Dragon® variety and are the only company currently working with suppliers to commercially grow Cosmic Crisp® apples.

Cherries performed well against budget, despite being hampered by a lack of available airspace which made it difficult to get them to market. This was compounded by the January weather event in Central Otago which reduced volumes.

Now in its second year of operation, our subsidiary business, Te Mata Exports Australia Pty Ltd, continues to grow in a difficult trading environment. The challenges outlined for the New Zealand operation were felt more acutely in Australia, especially around labour shortages. This resulted in significantly lower volumes of grapes being picked by their key supply partners. They also face geopolitical challenges in some key markets, along with soft demand from consumers in countries more severely hit by COVID-19.

The good news is, Te Mata Exports Australia has built a solid platform and is being managed by an experienced team. This year they have expanded the supplier base to include produce from a range of countries, increasing revenue and strengthening their customer relationships by providing greater service.

The entire Te Mata Exports business is now well placed in terms of scale, supply partners, talent and geographic reach to move aggressively towards achieving our ambitious growth targets for next year and beyond.

United Flower Growers Ltd (UFG)

MG's joint-venture flower business performed ahead of expectation, recording its most profitable year.
When COVID-19 first hit in early 2020, the flower industry suffered a dramatic drop in demand and a strategy was developed to position the business for the future. This was based on market uncertainty and projected ongoing supply and demand concerns.

Pleasingly, following the initial dip in activity, UFG's position settled through the easing of COVID-19 restrictions. A tightening in domestic supply combined with limited access to imported product due to a lack of air freight availability, resulted in unique market condition which kept the value of flowers high. Despite the higher prices, consumers continued to support the category, willing to spend some of their discretionary income on flowers.

The positive result was almost exclusively led by the auction business with this section of the business recording a significant increase in profit. This is where UFG brings supply and demand together in one place, resulting in market driven pricing and maximum efficiency. The retail and wholesale divisions performed as expected in the COVID-19 disrupted trading environment, with sales approximately 20% lower than the previous year. This is a direct impact of multiple COVID-19 restrictions throughout the year and the challenges related to the supply of product from overseas.

UFG continues to prepare the business for the future and is looking for the most efficient ways to support its stakeholders. This includes ongoing investment in digital infrastructure, highlighted by a project that is underway to enhance the way the clock auction system interfaces with growers and buyers. When complete the development will improve the buyer purchasing experience as well as the grower booking-in process.

In the later part of the year, UFG commissioned Colmar Brunton to undertake a large piece of consumer research. It took an in-depth look at the flower industry and has provided useful insights that will help inform decisions about how to promote the industry on behalf of all UFG stakeholders.

The strategy initiated last financial year to reduce operating costs and improve efficiency has helped successfully deal with inherent volatility of the flower industry. Therefore, despite the challenges UFG faced and may continue to face, the business is well positioned for the future.

First Fresh New Zealand Ltd (First Fresh)

It was another strong year financially for leading citrus and persimmon supply business, First Fresh, despite the COVID-19 pandemic.

MG purchased a 30% stake in First Fresh back in 2017 and the investment has strengthened our supply base in citrus and persimmons, along with kiwifruit and other subtropical lines. This year saw MG acquire an additional stake in First Fresh, boosting our overall ownership to 39.52%. Our confidence in the transaction is based on our positive outlook for First Fresh, where we see business growth opportunities across both the domestic and export markets they operate in.

Operating costs were down and sales grew, which in turn increased the profit for First Fresh's financial year which concluded at the end of March 2021. This increase was due to a number of factors, most notably the way COVID-19 drove changes in consumer behaviour with a surge in demand for categories supplied by First Fresh, particularly citrus in the domestic market. Pre-packs were extremely strong as customers are drawn towards produce that has been handled less. There was also a slight downturn in food service business which impacted some lines, such as limes and lemons, however, this was offset by strong retail sales.

This year First Fresh started packing and marketing under the Sunkist® brand in the domestic market, which links into MG's imports programme for Sunkist® fruit from California and provides a year-round brand consistency in the market. The programme gained significant traction, especially in the North Island, and has a lot of growth potential for the future.

Citrus is prone to a biennial cycle, resulting in fluctuations in the size of the crop which also influences values. While volumes were slightly up for the year, First Fresh is starting to see more consistent yields. This is partly driven by the technical support and crop improvement services delivered to their growers.

The persimmon category was more challenging, mainly because of shipping issues which forced the business to use air freight. There were also adverse weather events during harvest. However, the shortage increased values providing growers with a good year of returns.

First Fresh is also investing in IP and has a new seedless lemon in the pipeline. Development is well underway and it will start coming to the market in increasing volume over time.

New Zealand Fruits Limited, the postharvest service provider, which is partially owned by First Fresh, is performing well despite the incredibly tight labour market and compliance issues challenging the business. They continue to focus on improving efficiency, including investing in automation.

Moving forward, we are encouraged by strong early trading results achieved in the first few months of the new financial year but are mindful of the increasingly difficult challenges with freight and logistics.

Bruce Irvine	Peter Hendry
Chairman	*CEO*

Standing Together – sustainability update

MG's Sustainability Roadmap, which incorporates our Environmental, Social and Governance (ESG) goals, sets out actions our New Zealand operations will take to ensure we deliver on our responsibilities as a leading supplier of fresh fruit and vegetables.

For 97-years MG has been trusted to support strong and healthy local communities. **We have also been trusted by our shareholders to responsibly govern the Co-operative by operating in an ethically, socially and environmentally responsible way.**

More recently, we have moved towards formalising our programme of work in a way that is structured and measurable. This is encapsulated by our Sustainability Roadmap, which outlines our commitment to conducting business responsibly and also allows us to consolidate all of our ESG related initiatives into the one programme. At MG, sustainability is also embedded in our overall strategic plan.

In developing the MG Sustainability Roadmap, we considered what areas were of most importance to the business and to our key stakeholders. The path we have set out, to become a more sustainable business, has strong links to building trust and loyalty with our key stakeholders. It is also connected to our drive to be a leaner, more efficient and resilient operation.

The MG Sustainability Roadmap is underpinned by four pillars:

- **Economic Resilience.**
- **People and Community.**
- **Environmental Stewardship.**
- **Partnerships.**

Good governance is the key to the success of our Sustainability Roadmap which the MG Board, Senior Management Team and Branch Managers provide.

We are also introducing branch Environmental Representatives who will support the day-to-day implementation of an operational plan and track progress, monitor performance and share best practice across the group.

This overview has been put together to provide our stakeholders with information about our programme of work. We also wanted to take the opportunity to celebrate a selected number of our key initiatives and achievements, many of which provide examples of how we are standing together with our communities and our other partners to take our performance to a new level.

Pillar one - Economic Resilience

MG understands that to be sustainable, the Co-operative must be profitable. This is not about profit at any cost, but about acknowledging that having economic resilience makes it possible to deliver on the other pillars of sustainability. Furthermore, profitability is essential to enable innovation and the introduction of sustainable initiatives and technologies. MG's economic resilience is also closely linked to leadership and governance, including how sustainability priorities are factored into the strategic plan and risk management process.

Long-term sustainability

With regard to this pillar, MG strives to provide good governance and a robust strategy to ensure the Co-operative is well positioned for long-term success. Our economic resilience is underpinned by our strong balance sheet and our ability to return a profit.

Governance and confidence in MG

In 2020 MG undertook research to identify areas of competitive advantage and enhance our understanding of how our Co-operative was perceived in the eyes of our growers. This included taking a reading on the performance of the MG Board.

Participants were asked "does MG have a strong Board with good governance?". 79% agree or strongly agree, 20% provided a neutral response while 1% disagreed.

The research also sought information about grower confidence in MG. 81% selected very confident or confident, 16% provided a neutral response while 3% were not confident. No grower selected Not at All confident.

The research will be repeated in 2022.

Pillar two - People and Community

MG is connected to nearly every community across the country, playing an important role in the access of fresh, healthy produce for New Zealanders. Therefore, MG aims to make a positive difference to people's wellbeing, through the returns we provide to growers, working conditions for our people and contributions to the communities in which we operate. We aim to secure and maintain widespread support by treating employees fairly and being a good community member, both locally and globally.

Good Bunch

While improving the lives of the end-consumers is part of the commitment we make every day by providing access to fresh, healthy produce, we also reach beyond this by actively contributing to healthier and more equitable communities.

This approach is highlighted by our new Good Bunch partnership with Dole NZ Ltd and the Salvation Army. The initiative sees cartons of Dole bananas donated to local food banks through MG's national network of nine branches every week. Aside from donating bananas, a major benefit of the partnership is the link created between local food banks, MG branches and local growers, with the Good Bunch programme providing a platform from which to build upon. This includes additional support provided during periods of COVID-19 lockdown, when food banks experienced a surge in demand for food parcels.

Supporting the wider community through the Māia Health Foundation (Māia)

This year we reinforced our commitment to the health and wellbeing of Kiwi communities, by extending our support of Māia. MG became a Founding Business Partner in 2017, and we have now extended our partnership with Māia for an additional five years. The projects that Māia helps fund provide invaluable support to the community. By extending our partnership for a further five years, we know we are directly benefiting a huge number of people who use health services funded through Māia every day.

Partnering with 5+ A Day Charitable Trust to promote healthy eating

MG has been a longstanding supporter of the 5+ A Day Charitable Trust, whose aim is to promote healthy lifestyles by encouraging people to eat five or more servings of fresh fruit and vegetables every day. The trust used the sponsorship contribution to help fund educational material and curriculum linked resources that are provided free to teachers and health professionals.

A safe, engaged and skilled workforce

We have a workforce spread across many sites, covering nearly every corner of New Zealand. We know that the success of our Co-operative is linked to having our people engaged, while also ensuring they feel safe, valued and respected for their contribution at work.

Our Sustainability Roadmap puts a strong focus on ensuring we continue to develop a diverse and talented workforce and foster a culture of safety, wellbeing, and respect.

Being a hands-on, operational business, we have a strong focus on health and safety. As touched on elsewhere in this Annual Review, this year we simplified our Health and Safety plan to enhance the way it is implemented while supporting the programme with visual communication to reinforce our focus on health and safety leadership, personal responsibility and reporting incidents.

This year MG has again delivered annual leadership, graduate, sales and external grower professional development programmes.

MG Marketing Charitable Trust

The MG Marketing Charitable Trust (MG Trust) was established in 2019 and launched in 2021.

The MG Trust is funded through MG Marketing, with the Co-operative providing an initial cash donation of $170,000 for the first round of applications. Ongoing funding will come from annual distributions generated by shares in MG held by the MG Trust and is expected to grow over time.

While the MG Trust will be supported by MG Marketing, it is run independently, with Trustees making key decisions about how funding is allocated.

It focuses on providing funding to projects and initiatives which have a positive impact on the horticulture industry. The Trustees are particularly interested in initiatives in the areas of education, innovation/research, and industry profile/legacy.

The MG Trust meets in June and November each year to consider funding applications. The inaugural funding meeting will take place on 1 November 2021.

More information about the MG Trust, including key dates and how to apply for funding can be found on www.mgmarketing.co.nz/mgtrust.

The key objectives of the MG Trust are to:

- Advance the education of people within the horticulture industry.
- Support projects which help benefit the horticulture industry.
- Advance the development of the horticulture industry through research and innovation.
- Support programmes and organisations that promote the benefits of fresh produce and advocate for the industry more generally.
- Enhance the profile and preserve the heritage of the horticulture industry.

Trustees

The MG Trust is made up of four grower Trustees and one independent Trustee. Together, they bring many years of experience in the horticulture sector and offer a broad range of professional skills to support the objectives of the MG Trust.

- John Clarke (Chair, Grower Trustee).
- Trudi Webb (Grower Trustee).
- Mike Russell (Grower Trustee).
- Catherine Lewis (Grower Trustee).
- Alastair Hercus (Independent Trustee).

Pillar three - Environmental Stewardship

MG is constantly looking for ways to make its business more environmentally friendly and sustainable. We have a focus on improving plant efficiency and are seeking to increase the use of products and packaging that are more environmentally friendly. We are committed to working with our team, customers, subsidiaries and suppliers to source ethically, reduce our carbon footprint, energy use, and waste, and protect New Zealand's unique environment wherever we can.

Solar to improve energy efficiency

Among our key initiatives are ongoing investments to reduce energy consumption across the business. This year we partnered with Vector Powersmart to embark on a large-scale solar project to be installed on our new Auckland facility featured in the Annual Review. When complete, we expect it will be one of the top five largest on-roof solar projects in New Zealand. It will feature 893 solar panels and will generate 41% of the facility's electricity, reducing CO_2 emissions by an estimated 1,310 tonnes over 25 years.

Refrigeration upgrade

In line with our Sustainability Roadmap, we have committed to make environmental sustainability a consideration when making business decisions. This is highlighted by the new refrigeration system being installed at our Auckland facility.

Given we were installing a refrigeration system in the new 4000 square metre facility, we have chosen to retire the old plant in the existing warehouse and invest in new systems to cover the full 12,000 square metre footprint. The new, significantly more efficient system utilises ammonia, a sustainable refrigerant option, which has zero global warming or ozone depleting potential.

Pillar four - Partnerships

Partnerships and relationships are the foundation of our business. MG seeks to work with growers, customers and responsible suppliers who understand the nature of our business and align with our way of operating, including our responsibility to protect the environment and foster good relations with employees.

Supporting an ethical, sustainable and resilient supply chain

As New Zealand's leading fresh produce wholesaler, MG sources products from literally hundreds of suppliers (grower-suppliers and packhouses), both inside New Zealand and from around the world. We want to work with likeminded businesses. This includes suppliers who look after their employees, their communities and the environment in a way that is consistent with the MG Sustainability Roadmap. It is also our expectation that business is conducted lawfully and with integrity and that all people throughout the supply-chain are treated with dignity and respect. Therefore, this year we introduced our Responsible Sourcing Policy which includes standards which all our supply partners are expected to meet to conduct business with MG.

Looking ahead

We are pleased with the progress we've made towards developing a plan and then focusing on the areas of sustainability that really matter for our Co-operative and our stakeholders.

This year we also took initial steps towards measuring our carbon footprint to highlight the total greenhouse gases emitted by MG's domestic and imports business. The MG Marketing Sustainability Roadmap includes a commitment to establish a baseline for the business's carbon footprint by the end of 2022. This document is an important initial step towards that goal and will help MG set a target and implement a carbon reduction plan.

We also joined the Toitū Enviromark programme to support our development and improve our environmental management system (EMS). In the coming year we expect to finalise our updated EMS to become Toitū Enviromark gold certified.

We understand that this is a dynamic space and we continue to engage with our growers, customers, team members and other stakeholders in enhancing our strategies, ensuring that new issues and challenges are not ignored.

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2021

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2021.

For and on behalf of the Board of Directors:

B.R. Irvine
Chairman

1 October 2021

J. Lim
Director

1 October 2021

Consolidated Statement of comprehensive income

For the year ended 30 June 2021

	Note	2021	2020
		$'000	$'000
Revenue – sale of goods	A1.1	568,830	575,286
Cost of sales		500,769	508,761
Gross profit		68,061	66,525
Other operating income	A1.2	4,518	3,277
Administrative expenses		14,452	12,932
Other operating expenses		43,303	43,289
Results from operating activities before other income and other expenses		14,824	13,581
Other income – Gain on sale fixed assets	A1.3	965	1,103
Other income – Gain on acquisition		-	2,383
Other expenses – Impairment		2,874	-
Results from operating activities		12,915	17,067
Finance income		145	166
Finance expense		4,144	4,051
Net finance costs		3,999	3,885
Share of profit / (loss) of equity accounted investees	D2	1,929	(284)
Profit before income tax		**10,845**	**12,898**
Income tax expense	A3.1	4,072	1,528
Profit for the year		**6,773**	**11,370**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods (net of tax):			
Foreign currency translation differences for foreign operations		413	698
Net (loss)/gain on hedge of a net investment		(153)	(305)
Effective portion of changes in the fair value of cash flow hedges		326	26
Items that will not be reclassified to profit or loss (net of tax):			
Change in fair value of land and buildings		-	(24)
Other comprehensive income net of tax		586	395
Total comprehensive income for the year		**7,359**	**11,765**
Profit attributable to:			
Owners of the Company		9,225	12,331
Non-controlling interest		(2,452)	(961)
Profit for the year		**6,773**	**11,370**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		9,678	12,562
Non-controlling interest		(2,319)	(797)
Total comprehensive income for the year		**7,359**	**11,765**

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

Consolidated Statement of changes in equity

For the year ended 30 June 2021

	Share capital	Reserves: Revaluation	Reserves: Hedging	Reserves: Foreign currency translation	Reserves: Total	Retained earnings	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2019	33,024	47,654	(1,057)	(2,492)	44,105	47,223	9,595	133,947
Profit for the year	-	-	-	-	-	12,331	(961)	11,370
Other comprehensive income / (loss)	-	(10)	26	215	231	-	164	395
Total comprehensive income / (loss) for the year	-	(10)	26	215	231	12,331	(797)	11,765
Transactions with owners, recorded directly in equity								
Dividends	566	-	-	-	-	(1,620)	-	(1,054)
Shares issued	5,994	-	-	-	-	(5,980)	-	14
Shares surrendered	(1,444)	-	-	-	-	-	-	(1,444)
Non-controlling interest in business combination	-	-	-	-	-	-	572	572
Balance at 30 June 2020	**38,140**	**47,644**	**(1,031)**	**(2,277)**	**44,336**	**51,954**	**9,370**	**143,800**
Balance at 1 July 2020	38,140	47,644	(1,031)	(2,277)	44,336	51,954	9,370	143,800
Profit for the year	-	-	-	-	-	9,225	(2,452)	6,773
Other comprehensive income / (loss)	-	(2,388)	326	120	(1,942)	2,395	133	586
Total comprehensive income/(loss) for the year	-	(2,388)	326	120	(1,942)	11,620	(2,319)	7,359
Transactions with owners, recorded directly in equity								
Dividends	548	-	-	-	-	(1,615)	-	(1,067)
Shares issued	5,756	-	-	-	-	(5,750)	-	6
Shares acquired by Charitable Trust	1,854	-	-	-	-	-	-	1,854
Shares surrendered	(908)	-	-	-	-	-	-	(908)
Balance at 30 June 2021	**45,390**	**45,256**	**(705)**	**(2,157)**	**42,394**	**56,209**	**7,051**	**151,044**

Explanation of Reserves

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

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

Foreign currency translation reserve - comprises the cumulative foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Parent Company's net investment in the Australian operations.

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

Consolidated Statement of financial position

As at 30 June 2021

	Note	2021 $'000	2020 $'000
EQUITY			
Share capital	C1	45,390	38,140
Reserves		42,394	44,336
Retained earnings		56,209	51,954
Total equity attributable to equity holders of the Parent Company		143,993	134,430
Non-controlling interests		7,051	9,370
Total equity		**151,044**	**143,800**
NON-CURRENT ASSETS			
Property, plant and equipment	B1	168,363	162,279
Lease assets (right to use)	B1	44,333	46,417
Intangible assets	B3	31,261	33,526
Investments in equity accounted investees	D2	6,996	6,263
Investments other	D3	5,501	4,767
Deferred tax assets	A3.2	6,422	5,932
Total non-current assets		262,876	259,184
CURRENT ASSETS			
Inventories	B2	10,672	9,874
Trade and other receivables	C3	81,105	69,229
Cash and cash equivalents	C2	10,761	23,216
Non-current assets held for sale		3,402	1,190
Total current assets		105,940	103,509
Total assets		368,816	362,693
NON-CURRENT LIABILITIES			
Borrowings	C5	53,899	54,923
Trade and other payables	C4	1,078	2,258
Deferred tax liabilities	A3.2	7,135	7,368
Lease liability	C6.1	37,797	39,501
Total non-current liabilities		99,909	104,050
CURRENT LIABILITIES			
Borrowings	C5	13,201	10,880
Trade and other payables	C4	96,267	91,861
Taxation payable		1,387	4,769
Lease liability	C6.1	7,008	7,333
Total current liabilities		117,863	114,843
Total liabilities		217,772	218,893
Net Assets		**151,044**	**143,800**

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

Consolidated Statement of cash flows

For the year ended 30 June 2021

	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	561,871	563,486
Dividends received	1,222	746
Interest received	136	141
Cash paid to suppliers and employees	(541,146)	(533,669)
Interest paid	(3,694)	(4,053)
Income tax paid	(8,299)	(3,956)
Net cash from operating activities	10,090	22,695
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	3,823	1,805
Acquisition of property, plant and equipment	(18,608)	(13,865)
Acquisition of investment / intangible assets	(793)	(2,397)
Acquisition of subsidiary, net of cash acquired	-	(1,400)
Net cash (used in) / from investing activities	(15,578)	(15,857)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	6	14
Proceeds from bank and other borrowings	2,586	10,173
Proceeds from other receivables	718	1,772
Shares surrendered	(908)	(1,444)
Repayment of borrowings	(1,458)	(1,688)
Dividends paid	(1,067)	(1,054)
Principal portion of lease payments	(6,438)	(5,834)
Loans and advances to other receivables	(375)	(1,172)
Net cash (used in) / from financing activities	(6,936)	767
Net increase in cash and cash equivalents	(12,424)	7,605
Cash and cash equivalents at 1 July	23,216	15,498
Effect of exchange rate fluctuations on cash held	(31)	113
Cash and cash equivalents at 30 June	**10,761**	**23,216**

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

	2021 $'000	2020 $'000
Profit / (loss) for the year	6,773	11,370
Adjustments for:		
Depreciation	14,685	14,487
Change in derivatives recognised in hedging reserve	460	(321)
(Increase) in deferred tax on reserves	(137)	(14)
Decrease / (increase) in future taxation benefit	(723)	(2,906)
Profit share of equity accounted investees	(707)	1,030
Impairment on goodwill	2,874	-
(Gain) on disposals of property, plant and equipment	(1,474)	(879)
(Gain) on acquisition of a subsidiary	-	(2,383)
Other	(715)	(365)
	21,036	20,019
Impact of changes in working capital items:	(10,946)	2,676
Net cash from operating activities	10,090	22,695

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

Notes to the financial statements

A. Financial Performance

In this section

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

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

A1.1 Revenue

Measurement and Recognition

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

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

Principal and agency arrangements

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

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

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

The Group recognises revenue from the following sources:

Trade Sales - Principal

Revenue from trade sales is recognised at the point of time at which control passes to the customer. This is dependent on individual contracts, however usually occurs on dispatch or pick up of the produce by the customer.

Commission / Agency Sales:

When the Group acts as an agent rather than principal, revenue is recognised at the net commission made by the Group. As with trade sales recognition of the commission usually occurs on dispatch or pick up of the produce by the customer.

Gross Sales	**2021 $'000**	**2020 $'000**
Trade Sales – New Zealand	106,622	109,259
Trade Sales - Australia	419,126	427,666
Sales as Agent – New Zealand	409,500	377,591
Sales as Agent – Australia	27,456	20,219
Total Gross Sales	**962,704**	**934,735**
Revenue		
Total Gross Sales	962,704	934,735
Add Commission earned – New Zealand	40,489	36,537
Add Commission earned – Australia	2,593	1,824
Less purchase of produce on-sold as agent (offsets the sales as agent incl. above)	(436,956)	(397,810)
Total Revenue - Sale of goods	**568,830**	**575,286**

A1.2 Other Operating Income

Other Operating Income:	**2021 $'000**	**2020 $'000**
Rental income	2,817	2,766
Sundry income	1,701	511
Total Other Operating Income	**4,518**	**3,277**

A1.3 Other income

During 2021, other income represented the gain of NZ$965,000 recorded following the sale of land in Wellington (during 2020, other income represented the gain of NZ$1,103,000 recorded following the sale of a leased warehouse at the Sydney markets).

A2. Employee benefits

Measurement and recognition

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

Short-term employee benefits:

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

Long-term employee benefits:

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

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

	2021 $'000	2020 $'000
Wages and salaries	78,997	79,287
Contributions to defined contribution superannuation plans	4,250	4,309
Increase in liability for long-service leave	301	204
Total personnel expenses	**83,548**	**83,800**
Classification within the statement of comprehensive income		
Cost of sales	69,263	71,060
Administrative expenses	13,940	12,344
Other operating expenses	345	396
Total personnel expenses	**83,548**	**83,800**

A3. Taxation

Measurement and recognition

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

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

A3.1 Income Tax

Tax recognised in the consolidated statement of comprehensive income	2021 $'000	2020 $'000
Current tax expense	4,682	4,886
Prior period adjustment to current tax	(203)	(477)
Deferred tax – origination and reversal of temporary differences	(407)	(2,881)
Total income tax expense	**4,072**	**1,528**
Reconciliation of income tax expense		
Profit/(Loss) before tax	10,845	12,898
Income tax using the Parent Company's domestic tax rate (28%)	3,037	3,611
Add/(deduct) taxation effect of:		
Effect of tax rates in foreign jurisdictions	(178)	(102)
Tax impact of equity accounted investees	74	133
Non-deductible expenses	931	137
Tax exempt income	(921)	(977)
Deferred tax not recognised in Australia	1,803	-
Deferred tax: building depreciation due to NZ tax legislation change	7	(574)
(Over)/under provided in prior periods	(681)	(700)
Total income tax expense	**4,072**	**1,528**

Imputation credits

As at balance date imputation credits available to the shareholders for use in subsequent periods totalled $17.96 million (2020: $18.29 million).

A3.2 Deferred tax

Measurement and recognition

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

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

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

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Key Judgement

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilised. This is reviewed each balance date and adjusted where required.

The Australian Group has recognised losses in the current and previous financial period. These tax losses are recognised as a deferred tax asset, which its utilisation is dependent on future taxable profits. The Group have concluded with respect to the unused tax losses in Australia that these will be utilised over the next 5 years and hence appropriate for recognition as a deferred tax asset.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
New Zealand Group	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Property, plant and equipment	248	234	(8,886)	(9,136)	(8,638)	(8,902)
Provisions and other	2,770	2,944	(1,267)	(1,410)	1,503	1,534
Tax assets/(liabilities)	**3,018**	**3,178**	**(10,153)**	**(10,546)**	**(7,135)**	**(7,368)**

	Assets		Liabilities		Net	
Australian Group	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Property, plant and equipment	-	-	(436)	(372)	(436)	(372)
Provisions and other	4,182	4,219	(3)	-	4,179	4,219
Tax losses	2,679	2,085	-	-	2,679	2,085
Tax assets/(liabilities)	**6,861**	**6,304**	**(439)**	**(372)**	**6,422**	**5,932**

Movement in temporary differences during the year:

	Balance 1 July 19 $'000	**Recognised in income $'000**	**Recognised in equity $'000**	**Arising on acquisition $'000**	**Balance 30 June 20 $'000**
Property, plant and equipment	(10,114)	841	-	-	(9,273)
Provisions and other	4,253	1,513	(15)	-	5,751
Tax Losses	1,519	566	-	-	2,085
Net Movement	**(4,342)**	**2,920**	**(15)**	**-**	**(1,437)**

	Balance 1 July 20 $'000	**Recognised in income $'000**	**Recognised in equity $'000**	**Arising on acquisition $'000**	**Balance 30 June 21 $'000**
Property, plant and equipment	(9,273)	199	-	-	(9,074)
Provisions and other	5,751	(292)	223	-	5,682
Tax Losses	2,085	594	-	-	2,679
Net Movement	**(1,437)**	**501**	**223**	**-**	**(713)**

B. Operating Assets

In this section

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

- Property, plant and equipment
- Intangible assets
- Inventories

B1. Property, Plant and Equipment

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

Measurement and recognition

Property, plant and equipment (except for land and buildings) is measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

Depreciation

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

Impairment

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

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

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

Key Judgements

Depreciation rates:

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

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

Valuation of Land and buildings:

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

Due to the level of judgement and adjustments required to the observable inputs, a level three classification is deemed appropriate for all property valuation for the Group. Fair value was determined by using the following methods:

Investment / Income approach

This approach capitalises the contracted and / or potential income at an appropriate market derived rate of return. Capitalisation rates applied range from 4.5% to 9.7%. An increase in rate would reduce the valuation.

Sales / Market comparison approach

This approach determines a per square metre / hectare rate based on comparable sales, adjusted for differences in location, size and quality of the asset, together with an adjustment for market movements since the sales occurred.

Land and buildings were independently revalued as at 30 June 2019 by Duke and Cooke Ltd, Truebridge Partners, Chadderton Valuation, and Herron Todd White.

If land and buildings were measured using historical cost the carrying value would be $85.5 million (2020: $86.4 million).

	Land and buildings $'000	Motor Vehicles $'000	Fixtures & fittings $'000	Plant and equipment $'000	Work in progress $'000	Total PP&E $'000	Right of use assets $'000
Cost or valuation							
Balance at 1 July 2019	136,588	7,194	3,746	37,897	3,421	188,846	-
Recognition of right-of-use asset on initial application of NZ IFRS 16	-	-	-	-	-	-	49,611
Additions	6,146	1,186	686	3,561	2,286	13,865	1,311
Additions on acquisition	1,994	65	22	25	-	2,106	-
Disposals	(1,803)	(726)	(143)	(2,045)	-	(4,717)	-
Transfer to non-current assets held for sale	(1,190)	-	-	-	-	(1,190)	-
Transfer to right of use assets	(719)	(49)	-	(711)	-	(1,479)	1,479
Reclassification	1,366	-	87	1,909	(3,362)	-	-
Effect of movements in exchange rates	525	30	28	438	4	1,025	714
Balance at 30 June 2020	142,907	7,700	4,426	41,074	2,349	198,456	53,115
Additions	1,585	1,399	260	1,232	14,175	18,651	6,158
Disposals	(1,017)	(1,408)	(150)	(4,386)	-	(6,961)	(1,703)
Transfer to non-current assets held for sale	(3,402)	-	-	-	-	(3,402)	-
Reclassification	792	218	27	672	(1,752)	(43)	-
Effect of movements in exchange rates	178	14	17	220	(9)	420	355
Balance at 30 June 2021	141,043	7,923	4,580	38,812	14,763	207,121	57,925
Accumulated depreciation							
Balance at 30 June 2019 / 1 July 2019	3,064	3,395	3,151	22,038	-	31,648	-
Depreciation for the year	3,306	981	515	2,948	-	7,750	6,737
Disposals	(1,392)	(540)	(132)	(1,691)	-	(3,755)	-
Effect of movements in exchange rates	205	18	25	286	-	534	(39)
Balance at 30 June 2020	5,183	3,854	3,559	23,581	-	36,177	6,698
Depreciation for the year	3,348	1,071	416	2,970	-	7,805	6,880
Disposals	(246)	(1,089)	(141)	(3,959)		(5,435)	-
Effect of movements in exchange rates	33	11	15	152	-	211	14
Balance at 30 June 2021	8,318	3,847	3,849	22,744	-	38,758	13,592
Carrying amounts							
At 30 June 2019	133,524	3,799	595	15,859	3,421	157,198	-
At 30 June 2020	137,724	3,846	867	17,493	2,349	162,279	46,417
At 30 June 2021	**132,725**	**4,076**	**731**	**16,068**	**14,763**	**168,363**	**44,333**

Transfer to non-current assets held for sale includes surplus land in Christchurch and a Hawkes Bay orchard with a total value of $3.402 million as at 30 June 2021.

B2. Inventories

Measurement and recognition

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In 2021 inventories recognised as cost of sales amounted to $454,740,000 (2020: $462,944,000) for the Group.

	2021 $'000	2020 $'000
Inventories	10,672	9,874
Total inventories	**10,672**	**9,874**

B3. Intangible assets

Measurement and recognition

Goodwill

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

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

Any impairment loss in respect of goodwill is not reversed.

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

Other intangible assets (Marketing Contracts and other)

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

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

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

Where an intangible asset is considered to have an indefinite life, no amortisation is recognised. The asset is subject to an annual impairment test, any impairment loss is recognised within the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used, a loss is reversed only to the extent of the asset's carrying value had no impairment loss been recognised.

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

Key Judgement

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

	Goodwill $'000	Brand $'000	Other $'000	Software and WIP $'000	Total $'000
Cost					
Balance at 30 June 2019 / 1 July 2019	41,869	11,863	4,047	841	58,620
Additions	-	-	-	733	733
Additions through acquisition	6,145	-	12	-	6,157
Effect of movements in exchange rates	355	-	-	-	355
Balance at 30 June 2020	48,369	11,863	4,059	1,574	65,865
Balance at 30 June 2020 / 1 July 2020	48,369	11,863	4,059	1,574	65,865
Additions	-	43	29	347	419
Additions through acquisition	-	-	-	-	-
Effect of movements in exchange rates	193	-	-	-	193
Balance at 30 June 2021	48,562	11,906	4,088	1,921	66,477
Accumulated amortisation and impairment losses					
Balance at 30 June 2019 / 1 July 2019	(20,467)	(11,863)	(9)	-	(32,339)
Impairment	-	-	-	-	-
Amortisation for the year	-	-	-	-	-
Balance at 30 June 2020	(20,467)	(11,863)	(9)	-	(32,339)
Impairment	(2,874)	-	-	-	(2,874)
Amortisation for the year	-	(3)	-	-	(3)
Balance at 30 June 2021	(23,341)	(11,866)	(9)	-	(35,216)
Carrying amounts					
At 30 June 2019	21,402	-	4,038	841	26,281
At 30 June 2020	27,902	-	4,050	1,574	33,526
At 30 June 2021	**25,221**	**40**	**4,079**	**1,921**	**31,261**

B3.1 Impairment testing of goodwill

Goodwill relates to:

- investments made by the Australian subsidiary of the Group, LaManna Premier Group ("LPG");
- the prior period acquisition of a controlling shareholding in Te Mata Exports 2012 Ltd ("Te Mata").

For impairment testing LPG and Te Mata are deemed to be separate cash generating units ("CGU's").

In determining the recoverable amount of each CGU, key assumptions have been made regarding future cash flows, discount rates and terminal growth rates.

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

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

	2021	2020
Annual revenue growth rate	2.5 – 2.6%	3.0-3.5%
Pre-tax discount rate	12.5%	9.7%
Terminal growth rate	2.0%	2.0%

The recoverable amount of the LPG Australia CGU was determined to be lower than its carrying amount and an impairment loss of $2.874 million (2020: $Nil) was recognised. A reduction in the annual revenue growth rate or terminal growth rate or an increase in the post-tax discount rate would result in an increased impairment. Alternatively an increase in the annual revenue growth rate or terminal growth rate or a decrease in the post-tax discount rate would result in a reduced impairment. The net carrying value for the LPG Australia CGU after impairment is $18.583 million (2020: $21.264 million).

Sensitivity to changes in key assumptions: the following sensitivity analysis has been performed:

		Revenue Growth		
		2.44%	2.54%	2.64%
Change in WACC	12.4%	-4,169	-2,539	-903
	12.5%	-4,485	**-2,874**	-1,256
	12.6%	-4,796	-3,201	-1,600

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

	2021	2020
Annual revenue growth rate (New Zealand / Australia)	2.0% / 10.0%	2.0% / 10.0%
Pre-tax discount rate	10.0%	10.0%
Terminal growth rate	2.0%	2.0%

Sensitivity to changes in key assumptions:

A sensitivity analysis has been performed on the key assumptions used. A movement of +/- 1.0% in the WACC and / or 0% revenue growth would not result in an impairment of the goodwill allocated to the Te Mata CGU. The net carrying value for the Te Mata CGU is $6.145 million (2020: $6.145 million).

C. Managing Funding

In this section

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

Capital management

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

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

C1. Share capital

Key Judgement

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

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

	Rebate Shares (Number '000 / $'000)			
	A Shares	**B Shares**	**C Shares**	**Total**
Balance at 30 June 2019 / 1 July 2019	**23,646**	**8,379**	**999**	**33,024**
Shares issued	1,353	3,308	1,899	6,560
Shares transferred	5,189	(3,791)	(1,398)	-
Shares surrendered	(1,284)	(156)	(4)	(1,444)
Balance at 30 June 2020 / 1 July 2020	**28,904**	**7,740**	**1,496**	**38,140**
Shares issued	1,496	3,067	1,741	6,304
Shares transferred	3,835	(1,612)	(2,223)	-
Shares acquired by Charitable Trust (Note F5)	1,587	267	-	1,854
Shares surrendered	(819)	(75)	(14)	(908)
Balance at 30 June 2021	**35,003**	**9,387**	**1,000**	**45,390**

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

	Key features / rights of each class of share – refer to the constitution for full terms.
Voting Rights	Shareholders are entitled to one vote for each "A" share held up to a maximum of 1,000 votes. Voting rights are suspended if the shareholder has not transacted a minimum level of business being $10,000 of produce sales in any one year or on average over a rolling three-year period.
	"B" and "C" shares do not carry any voting rights.
Dividend Rights	All shares are rebate shares, carrying a right to dividends and rebates as determined by the Board.
Wind-up	All classes of share rank equally on wind-up with regard to the Parent Company's residual assets.
Conversion	"C" and "B" shares are able be converted to "B" and/or "A" shares at the Board's discretion.
Surrender of shares	All shares are surrendered at the lesser of $1.00 or the amount paid up on those shares.
	Holders of over 100,000 and up to 1,000,000 shares are required to surrender these in instalments of 100,000 shares, payable on each anniversary of approval until fully paid.
	Holders of over 1,000,000 shares are required to surrender these in 10 equal instalments payable on each anniversary of approval until fully paid.
	The Parent Company has a first lien on all shares and the proceeds from the sale or surrender of such shares for unpaid amounts in relation to those shares or amounts due to Group companies.

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

	2021	2020
All matters below were declared and accounted for on	5 August 2021	5 August 2020
Special bonus issue of A Shares	1 for every 30 existing	1 for every 30 existing
Special bonus issue of B Shares	1 for every 2 existing	2 for every 5 existing
Special bonus issue of C Shares	1 for every 1 existing	1 for every 2 existing
Taxable supplier shareholder rebate – paid by issuing C Shares	$250,000	$250,000
Bonus issue on supplier shareholder rebate	3 for every 1 share issued above	3 for every 1 share issued above
Taxable and fully imputed Dividend to be issued from retained earnings at completion of the Annual Meeting.	Final – 3 cents per "A" share. No interim dividend declared	Final – 5 cents per "A" share. No interim dividend declared

C2. Cash and cash equivalents

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

	2021		2020	
	Foreign $ $'000	**NZD $'000**	**Foreign $'000**	**NZD $'000**
NZD	-	1,033	-	6,094
AUD	8,499	9,100	16,065	17,062
Other (USD, EUR)	433	628	39	60
Total cash and cash equivalents		**10,761**		**23,216**

C3. Trade and other receivables

Measurement and recognition

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

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

Trade and other receivables	**2021 $'000**	**2020 $'000**
Not past due	57,104	52,278
Past due 1-30 days	4,158	1,727
Past due greater than 30 days	5,488	3,499
Less: provision for impairment / ECL's	(1,631)	(1,668)
Total trade receivables	**65,119**	**55,836**
Other receivables	15,986	13,393
Total trade and other receivables	**81,105**	**69,229**

C4. Trade and other payables

Measurement and recognition

Trade and other payables

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

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

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

Trade and other payables	**2021 $'000**	**2020 $'000**
Non-current		
Other payables	429	1,360
Employee benefits	649	898
Total non-current trade and other payables	1,078	2,258
Current		
Trade and other payables	83,438	79,054
Employee benefits	12,829	12,807
Total current trade and other payables	96,267	91,861
Total trade and other payables	**97,345**	**94,119**

Included above are $26,881,000 (2020: $20,986,000) of trade payables denominated in Australian dollars and $987,000 (2020: $356,000) of trade payables denominated in US dollars.

C5. Interest-bearing borrowings

Measurement and recognition

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs paid. Subsequent to this, borrowings are stated at amortised cost using the effective interest rate method. In 2021 the effective interest rate on bank balances for the Group was 1.88% (2020: 1.93%). All borrowings are subject to floating interest rates.

The loan repayment terms are AUD$1,250,000 no later than 30 June each year. The bank loans are secured over land and buildings with a carrying amount of $132,725,000 (2020: $137,724,000).

Interest-bearing borrowings	**2021 $'000**	**2020 $'000**
Non-current secured bank loans	53,899	54,923
Current secured bank loans	13,201	10,880
Total interest-bearing borrowings	**67,100**	**65,803**

C6. Lease liability

Measurement and recognition

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

Lease liability

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

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

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

Right-of-use asset

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

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

Key judgements:

The key judgements in determining the lease liability are:

- Estimation of the lease renewals: Some property leases in the Group contain renewal options exercisable by the lessee before the end of the non-cancellable contract period. The period covered by renewal options is only included in the lease term if the lessee is reasonably certain to exercise the option.
- Calculation of the incremental borrowing rate applicable to the lease liability. The weighted average incremental borrowing rate as at 30 June 2021 was 3.31% (2020 3.55%).

C.6.1 Lease liability	**2021 $'000**	**2020 $'000**
Opening lease liability	46,834	-
Adoption of NZ IFRS 16 leases on 1 July 2019	-	49,611
Additions	6,158	2,309
Disposals	(2,093)	-
Interest on lease liabilities	1,349	1,432
Foreign exchange movement	344	748
Gross payments (cash outflows in relation to leases)	(7,787)	(7,266)
Lease liability as at 30 June	**44,805**	**46,834**
Non-current lease liability	**37,797**	**39,501**
Current lease liability	**7,008**	**7,333**

C6.2 Lease expenses

The income statement includes expenses relating to short term leases of $33,000 (2020: $4,000) and expenses relating to leases of low value assets of $44,000 for 2021 (2020: $2,000). Interest on lease liabilities is within financial expenses.

C6.3 Group as a lessor

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

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

	2021 $'000	2020 $'000
Less than one year	2,183	2,291
Between one and five years	3,599	4,781
More than five years	301	503
Future minimum lease receipts as at 30 June 2021	**6,083**	**7,575**

D. Group Structure

In this section

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

D1. Subsidiaries

Measurement and recognition

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

Significant subsidiaries	Principal activity	Country of incorporation	2021 %	2020 %
Hansons Lane International Holdings Ltd	Investment Holding	New Zealand	100	100
J. S. Ewers Ltd	Produce Grower	New Zealand	100	100
Blackbyre Horticulture Ltd	Property Holding	New Zealand	100	100
Market Fresh Wholesale Ltd	Property Holding	New Zealand	100	100
Phimai Holdings Ltd	Property Holding	New Zealand	100	100
Southland Produce Markets Ltd	Property Holding	New Zealand	100	100
MG Group Holdings Ltd	Asset Holding	New Zealand	100	100
Kaipaki Properties Ltd	Asset Holding	New Zealand	100	100
Te Mata Exports 2012 Ltd	Produce Exporting	New Zealand	74	74
Market Gardeners (USA) Inc.	Produce Sourcing and Exporting	USA	100	100
LaManna Premier Group Pty Ltd	Produce Wholesale	Australia	69	69
LaManna Bananas (Adelaide) Pty Ltd	Produce Wholesale	Australia	100	100
Australian Banana Company Pty Ltd	Produce Packing & Wholesale	Australia	100	100
Carbis Bananas Pty Ltd	Investment Holding	Australia	100	100
LaManna Group Holdings Three Pty Ltd	Investment Holding	Australia	100	100
Lambells Properties Pty Ltd	Property Holding	Australia	100	100
Premier Fruits Group Pty Ltd	Produce Wholesale	Australia	100	100
GV Agri Services Pty Ltd	Asset Holding	Australia	100	100
Fresh Choice W.A. Pty Ltd	Produce Wholesale	Australia	100	100
Te Mata Exports Australia Pty Ltd	Produce Export	Australia	70	70

The interest in the subsidiaries above is the actual interest held by the Group. The Group's share of LaManna Premier Group Pty Ltd ("LPG") is 69% (2020:69%) and Te Mata Exports 2012 Ltd ("TMEL") is 74% (2020: 74%) hence the Group's share in subsidiaries and associates of LPG and TMEL is 69% and 74% of the respective interest.

D1.1 Subsidiary with material non-controlling interest

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

	2021 $'000	2020 $'000
Summarised statement of financial position		
Total equity	**20,380**	**28,411**
Total non-current assets	90,002	93,248
Total current assets	40,052	38,349
Total assets	**130,054**	**131,597**
Total non-current liabilities	46,918	49,058
Total current liabilities	62,756	54,128
Total liabilities	**109,674**	**103,186**
Summarised statement of comprehensive income		
(Loss)/profit for the year	(5,644)	(3,374)
Less impairment expense	(2,874)	-
Other comprehensive profit / (loss) for the year	215	(7)
Total comprehensive (loss) / profit for the year	**(8,303)**	**(3,381)**
Summarised statement of cash flows		
Net cash from operating activities	**4,226**	**9,925**
Net cash (used in) investing activities	**(2,511)**	**(25)**
Net cash (used in) / provided by financing activities	**(6,875)**	**(4,599)**
Net increase in cash held	**(5,160)**	**5,301**

D2. Associates and joint arrangements (equity accounted investees)

Measurement and recognition

Associates and joint arrangements are entities where the Group has significant influence, but not control, over the activities of the entity. The Group's investment is initially recognised at cost plus the Group's share of any profit or loss up until the date at which that significant influence ceases. If the Group's share of losses exceeds its interest in the entity, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Associates and joint arrangements	Principal activity	Country of incorporation	Year end	2021 %	2020 %
United Flower Growers Ltd (2)	Flower Wholesale	New Zealand	30 Jun	50	50
Zee Sweet Ltd (1)	Horticulture	New Zealand	31 Dec	33	33
New Zealand Fruit Tree Company Ltd (1)	Horticulture	New Zealand	31 Dec	33	33
First Fresh New Zealand Ltd (1)	Produce Marketing & export	New Zealand	31 Mar	40	30
Kaipaki Berryfruits Ltd (2)	Berryfruit production	New Zealand	30 Jun	50	50
Darwin Fruit Farms Pty Ltd (2)	Tropical fruit Production	Australia	30 Jun	50	50
Innisfail Banana Farming Co. Pty Ltd (2)	Banana Production	Australia	30 Jun	50	50
Col Johnson Pty Ltd (2)	Produce Wholesale	Australia	30 Jun	50	50

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

The interest in the Australian companies above is the actual interest held by LPG. The Group's share of LPG is 69% (2020: 69%), hence the Group's share in subsidiary and associate companies of LPG is 69% of the respective interest.

During the year the Group acquired a further shareholding in First Fresh New Zealand Ltd taking its shareholding from 30% to 39.52%.

The Group's share of profit / (loss) in its equity accounted investees for the year was $1,929,000 (2020: ($284,000)). The investees are not considered to be individually material. A summary of financial information for these entities is as follows:

	Profit/(loss) $'000	Comprehensive income $'000	Carrying amount $'000
2021	5,372	3,766	6,996
2020	134	(88)	6,263

D3. Other investments

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

	2021 $'000	2020 $'000
Waimea Irrigators Limited – Shares	1,195	1,195
Century Water Limited - Redeemable notes	2,250	2,250
Other	2,056	1,322
Total other investments	**5,501**	**4,767**

E. Financial Instruments Used to Manage Risk

In this section
This section explains the financial risks that Market Gardeners face and how these risks are managed.

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

E1.1 Credit risk

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

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

E1.2 Liquidity risk

Liquidity risk represents the Group's ability to meet its obligations. Liquidity requirements are evaluated on an ongoing basis. In general, sufficient operating cash flows are generated to meet obligations arising from its financial liabilities and there are credit lines in place to cover potential shortfalls.

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

2021	Balance sheet $'000	Contractual cash flow $'000	< 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000
Borrowings	67,100	70,501	7,069	7,245	1,017	55,170	-
Trade and other payables	96,071	96,071	88,811	6,611	158	305	186
Lease liability	44,805	52,816	3,515	3,515	6,347	13,808	25,631
Total financial liabilities	**207,976**	**219,388**	**99,395**	**17,371**	**7,522**	**69,283**	**25,817**
2020	**Balance sheet $'000**	**Contractual cash flow $'000**	**< 6 months $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**> 5 years $'000**
Borrowings	65,803	67,266	3,700	8,380	55,186	-	-
Trade and other payables	92,113	92,113	85,124	6,091	214	434	250
Lease liability	46,834	55,880	4,221	4,221	5,855	14,681	26,902
Total financial liabilities	**204,750**	**215,259**	**93,045**	**18,692**	**61,255**	**15,115**	**27,152**

E1.3 Interest rate risk

The Group is exposed to interest rate risk from the cashflows on floating rate borrowings. The Group uses interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure, through policies established by the Board.

Interest rate swaps are designated as a cashflow hedge and allow a fixed interest rate to be obtained at a future date. They are recognised at fair value, to the extent the hedge is effective, any movements are recorded in equity. Any ineffectiveness is recognised in profit or loss. Interest rate swaps are Level 2 instruments and fair values are obtained from market observable pricing information. The following table details the notional and fair value interest rate swaps as at 30 June.

	2021 Notional Value $'000	2021 Fair Value $'000	2020 Notional Value $'000	2020 Fair Value $'000
NZD Interest rate swaps	16,100	162	16,100	579
AUD interest rate swaps (NZD equivalent)	31,288	772	32,331	1,394
Total	**47,388**	**934**	**48,431**	**1,973**

E1.4 Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases, denominated in a currency other than the functional currency. The key foreign currencies transacted in are Australian dollars and US dollars. The Group use forward exchange contracts to manage the risk for significant transactions. It is estimated that a 1 percentage point change in the NZD against these currencies would change current year profit before tax by $$93,000 (increase) (2020: $51,000 (increase)). Forward exchange contracts are Level 2 instruments. Their fair value is determined using forward exchange rates at year end, with the resulting value discounted back to present value.

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

	2021 AUD $'000	2020 AUD $'000
Investment foreign currency risk		
Net investment in Australian operations	25,791	31,002
Foreign currency denominated borrowings		
Secured bank borrowings designated as a hedged item	(17,714)	(17,714)
Net unhedged exposure	**8,077**	**13,288**

F. Other

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

F1. Related parties

Related party transactions

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

Transactions with associates and joint arrangements

The table below sets out the transactions with associates and joint arrangements. Advances to associates are interest bearing (at the parent company's average cost of borrowing) unless deemed part of the Group's investment.

	2021 $'000	2020 $'000
Sales of goods and services	6,196	5,537
Purchases of goods and services	41,058	30,051
Closing advances/receivables	2,985	3,472
Closing loans/payables	1,724	931

No expense or movement in provision on outstanding balances with associates was recorded during 2021 or 2020.

Key management personnel compensation

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

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

	2021 $'000	2020 $'000
Key management personnel compensation comprised:		
Director's fees and remuneration	1,079	968
Short-term employee benefits	4,019	3,953
Other transactions with key management personnel		
Gross value of Directors' sales	16,814	11,644
Commission charged on Directors' sales (as above)	2,018	1,398
Gross value of Directors' other transactions (prepacking services and sundry other expenses)	96	78
Amounts owing to key management personnel as a result of the above transactions	564	334

F2. Auditor's remuneration

	2021 $'000	2020 $'000
Audit services		
Market Gardeners Limited and subsidiaries (KPMG)	96	96
LaManna Premier Group Pty Limited and subsidiaries (Pitcher Partners)	161	190
Market Gardeners Limited Share register audit (KPMG)	1	1
Other services		
Market Gardeners Limited and subsidiaries (KPMG)	12	10
LaManna Premier Group Pty Limited and subsidiaries (Pitcher Partners)	73	209

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

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

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

F3. Capital Commitments

At 30 June 2021 the Group had capital commitments of $12,295,000 (2020: $3,170,000). Capital commitments primarily relate to the new Auckland building and infrastructure. Capital commitments are recognised after a formal capital review and approval process.

In March 2021 J S Ewers Ltd, a 100% owned subsidiary, entered into a Project Funding Agreement with the Energy Efficiency and Conservation Authority (EECA) in relation to the Government Investment in Decarbonising Industry Contestable Fund. The Fund's aim is to partner with business to accelerate the decarbonisation of industrial processes and process heat, and contribute to the COVID-19 economic recovery by stimulating economic growth and supporting employment. As a result, a co-funded project has commenced at JS Ewers Ltd to replace coal fired boilers with low carbon fuel boilers. As at 30 June 2021 the project design was under way. The first two milestones are due to be achieved by 30 September 2021. EECA co-funding is up to 47.4% of the project cost to a maximum of $4,078,000 plus GST based on the achievement of the milestones.

F4. Contingencies

Trade indemnities and guarantees issued by the Group amount to $2,939,000 for associate companies (2020: $2,924,000).

F5. MG Marketing Charitable Trust

In November 2019 the Parent Company's shareholders approved the formation of the MG Marketing Charitable Trust (the Trust) and its Trust Deed dated 20 November 2019 (the Deed). In accordance with the Deed, the Trust's operations are to be reported to the Parent Company (as Settlor under the Deed) and its shareholders. The Trust is registered in accordance with the Charities Act 2005 and is in the process of applying for incorporation as a Board in accordance with the Charitable Trusts Act 1957. The purposes of the Trust are set out in full in the Deed and in general terms are for the good of the Produce Industry.

The trustees of the Trust are appointed by the Parent Company and are John Clarke (Chair), Alastair Hercus and Catherine Lewis together with Trudi Webb and Michael Russell who are current Directors of the Parent Company. In accordance with the Deed one third of the trustees retire from office each November and, if eligible, may be reappointed.

In the initial period through to 31 March 2021 the Trust had not undertaken any business as the charitable trust and donee status applications had not been approved. As a result the Trust had no income, expenditure or statement of assets and liabilities.

Subsequently, the Trust has been granted Charitable Trust and Donee status and has commenced operations. In the period since 31 March 2021 the following has occurred:
- The initial three trustees (Clarke, Russell and Webb) met and after seeking and considering expressions of interest made recommendations to the Parent Company which resulted in the appointment of the remaining two trustees (Hercus and Lewis);
- On 10 June 2021 the trust entered into a sale and purchase agreement with JS Ewers Ltd to acquire 1,853,626 shares in the Parent Company in exchange for an interest free on demand debt to JS Ewers Ltd.
- The Parent Company granted the Trust an initial donation of $170,000.
- The Trust has sought applications for funding of Produce Industry good projects. Applications close on 22 October 2021 and the results will be acknowledged at the Parent Company's Annual Meeting of Shareholders set down for 24 November 2021.
- The trustees are considering terms, conditions and amounts to be applied to scholarships related to the Produce Industry.

As at 30 June 2021:
- The Trust held a total of 1,853,626 shares in the Parent Company made up of 1,587,136 "A" shares and 266,490 "B" shares.
- There were no policies in place in relation to the making of distributions;
- No distributions had been made by the Trust;
- There has been no changes to the Trust Deed.
- No auditor had been appointed to the Trust.

G. About this report

In this section

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

Information is considered relevant and material if:

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

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

Reporting entity

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

The 30 June 2021 consolidated financial statements are for Market Gardeners Limited and its subsidiaries (together referred to as "Market Gardeners" or "Group") and its interests in associates and joint arrangements as at year end.

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

Statement of compliance and basis of preparation

The financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and with the International Financial Reporting Standards ("IFRS"), as appropriate for for-profit entities.
- for the 52-week period ending 2 July 2021 (2020: 53-week period ending 3 July). This ensures comparability given the Group weekly trading cycles. For simplicity the financial statements are referred to as 30 June.
- in New Zealand dollars rounded to the nearest thousand ($000), except when otherwise indicated.

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

Impact of COVID-19

As the produce industry was classed as an essential service, the Group's operations in New Zealand, Australia and USA all continued in business by operating in accordance with Safe Operating Procedures. The worldwide disruptions caused by COVID-19, the actions taken and restrictions put in place by Governments around the world created challenging market conditions such as freight and logistical challenges, delivery delays, lack of equipment availability, variability in supply and increased costs.

Overall, the Group was able to adapt and mitigate the significant impacts of the COVID-19 pandemic. As a result the pandemic has not had a significant impact on the estimates and assumptions used in the financial statements as at / for the year ended 30 June 2021. The business has continuity plans in place should a business unit be directly impacted by a positive case of COVID-19 – to date these plans have successfully ensured the continued operations of the various business units with relatively minor down time experienced.

Foreign currency

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

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

Critical estimates and judgements

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

Key estimates in understanding the Group's position and performance are described below:

- Revaluation of land and buildings — Note B1
- Impairment assessment of intangible assets — Note B3

New accounting standards

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

Accounting standards issued but not yet effective

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

Subsequent events

The impact of the worldwide COVID-19 pandemic and resulting governmental actions going forward cannot be determined with certainty at this time. As noted above, the Group has continuity plans in place to mitigate the effect of COVID-19 on a business unit and to date these have been successful in ensuring the continued operation of any affected business unit with relatively minor down time experienced.

Subsequent to year end (20 September 2021) there was a significant fire at the Auckland branch which damaged the building and resulted in the loss of equipment and stock. We anticipate that any losses are adequately covered by insurance. The damage was confined to the banana ripening facility which is an isolated section of the building. The main market floor was not directly impacted and was operational the following day. Business continuity plans were implemented which involved alternative offsite operating arrangements for the remaining operations.

KPMG

Independent Auditor's Report

To the shareholders of Market Gardeners Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Market Gardeners Limited (the 'company') and its subsidiaries (the 'Group') on pages 23 to 43:

i. present fairly in all material respects the Group's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2021;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,900,000 determined with reference to a benchmark of Group Revenue. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

KPMG

Key audit matters

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

The key audit matter	How the matter was addressed in our audit
Carrying value of goodwill and brands ($25.2m – refer to note B3)	
Refer to Note B3 to the Financial Report. The Group has significant operations in Australia following the historical acquisition of LaManna Bananas and subsequent merger with Premier Fruits Group (together the LaManna Premier Group). The above acquisitions resulted in significant goodwill and brand intangible assets being recognised on the balance sheet. In the current year, the Group has recognised a $2.9m impairment in respect of the LaManna Premier Group goodwill asset, resulting in a remaining asset value of $18.6m. In 2020, the Group acquired a controlling shareholding in Te Mata Exports 2012 Limited (Te Mata) and recognised $6.1m of goodwill. The carrying value of goodwill and brand intangibles is considered a key audit matter, given the requirement to complete an annual impairment assessment which required judgement in respect of forecast performance.	Our audit procedures included: — Assessing the mechanics of the value in use models for consistency with the requirements of the relevant accounting standards; — Challenging the appropriateness of key assumptions within the value in use models including discount rates, future growth rates and forecasted cashflows; — Making specific enquiries in respect of the impact of COVID-19 on the impairment assessment;. — Engaging internal valuation specialists to evaluate the discount rates and mechanical accuracy of management's discounted cash flow model; — Agreeing inputs within management's model to Board approved budgets and comparing these with the actual result to 31 August 2021, including a retrospective review of prior year assumptions; — Comparing the calculated values in use against the associated carrying amount; — Challenging management's conclusion to consider the impairment assessment at the consolidated LaManna Premier Group level as being the lowest level which generates independent cash flows; — Challenging management's conclusion to consider Te Mata New Zealand and Te Mata Australia as independent cash generating units; and — Assessing the appropriateness, sufficiency, and clarity of intangible asset (goodwill and brands) related disclosures within the Group financial statements. The Group's carrying value of goodwill and brands is presented fairly in the financial statements. The impairment recognised for LaManna Premier Group goodwill is within a reasonable range.

The key audit matter	How the matter was addressed in our audit
Presentation of sales revenue – trade sales vs commissions ($568.8m net revenue – refer note A1.1)	
Refer to Note A1.1 to the Financial Report. The Group has different sales terms across the Group and within Group entities. These sales terms define the nature of the transactions, including the associated risks assumed and timing of those risks. Specifically, revenue is either recognised on a Gross (i.e. trade sales) or net (i.e. commissions) basis. Due to the judgement involved we consider revenue recognition to be a key audit matter.	Our audit procedures included: — Assessing the Group's revenue recognition policy for consistency with the requirements of NZ IFRS 15 Revenue from Contracts with Customers; — Analytically assessing the commissions calculated with regard to agency sales including: o Comparing the commission applied against the standard grower terms and conditions; o Recalculating the agency commission and comparing this against the amount presented as commission income; o Assessing if the gross agency sales directly offset the purchase of agency related products. — Performing a reconciliation between the cash received within the relevant bank account and the sales recognised within the general ledger once adjusted for balance sheet movements. — Considering the appropriateness of the disclosures made by the Group concerning revenue recognition. The basis for revenue recognition fairly reflects the substance of the underlying transactions and the performance obligations that the Group and Group entities have in the transaction.

Other information

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

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

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

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

Our objective is:

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

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Christchurch

1 October 2021

Statutory information

1. Directors' fees & remuneration

Parent Company The following people held office as Director of the Parent Company during the year and received the following remuneration and other benefits for acting as such:	*** Directors' fees**	*** Special project and other fees**	**Other benefits**
T.J. Burt	65,000	11,604	2,109
L.T. Crozier (Deputy Chair from November 2020)	65,000	2,083	2,109
A.G. Fenton (Deputy Chairman - retired in November 2020)	33,854	3,229	154,879
J.A. Lim	65,000	7,917	2,629
B.R. Irvine (Chairman)	130,000	8,875	2,109
M.J. Russell	65,000	4,531	2,109
M.R. O'Connor	65,000	2,260	2,369
T. Webb	65,000	3,875	2,629
R. Oakley	37,917	-	1,230
	591,771	44,374	172,172

Subsidiary Company The following people held office as Director of subsidiary company LaManna Premier Group Pty Ltd and received the following remuneration and other benefits for acting as such:			
A.J. Di Pietro	-	-	-
A.G. Fenton (retired November 2020)	24,608	-	-
B.D. Gargiulo, MBE. (Chairman)	102,230	22,587	-
B.R. Irvine	59,186	-	-
P.S. Hendry	-	-	-
M. LoGiudice	59,186	3,225	-
	245,210	25,812	-

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

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

* Messrs Fenton (retired November 2020), Gargiulo and Irvine as directors of LaManna Premier Group Pty Ltd and Mr Gargiulo as Chairman of all LaManna Premier Group Pty Ltd subsidiary and associate companies, receive meeting fees and travel allowances from the Parent Company which are included in the Subsidiary Company table above. Whilst these fees are paid as special project fees they are allocated in the above table as directors fees for disclosure purposes. The Parent Company charges LaManna Premier Group Pty Ltd for such payments.

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

Other benefits - upon retirement in November 2020 Mr. Fenton received $154,000 as a retirement allowance in accordance with the Constitution for his almost 18 years of service.

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note F2 of the attached financial statements to 30 June 2021.

3. Co-operative Companies Act 1996 Declaration

In compliance with clause 10 of the Co-operative Companies Act 1996 the Board of Directors of Market Gardeners Limited unanimously resolved on 1 July 2021 that, in their opinion, the Parent Company had been a co-operative company throughout the period 1 July 2020 to 30 June 2021. This opinion was based on the fact that, more than 60% of the voting rights were held by transacting shareholders and that the Parent Company continued to carry on its principal co-operative activities as detailed in its constitution.

4. Executive employees' remuneration

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

Remuneration range	Number of employees	Remuneration range	Number of employees
100,000 to 109,999	20	260,000 to 269,999	6
110,000 to 119,999	10	270,000 to 279,999	3
120,000 to 129,999	17	280,000 to 289,999	1
130,000 to 139,999	11	290,000 to 299,999	3
140,000 to 149,999	9	300,000 to 309,999	1
150,000 to 159,999	4	310,000 to 319,999	1
160,000 to 169,999	8	320,000 to 329,999	1
170,000 to 179,999	7	330,000 to 339,999	1
180,000 to 189,999	15	350,000 to 359,999	2
190,000 to 199,999	11	370,000 to 379,999	1
200,000 to 209,999	2	380,000 to 389,999	1
210,000 to 219,999	4	400,000 to 409,999	1
220,000 to 229,999	7	450,000 to 459,999	1
230,000 to 239,999	0	510,000 to 519,999	1
240,000 to 249,999	3	540,000 to 549,999	1
250,000 to 259,999	6	990,000 to 999,000	1
		1,100,000 to 1,109,999	1

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

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

5. Interests register

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

General disclosures

Like most co-operative companies, Market Gardeners Limited has frequent transactions with its grower Directors (sales to, agency sales for and purchases from Directors) in the ordinary course of business. For additional information refer to note F1 of the attached financial statements to 30 June 2021.

5. Interests register (continued)

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

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

Director	Nature of Interest	Company / Entity
As directors of the Parent Company, Market Gardeners Ltd		
R. Oakley	Managing Director Trustee	Oakley's Premium Fresh Vegetables Ltd R & S Oakley Family Trust and G & D Oakley Family Trust
MJ Russell and T Webb	Trustees	MG Marketing Charitable Trust

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

Particular disclosures

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

(a) Directors' & officers' indemnity and insurance

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

(b) Use of company information

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

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

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

(d) Share dealings

The following are the shareholdings of Directors of the Parent Company at 30 June 2021. 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 2021			30 June 2020		
	A Shares	B Shares	C Shares	A Shares	B Shares	C Shares
L.T. Crozier	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	193,281	85,033	7,656	147,595	72,818	12,498
B.R. Irvine as Director of MG Group Holdings Ltd and J S Ewers Ltd (100% subsidiary companies of Market Gardeners Ltd)	118,208	-	-	1,480,614	491,220	-
J.A. Lim (joint shareholding)	57,585	44,681	5,688	42,644	30,008	9,810
M.R. O'Connor	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	645,516	262,011	26,296	506,129	224,510	35,130
M.J. Russell	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	79,911	43,762	5,936	55,464	38,439	7,086
T. Webb	-	-	-	-	-	-
Held by a company of which she is a shareholder & director	109,890	24,584	4,096	95,812	20,862	4,176
R Oakley	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	542,077	243,950	28,976	-	-	-

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

	30 June 2021			30 June 2020		
	A Shares	B Shares	C Shares	A Shares	B Shares	C Shares
M.J. Russell and T. Webb.	-	-	-	-	-	-
Held by the MG Marketing Charitable Trust of which they are trustees	1,587,136	266,490	-	-	-	-

Messrs Russell and Webb, directors of the Parent company, are two of the five trustees of the MG Marketing Charitable Trust (the Trust). During the period the Trust purchased the above shareholding in the Parent Company in exchange for a debt to JS Ewers Ltd.

6. Changes in accounting policies

The attached financial statements to 30 June 2021 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 $207,000 (2020: $59,000), the Group $227,000 (2020: $89,000).

8. Directors of subsidiaries

As at 30 June 2021:

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

Messrs K.J. Wells (International Business Manager) and D. Trask were the directors of Market Gardeners (USA), Inc.

Messrs K.J. Wells (International Business Manager), P.S. Hendry (CEO), M. Tait and P. Lange were the directors of Te Mata Exports 2012 Ltd and Te Mata Exports Ltd.

Messrs K.J. Wells (International Business Manager), P. Lange, S. McCormack and P. Scheffer were the directors of Te Mata Exports Australia Pty Ltd.

Messrs B.D. Gargiulo (MBE), B.R. Irvine, P.S. Hendry, A.J. Di Pietro and M. LoGiudice were the directors of LaManna Premier Group Pty Ltd. Mr. A.G. Fenton retired as a director in November 2020.

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

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

Corporate governance statement

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

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

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

The Board's 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 a rigorous process of reviewing, adding to and updating 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 amongst the directors. The current Board of Directors consists of 6 shareholder elected Directors (Lynn Crozier (Deputy Chairman), Mike Russell, Mark O'Connor, Joanna Lim, Trudi Webb and Robin Oakley) and 2 Special Directors (Bruce Irvine (Chairman) and Trevor Burt). None of the MG Directors are directly involved in the day-to-day management of the Company's operations. Bruce Irvine has been on the MG Board since December 1994 and was appointed Chairman in November 2017. Trevor Burt commenced as a director in January 2017.

Like most cooperatives, MG has frequent transactions with its grower directors (sales to, agency sales for and purchases from Directors or their businesses / companies). These transactions are entered into in the normal course of business. A register of interests is maintained and regularly updated documenting interests disclosed by all Board members. The statutory disclosure section of the annual report documents all disclosures made in the current year.

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

As at 30 June 2021, LaManna Premier Group Pty Ltd (LaManna Premier) was a 69.3% (2020: 69.3%) subsidiary. MG has appointed three representative directors to the LaManna Premier Board (Brian Gargiulo (as Chair), Bruce Irvine, and Peter Hendry). Andrew Fenton was also an MG appointee until his retirement in November 2020. The non-controlling interest shareholders have appointed two Directors to represent them on the LaManna Premier Board – they are Anthony Di Pietro and Mark LoGiudice.

MG's constitution has specific procedures for the appointment and retirement of Directors, eligibility requirements for being nominated / appointed and automatic retirement rotations every three years. The MG Board met 10 times during the financial year (15 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. There were more meetings in the last financial year as a result of the challenges brought about by COVID-19 and the initial lockdown period. 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. During the periods of COVID-19 travel restrictions meetings were held by way of audio-visual conference calls.

Group Management Structure
The core business of the Group is transacted in New Zealand by Market Gardeners Ltd and in Australia by LaManna Premier Group Pty Ltd (in both countries the parent companies are supplemented by their respective subsidiaries and associates). MG is represented on the boards of the subsidiary and core trading associate companies by members of the MG Board, MG appointees and / or senior management.

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

Similarly, LaManna Premier Group's Chief Executive (Anthony Di Pietro), Chief Operating Officer (Dean Gall), Chief Financial Officer (Mark Plymin), Chief Commercial Officer (Simon Hardie) and certain other senior executives of LaManna Premier Group and MG attend all LaManna Premier Group board meetings.

From time to time the MG and LaManna Premier Boards invite other employees and external advisors to attend and present at Board meetings particularly in key areas of the business including workplace health and safety.

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

Board Remuneration

MG obtains external professional advice on remuneration to be paid to Directors on a two to three yearly basis. The recommendations of the external advisor are, if required and after consideration by the Remuneration Committee and full Board, submitted as a resolution to shareholders at the Company's annual meeting. This last occurred at the November 2019 annual meeting. A resolution has been included for shareholder consideration to increase the pool for directors fees by a 3% inflation adjustment.

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

Shareholder Relations

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

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

Risk Management

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

- Considering the nature and extent of risk the Board is willing to take to meet the company's strategic objectives and the associated risks;
- Set up internal control processes to ensure management efficiently manage resources in compliance with the risk framework;
- In conjunction with the CEO and management, reviewed the effectiveness of compliance with risk management policies and systems;
- Mandated (as part of its charter), the audit committee to monitor detailed risk management procedures on the Board's behalf; and
- Held audio-visual conference calls, as required, to obtain updates from management and provide oversight during periods when the COVID-19 alert levels are increased.

Board Committees

Audit Committee

This sub-committee of the MG Board met 4 times during the financial year (4 times last financial year) in its chartered role of reviewing all financial, management, auditing, compliance and risk factors affecting the Company and Group. As a sub-committee of the MG Board, it is made up of four Directors, two of whom (Trevor Burt and Bruce Irvine) are special directors, with appropriate experience, accounting skills and knowledge. Joanna Lim and Mike Russell are the other two members of the committee. Joanna Lim is the chair of the Audit Committee. The Committee's meetings are attended by MG's Chief Executive (Peter Hendry), Chief Financial Officer (Duncan Pryor), the Risk and Internal Audit Manager (Kimberly Chavez) and the Company's external auditors, KPMG, as required.

As in prior years, a comprehensive risk based approach to the Company and Group's risk management and internal audit processes is undertaken. This approach is wider than the accuracy of external financial reporting / operational activities and extends into overall compliance requirements of the Group (for example Food Safety Act requirements). Whilst internal audit still ensures that all branches and divisions of MG are subject to regular internal audit visits (on a rotational basis), its procedures focus on making the overall process wider reaching and more regular, such as the introduction of self-audit procedures and reporting. The revision / update of MG's corporate policies is a continuous project to ensure that they appropriately cater for the current business. This process is being further extended into those entities which are not 100% owned subsidiaries and associate companies.

The LaManna Premier Group also has an Audit Committee which is working with MG's Risk and Internal Audit Manager to develop a risk-based internal audit function and, supplemented as necessary with external resources, undertake focused internal audit visits on a targeted basis. This programme is designed to develop the internal audit testing programme in order to transition to an internal resource at an appropriate time. This process continues to be somewhat delayed as a result of the impact of COVID-19 and in particular the associated trans-Tasman travel restrictions.

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

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of the MG Chairman (Bruce Irvine), and three other directors (Trudi Webb, Mark O'Connor and Trevor Burt (Committee Chair)). The committee is responsible for the review and administration of director's fees, establishing coherent remuneration policies and practices, and the remuneration of the MG Chief Executive and senior management personnel. This committee has been delegated the task of reviewing and providing recommendations to the full board in relation to corporate governance and regular reviews of policies and charters such as the Board Charter and Code of Conduct and the Board Capability Framework.

Board charter, code of conduct and Director Capability framework

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

Annual Review

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