MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2022

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Financial highlights

• **Group gross sales under management**	$995.391 million
• **Group profit before income tax**	$29.746 million
• **Group profit for the year (after income tax)**	$22.407 million
• **Group total equity**	$215.321 million
• **Group total assets**	$461.643 million

Shareholder distributions	**2022** $'000	**2021** $'000
• Special Bonus Issue (November 2022)		
• 1 for 12 on "A" shares (2021 : 1 for 30)	3,529	1,160
• 3 for 4 on "B" shares (2021 : 1 for 2)	9,511	4,794
• 1 for 1 on "C" shares (2021 : 1 for 1)	1,045	1,000
• Supplier shareholder rebate (issued as 2022 "C" shares) (2021: issued as 2021 "C" shares)	250	250
• Bonus issue on supplier shareholder rebate of 3 for 1 (2021 : 3 for 1)	750	750
• Final gross dividend on "A" shares : 3 cents per share (2021 : 3 cents per share)	1,210	1,079
• Imputation credits attaching to the above distributions	6,239	3,415
Total shareholder distributions in relation to the year ended 30 June	22,534	12,448

Chair's and Chief Executive Officer's review

On behalf of the MG Board and Management, we are pleased to present this Annual Review for 2021–2022.

As we reflect on the intensity of events we've had to deal with in recent years, including a number of extreme weather events, the prolonged global pandemic, Auckland building fire, sustained supply-chain issues and inflationary pressure, it is clear we are emerging stronger. We have built a new level of resilience, strengthened our capability and are more agile. These are attributes that put our Co-operative in good stead for the significant challenges and opportunities that lie ahead.

It is extremely satisfying to see our strong momentum continue, with Market Gardeners Ltd (MG) delivering record growth and increased returns to shareholders in the 2021-2022 financial year. While this was underpinned by the loyal support of our growers, in large-part it was a result of the initiatives we introduced throughout the year and the way these were executed by our people.

The result was headlined by record Group Gross Sales, which increased by $32.6 million to $995.3 million. Net profit before tax increased to $29.7 million with Group Total Equity lifting to $215.3 million, which included an increase from the revaluation of key assets.

The strongest growth was again driven by our New Zealand produce wholesale market with sales of $551 million. In addition to strong values in some key categories, it was particularly pleasing that the result came from increased growth with customers and a gain in market share. The record result is also reflective of the combined strength of MG's subsidiary and associate businesses who contributed to the profitable year.

This year was also notable for the improved performance of our Australian business, Premier Fresh Australia (formerly LaManna Premier Group). While it has been a challenging 12 months dealing with supply-chain issues, weather disruptions and escalating operational costs, returning a profit this year is a good achievement for the team in Australia and reflects the significant programme of work that is underway to remove costs and improve operational efficiency.

As a Co-operative, our positive result is enjoyed by our owners. This performance has enabled the MG Board to increase the full year distributions to $22.5 million. We have now settled into a pattern of declaring regular distributions to shareholders, particularly transacting shareholders, reflecting our commitment to reward those growers who loyally support our business.

This year's Group success is underpinned by a proven strategy of investing in people, relationships and areas of the business that ensure we maintain a leading market position across the produce sector. This includes proven judgement and experience to invest in projects that will stimulate business in key categories and provide long-term stable growth for the Co-operative.

We are well positioned to take further advantage of the strength we have built over the past 99 years. For MG this means continuing to make bold decisions that will expand our presence in key categories while strengthening our core capabilities which will help cement ourselves as the leading player in the Australasian produce sector.

We are conscious that, as the pace of change of technology accelerates, we must look for ways to evolve our business. To that end, it is pleasing to have the initial roll-out of the new M3 computer system underway across our New Zealand operations following unforeseen circumstances that had previously delayed the project. We are now focusing on additional opportunities to introduce more automation and other features to improve operational efficiency.

This year we refreshed our brand across New Zealand. This includes an adjustment to our trading name and a more contemporary logo which better reflects the modern Co-operative we are today. Our Australian business is also updating their brand, having already launched a new name and identity which aligns with the MG look and feel.

We also continue to advance our sustainability programme. One of the highlights this year has been winning a 2022 Horticulture New Zealand Environment Award. Achieving this has been the result of a significant, sustained effort by people throughout the business and we are fully committed to retaining our focus on sustainable practices as we move forward.

Our commitment to customer service was also acknowledged with our Co-operative winning the 2022 Foodstuffs South Island Fresh Partner Excellence Award. This is a good opportunity to acknowledge the many MG people across the Group who contributed to building quality partnerships with all of our customers.

MG is well placed to deliver sustainable growth underpinned by our people capability and our commitment to growers and customers. In the year ahead, the MG Board and Management is focusing on continuing to deliver a strategy that meets the changing demands of our industry. We know that we must constantly adapt to changes and invest in a sustainable future, while maintaining the strong core business that has led to our current success.

Thanks to the efforts of everyone across the MG Group, our growers, supply-chain partners and people, we have kept a focus on our purpose of making healthy, fresh produce accessible to our customers and consumers. Finally, and most importantly, we wish to thank the grower-shareholders for their produce supply and commitment to the Co-operative. Collectively we have overcome a number of challenges this year and positioned ourselves to take advantage of future opportunities.

As you will read in the following sections, our leadership, our people, our businesses and our brand are all in great shape to realise the full potential of MG in the coming years. We will continue to be guided by the same commitment to doing right by our growers, customers and other stakeholders that we have witnessed in the last year.

Together. Stronger.

Financial overview | Distributions | AGM

For the year to 30 June 2022 Group Gross Sales under Management amounted to $995.3 million (2021: $962.7 million). For the same period Group net profit before tax was $29.7 million compared to $13.7 million in 2021 (before impairment of $2.87 million). As noted earlier, the strong performance was made up by a record result from the New Zealand operations, a solid turnaround in Australia and good contributions from the associate companies.

Also of note, total Group Equity continues to show positive growth, at $215 million (2021: $151 million) while total assets have increased to more than $461 million (2021: $368 million), reflecting the strong financial performance and inclusion of the latest independent property revaluations (an increase of $40 million net of tax taken to the revaluation reserve).

This strong financial performance will allow your Co-operative to continue to make strategic investments and create further shareholder wealth, whilst also aiming to continue to distribute significant wealth to shareholders - the 2022 distributions are detailed below.

In addition to this Annual Report, MG presents an Annual Review inclusive of summarised financial statements. If you would like a copy of the Annual Review visit the website, www.mggroup.co.nz, or contact the Company Secretary, Duncan Pryor, on (03) 343 1794 or email dpryor@mggroup.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 $22.5 million (2021: $12.4m) by way of rebate shares, special/bonus issues, dividends and imputation credits. This is the eighth consecutive year that shareholders have received a special bonus issue.

On 4 August 2022 the Board declared the following distributions in relation to the year ended 30 June 2022:

- Special bonus issue – a fully imputed taxable special bonus issue of:
  - 1 new “A” share for every 12 existing “A” shares; and
  - 3 new “B” shares for every 4 existing “B” shares; and
  - 1 new “C” share for every 1 existing “C” share.

- 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 those shareholders that are Current Producers that have supplied on a consignment basis during the financial year ended 30 June 2022.

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

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

The above distributions will be made only to those shareholders entered on the share register at 30 June 2022 who continue to hold, at the date of the 2022 Annual Meeting, the shares held at 30 June 2022.

The special bonus issue, rebate, bonus issue and dividends represent $22.5 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

Market Gardeners Limited’s Annual Meeting of Shareholders will be a hybrid event with shareholders able to attend in-person or online using the Zoom platform.

Date: Thursday 24 November 2022
Time: Commencing at 5.00pm

Attending the AGM in-person

The in-person AGM will be held at the Rydges Latimer, 30 Latimer Square, Christchurch.

Shareholders are welcome to join MG directors, Management and staff to discuss topics of interest. There will be drinks and canapes following the meeting at approximately 6.30 pm. All shareholders and their partners are warmly welcome to attend. Details are included in the Notice of Meeting.

RSVP registration is required for catering purposes. If you wish to attend, please complete the online form at www.mggroup.co.nz/agmrsvp or contact our Assistant Company Secretary, Trudy Lewis (tlewis@mggroup.co.nz) by 9 November 2022.

Attending the AGM online

Shareholders can attend this year's meeting online using the Zoom online platform. Shareholders must register in advance. The full presentation will be available and shareholders will have the opportunity to ask questions through an online portal. Information about how to register and login to the event will be distributed to all shareholders in advance of the meeting. A link to the registration form will also be available on the AGM page of the MG website.

Directors and Management

Your Board is fully committed to the success of MG and to ensuring the highest standards of corporate governance.

This year the Board completed a review of the capability and succession across the Senior Management team. This highlighted that while we have grown and diversified over recent years, there have been relatively few changes to our structure. While our stability has contributed to our success, the decision was made to reorganise the Senior Management team to respond to the future of our Co-operative and support our strategy to focus on growth and success across our entire Group.

As part of the change, Greig Pullar was appointed to a newly created Chief Operating Officer (COO) role to lead our New Zealand domestic and imports business. Reporting to the COO is Jade Reeves, who moved from Imports Manager into a GM Operations role and will oversee our domestic branch network. Another COO direct report is Humphrey Lawrence, who is new to the Management team. He has stepped up to the GM Imports Procurement position.

Kerry Wells, who already worked closely with United Flower Growers (UFG), Te Mata Exports and First Fresh, has taken on the new Executive Director NZ Subsidiaries & Associates position which oversees our farming operations, JS Ewers and Kaipaki Berryfruits, as well as the other New Zealand subsidiaries and associates. Kerry will continue to head-up MG's relationship with Dole®. In addition, our GM Key Accounts, Jerry Prendergast, was appointed to the Board of First Fresh and UFG. The Management team was further expanded with the addition of Auckland Branch Manager Dominic Gargiulo, strengthening the operational focus of the business.

One of the key objectives in the reorganisation was to reduce the number of direct reports to CEO, Peter Hendry. He has recently been appointed as Chair of Premier Fresh Australia and the new structure will free up additional time to work more closely with our Australian business.

We would like to thank the MG Board and the Management team for their significant commitment and contribution over the past year, as we continue to evolve and grow our business.

In accordance with the constitution, Trudi Webb and Mike Russell retire by rotation and both have offered themselves forward for re-election. Mr Jay Clarke has been nominated and is standing for one of the two vacant positions. An election will therefore be required and voting instructions for the ballot will be sent to shareholders in mid-October with successful candidates announced at the Annual Meeting of Shareholders on 24 November 2022.

The composition of your Board is:

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

Trevor Burt, Appointed Special Director.
Trevor has high level experience in the strategic leadership of large and complex corporate organisations, and a proven record of implementing change and achieving results. As an experienced professional director, Trevor has held a number of previous roles including Chair of Ngāi Tahu Holdings Corporation Ltd 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 and Rua Bioscience Ltd and is a Director of Landpower NZ Ltd and Hossack Station Ltd. He is also a trustee of the Māia Health Foundation.
Chair 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 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 Board in November 2016.
Mike is a first-generation Hawke's 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 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 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 board in 2018. Jo's family own a market garden business (Jade Garden Produce) and a share in a cucumber glasshouse operation (Island Horticulture Limited), both in the Christchurch area. Jo is also a 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* and certified member of INFINZ (Institute of Finance Professionals New Zealand).

Trudi Webb, Elected Director.
Trudi is part of a fourth-generation family growing enterprise, Webb's Fruit, near Cromwell in Central Otago. Trudi holds a first-class honours Bachelor of Applied Science (Horticulture) degree and is a Committee member 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 become an elected director in the same year.
Member of the MG Remuneration & Nomination Committee.
Trustee of the MG Charitable Trust.
Member of the IOD*.

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

* Institute of Directors

People

Our growth has not been possible without the efforts and commitment of our employees who continue to service our growers' and customers' needs every day. We sincerely thank all our team for their valued contribution over the year.

As we have continued to respond to challenges, it is our people from across the MG Group who have stood tall, going above and beyond to ensure all of our businesses continue to fulfil their commitments to growers, customers and the wider communities in which we operate.

Our people reacted quickly to the COVID-19 pandemic to ensure our operations would continue safely. The warehousing and sales teams were extremely resilient during outbreaks, especially when our business had a large number of staff isolating. During this time our people went above-and-beyond to ensure we maintained operational and supply chain continuity.

The way our people adapted swiftly and without objection is a reflection of the strong commitment and culture within our Co-operative.

We understand how important it is to enhance the effectiveness of our people throughout the business by building knowledge and developing capability. It's been a disjointed past two years, making it challenging to consistently provide opportunities to upskill our people, however, we are now refocusing on a more coordinated approach to learning and development programmes.

We believe that leadership starts from the ground up and this is highlighted by our very successful Graduate Programme which offers young recruits the opportunity to engage with a number of departments throughout our New Zealand operations. The intake for this programme will be expanded next year, targeting a further 10 graduates.

Another people-focused development is our Emerging Leaders Programme, designed to provide our young employees with the necessary tools to fast track their careers within MG in New Zealand. A similar traineeship mentoring programme, Growing You, has been successfully launched by Premier Fresh Australia.
As a Group, we are fully committed to the health, safety and wellbeing of our employees. Our leaders and employees are encouraged, supported and required to promote a safe working environment. We compare favourably within the industry and our focus remains to improve our safety performance year-on-year.

In February 2022, Ben Ross was announced as the winner of the Emerging Leader of the Year at the NZ Co-operative Business Awards. It was a great achievement and comes off the back of Ben's strong contribution to the Wellington branch during his time as Branch Manager and subsequent work as a senior member of the sales team in Christchurch. The overall MG business was a finalist in the Business of the Year category.

Looking ahead, all employees will participate in the development of personal development plans along with performance management discussions. These will provide increased opportunities for coaching, timely feedback and conversations about career progression.

New Zealand operations

Our New Zealand business once again experienced strong growth in terms of output and performance. Sales were collectively at record levels across our nine wholesale markets and our two MG Direct virtual branches.

Growth was largely driven by a strong focus on planning and sales from our Marketing Representatives and Key Accounts team. This was supported by strong values in a number of key categories and business returning to near-normal levels for our food service customers.

Our Procurement team also had a busy year assisting growers with sales, supply management, preparing for the year ahead, attending grower meetings and providing general support when required.

The consistency of our strategy, which is centred around the themes of securing supply, people, communication, technology, sustainability and growth opportunities, is paying dividends and remains very much on track. Our consistent performance and the way we've improved our position as a leading New Zealand produce company is evidence of that.

Our farming operation in Nelson, JS Ewers, again performed well. This is reflected in the increased business MG is able to secure for other growers supplying in those same categories. Some interesting analysis that was completed this year showed that outdoor production grew by 11.4% at JS Ewers in the ten years it has been under management by MG, but we have been able to grow the overall outdoor vegetable category by 79.3%. This highlights that the strategy to create cornerstone supply allows MG to leverage a more significant market position that benefits all growers supplying the Co-operative. In addition to supporting growers supplying MG in those same categories, JS Ewers contributes to the overall returns which are enjoyed by all shareholders.

For our joint-venture covered cropping berry farm, Kaipaki Berryfruits, it was a story of two parts. The operation started the season strongly, with good volumes and excellent quality, but labour constraints led to diminished production and returns across the post-Christmas period. While this is disappointing, it's not unique to Kaipaki Berryfruits, with growers up-and-down the country grappling with the challenge of attracting and retaining a capable workforce. We are confident this will be addressed in the coming season, with access to RSE workers and the return of people on working holiday visas seeking casual work.

Compared to other countries, the berry category underperforms in New Zealand and we are targeting this as a growth area. We've concluded a review of the market to determine the size of the opportunity and how we can strengthen our position on behalf of all berryfruit growers supplying MG. Our work in this space shows the benefits of looking at the berryfruit category from a number of different view points, including customer expectations, pricing, quality, extended season availability and barriers to entry. Not only do we believe we can continue to support outdoor and other undercover growers with current volumes, we are determined to play a role in growing the overall category. Therefore, we are laying the foundation for further undercover development as the demand for berries produced in controlled environments grows.

Through being at the forefront of investing in superior nectarine, cherry, peach, apricot and plum IP varieties, and subsequently partnering with growers to plant and market the significant volumes, MG is firmly established as New Zealand's leading summerfruit supplier. Our investment in specialist IP business, the New Zealand Fruit Tree Company, is continuing to help strengthen this position, as well as support our growth into the pip-fruit and citrus categories.

The year was not without its challenges for our market operations. A fire in the Auckland branch banana holding rooms on 20 September 2021 caused significant disruption. While the event fell inside this financial year, it was reported to shareholders in last year's Annual Review, due to it being a significant subsequent event.

Part of our competitive advantage is our ability as a business to pull together and react quickly, often with little notice. The response to the fire was a great example of this, with a massive effort from our branch leadership, supported by the Fire and Emergency Service and our Management team, which saw the Auckland market reopen within 24 hours. Work then started immediately to repair the 800 square metre area that was damaged, with it back, fully operational within four months.

Unfortunately, new banana ripening equipment, which arrived from Europe and was set to be installed in the new 4,000 square metre warehouse facility, was being stored in the part of the building affected by the fire. It was assessed to be unusable and has had to be re-ordered, contributing to a significant delay in the commissioning of the new building which has been constructed alongside the existing Auckland branch. The structural work is complete, along with the new office fit-out and installation of the solar and refrigeration systems, but the banana ripening rooms won't be fully operational until the end of 2022. In the meantime, the space is being used for storing bananas and other imported produce.

The New Zealand horticulture industry, including our New Zealand operations, responded well as an essential service during the COVID-19 pandemic. No doubt it wasn't easy, but supply from growers was not visibly impacted and MG came through the difficult test in good shape. This didn't happen by chance. It was through good planning and a considerable amount of extra effort that we were able to achieve our goal of remaining fully operational throughout the most difficult phases of the pandemic.

COVID-19 has had cost implications for the business, with significant investment made to keep our people safe. Subsequent inflationary pressures and supply-chain disruption have also led to general price increases for the business. We continue to be mindful of future risks as well as opportunities that may arise and have a robust business continuity plan ready should the situation escalate again in the future.

By measuring service quality and the strength of our relationships we make sure our people have good insights for decision making. This year we completed the second edition of our independent grower-perception research which provided insights into the value placed on our services and gleaned information about our overall performance. The research highlighted that 84% of growers were confident or very confident in MG, with other feedback indicating a high level of satisfaction with each of our key service standards. This was a great result, confirming we are on the right path and our approach is translating into good outcomes for growers.

We maintain a flat structure across our business, are locally empowered, firmly anchored in local markets and work closely with local customers. We are putting more resource into data analytics, measuring productivity and financial performance to make sure our people have good, transparent insights for decision making.

As mentioned earlier, a highlight was winning the 2022 Foodstuffs South Island Fresh Partner Excellence Award. The awards acknowledge innovative partners who demonstrate excellence in their category. MG was nominated by the people we work with at Foodstuffs. We're proud to have played our part in helping all our customers achieve their goals and were extremely humbled to receive the award.

As we've seen this year, the industry continues to move forward and we want to remain at the forefront of that growth. We have the facilities, capability and drive to respond to opportunities, whether they are new investments, customer requirements or changing consumer preferences. Our strength continues to be our depth and breadth of market knowledge and our ability to align with our growers and our customers.

Our New Zealand operations are well placed to meet future challenges and grasp future opportunities.

Australia operations

It was another challenging year for our Australian business, however, continued operational discipline and other business improvements enabled Premier Fresh Australia to deliver a positive financial performance.

When we reported to shareholders in 2021, there were a number of operational initiatives being implemented to further improve the business and we are seeing the results starting to flow through to the financial performance. Looking back, there's been heightened activity and solid progress across the business in a year where economic and weather related challenges have been significant.

A careful review of all sites was completed in 2022, resulting in the consolidation of surplus facilities and the exiting of the wholesale market in Brisbane. We expect to make further changes to our overall footprint to extract more efficiencies by consolidating more sites in the future. In a deal with joint-venture partners Piñata Farms, the operation in Darwin was restructured, with Premier Fresh Australia exiting the mango and pineapple production side of the business and acquiring full ownership of the banana farm and packing operation.

Balanced against the consolidation of facilities has been a strategy to invest in areas of the business identified as growth opportunities. The most notable strategic progress was made with the acquisition of Nutrano Produce Group's banana assets and business in Melbourne and Sydney. This has provided Premier Fresh Australia with new growth opportunities and significant scale, elevating them to be the largest banana supplier in Australia.

Investment was made in a new protected cropping heating system which was commissioned at the Lancaster hothouse operation in late 2021. This has extended the growing season and enhanced the quality of the tomatoes produced. Similarly with JS Ewers in New Zealand, this is part of a successful supply strategy and supports other growers who supply Premier Fresh Australia in the same categories, by providing them with the ability to go to market with a superior customer offer.

It was pleasing to see the wholesale markets improving their performance in an environment that continues to feature strong competitive pressures. While farming remains an important part of the overarching strategy, particularly with regard to maintaining relevance with major retailers, it continues to face challenges. This includes extreme weather events impacting operations in northern Australia this year, along with cooler and wetter conditions affecting supply from farms in southern growing regions.

Despite lockdowns ending, the impact of COVID-19 across operations nationally continues to be taxing. The business continues to deal with the flow-on effect of the labour shortages, staff having to isolate when unwell, as well as the associated inflationary impacts and costs associated with meeting a range of new COVID-19 related government standards. The timing on these pressures easing in Australia remains uncertain and the business continues to put measures in place to mitigate the risks.

The signs are promising but our focus remains on strengthening the business. There's an intense focus on further enhancing relationships with existing growers and customers and developing new ones. It's also about getting the most out of the assets to create value by running the operations smarter and more efficiently. Lastly, it's about continuing to simplify the structure while supporting a culture within the business that is focused on long-term success.

The business has also refreshed its brand, moving from LaManna Premier Group to Premier Fresh Australia. The refresh signals an important step for the business by reaffirming its connection to the Market Gardeners Ltd Group through sharing a similar look-and feel. It has been designed with the trans-Tasman story in mind and will help promote the scale of the overall business. Differentiation was also an important factor when developing the brand, with the new name and logo giving Premier Fresh Australia a unique identity in the Australian produce market.

The year also saw the retirement of Chairman, Brian Gargiulo. During his 19-year term, he made a significant contribution through his governance and leadership and he never wavered from his desire to see the business succeed. As mentioned in the People section, Brian is succeeded by Peter Hendry who started the new role on 28 July 2022.

We acknowledge that the business continues to experience some pressure as it works to achieve our growth goals and have all parts of the business operating efficiently. The Board remains confident that the decisions and the investments will drive an improved return for shareholders over the long-term.

Our teams across Australia have continued to manage a difficult operating environment by supporting each other, their growers and their customers during the year and we commend them for their efforts.

International operations

To say it was a turbulent year for our international trading division is an understatement. The ongoing impact of COVID-19, and the related shipping and logistics challenges, are continuing to dominate this area of the business. Another factor has been the surge in demand for goods, which put a strain on freight capacity and availability of container equipment, and meant we've been faced with record-high freight costs.

Additionally, the Russian invasion of Ukraine has worsened the supply chain disruption and port congestion caused by the pandemic. Bottlenecks remain at the major ports we use to load and unload produce, highlighting how vulnerable global supply chains can be, and how difficult it is to reset when disrupted to this extent.

In previous years, we had access to a weekly service out of the USA but this year there were gaps in the shipping schedule of between three and five weeks. These challenges have directly impacted the overall volume of produce we were able to bring into New Zealand and resulted in lumpy supply for some of our key product lines throughout the year. A number of extreme weather events, particularly in Australia, also have made it difficult to maintain consistent supply.

However, our business is at its most creative in times of uncertainty. As a result of proactive planning and reaction from our team, who persistently pursued a wide range of opportunities, we strengthened our market position. They managed to keep the number of gaps to a minimum and handled the situation as well as they possibly could. When supply was disrupted, the team did a good job of keeping our branch network and customers informed.

We also benefited from having trusted partnerships with our key international suppliers, particularly Dole®, Sunkist®, Mildura Fruit Co, Jasmine Vineyards, Mulgowie, Fruitmasters, and GV International, along with a large number of smaller family-owned businesses.

A positive this year has been the return of international travel. It has been valuable for our people to reconnect face-to-face with existing suppliers, build new relationships and develop new business.

Te Mata Exports 2012 Ltd (Te Mata Exports)

The New Zealand (Te Mata Exports 2012 Ltd) and Australian (Te Mata Exports Australia Pty Ltd) businesses both achieved a positive result for their financial year which concluded at the end of December 2021. This was achieved in the face of a series of unprecedented challenges, including widespread turbulence in international logistics, challenging offshore market conditions and constraints in the supply due to lack of labour.

Despite the volatility, the business performed well. The New Zealand operation continues to perform strongly, with apple exports out of the Hawke’s Bay making the largest contribution to the profit of the business.

It was particularly pleasing to see Te Mata Australia continue to grow, gaining ground in a number of important markets. The experience of the teams and the strength of their relationships meant they were able to deliver a competitive performance for their growers.

This overall result demonstrates Te Mata Export’s ability to be flexible and manage the volatility with strong hands. It also points to the strength of their international connections and the trust built with growers across New Zealand and Australia.

A highlight this year was finalising the deal for exclusive rights to the Bay Queen™ apple variety, which were secured using proceeds from the sale of an orchard in Puketapu. Being an early season apple, it has proven to be extremely popular, with the full 80 hectares already allocated to 16 growers. The domestic success has the team considering potential commercial opportunities for expansion into other countries. Momentum continues to build with the rest of their stable of IP apples which includes SnapDragon™ and Cosmic Crisp™ varieties.

As a produce export business, world markets are extremely important, especially across Asia and Europe. The new reality is that COVID-19 and supply-chain disruption will have a long-term impact on global trade. Given the outlook is for a world-wide slow-down, combined with ongoing shipping disruptions, the sale of exported produce will be impacted to some degree. Labour constraints are also expected to affect the business, with less fruit harvested, reducing overall volumes for the 2022 season currently being marketed. In addition, variable weather conditions have impacted current season apple exports.

During the year we announced that the New Zealand and Australian businesses of Te Mata Exports would merge. The process is underway and it is expected to be completed by the end of 2022. The two businesses have worked closely together since Te Mata Exports Australia was established in 2019 and they will now form a fully integrated Australasian produce export company. This will strengthen their overall competitiveness, their international presence and result in a more efficient structure for the business. The current leader of Te Mata Exports Australia, Sarah McCormack, will be the new CEO of the combined business.

First Fresh New Zealand Ltd (First Fresh)

First Fresh performed well across their last financial year, which concluded at the end of March 2022, and had a positive impact on the overall profitability of the Group. The result was bolstered by the gain on sale of First Fresh's shareholding in New Zealand Fruits Limited. The sale was led by the majority shareholders and First Fresh had tag-along obligations which required them to sell their stake in the business. It's pleasing to report that a long-term packing agreement is in place with Seeka, the new owners.

This is the second year the citrus and persimmon supplier for both domestic and export markets had to operate against a backdrop of COVID-19 and significant logistics and supply chain disruption. In addition, the extremely wet weather in the East Coast region, where they source most of their fruit, posed a significant challenge during this period – a situation beyond the control of the business that had a direct impact on quality of fruit and overall sales.

Persimmon exports were particularly challenging, with First Fresh forced to use more air freight due to the shipping options being less frequent and less reliable. While this added cost and reduced export volumes, which attract a premium, it meant maintaining an offshore market presence and ensuring customers and growers were supported through a difficult year. Export volumes for lemons were also impacted, largely due to restrictions in China and the geopolitical situation in Russia, resulting in no supply entering those two key markets last season.

Labour supply, which is an issue for grower suppliers and the post-harvest service provider, has also contributed to supply disruption. That they found ways to overcome difficulties and exceed expectations is in no small measure due to the resourcefulness of the people and the strength of their relationships.

The partnership with Sunkist® to pack and market under their brand for the domestic market progressed well and is proving to be mutually beneficial. This is also a great outcome for MG, the New Zealand partners of Sunkist®, as it links to the imports programme, providing year-round brand consistency in the market. An extension of the partnership has been the supply of New Zealand Sunkist® branded citrus exported to Sunkist® in the US and directly to a number of their customers in Asia.

The outlook for First Fresh is dependent on the unpredictable effects of COVID-19, where consumer habits, channels to market and supply-chain disruption are all subject to change.

Looking ahead, the business is moving towards a model that is more heavily weighted towards procurement, including a plan to enhance the support they provide growers along with strategies to minimise supply disruption, mitigate cost increases and ensure their operations are efficient.

United Flower Growers Ltd (UFG)

MG's joint-venture flower business, UFG, endured another tough year. Not being deemed an essential service meant dealing with repeated changes to COVID-19 settings, with new variants, which made trading difficult. Their large Auckland market was most affected, with only 18 undisrupted weeks of trading throughout the last financial year.

Despite the challenges, UFG still had a successful year, although slightly down on the previous year's returns. This performance reflects the agility of UFG's operations and the relationship they have built with their customers who are comfortable engaging with UFG through both physical and online channels.

The auction division continues to provide the backbone to UFG's business. Trading volumes to market were down on the previous year but values held relatively well against a backdrop of a low volume of imported flowers.

The wholesale division continues to be an essential element of UFG's strategy to grow sales. The return of events and tourism, particularly cruise ships, is expected to help, however, a more aggressive approach to attract new business is required and this will be a keen focus in the year ahead.

The Colmar Brunton research commissioned by UFG to take an in-depth look at the New Zealand flower industry has provided useful insights. It has been used extensively to inform decisions related to the promotional programme to drive flower sales.

Throughout this year, there was significant focus on UFG continuing to enhance their IT systems. This is part of a two-year investment programme which will future proof the operating platform as well as create efficiencies and enhance the online auction user-experience. Key to UFG's success in these and other projects are the skills and knowledge of the people, which UFG continues to invest in.

While the resilient nature of consumer demand for flowers is encouraging, we remain conscious of the headwinds at this time including the inflationary pressure that impacts discretionary spending.

Brand Refresh

A new chapter

In our 99th year, our grower-owned Co-operative has assumed a refreshed logo and identity.

The change marks a significant step forward, reflecting the evolution of our business and the stronger focus we have on enhancing our business profile.

While the Co-operative has always been Market Gardeners Limited (MG), it has traded as MG Marketing for several decades, reflecting the Co-operative at the time.

Our core business is still marketing fresh produce, but we are far more than that. We're a co-operative company, partnering with local and international growers, along with retail and food service customers. We are involved in a number of complementary businesses including IP, exporting and farming, along with the major shareholding in Australian business, Premier Fresh Australia.

We have listened to staff, growers and the wider industry in developing the new look. They told us they wanted to make sure our identity remains connected to the past but also celebrate the fact we're a proud Kiwi co-operative, more clearly link MG to the produce/horticulture sector and better communicate the business we've become.

We were also told that the growers and the customers we interact with know the important role we play and they felt that everyday Kiwis should know that too.

In addition, our Australian business has reaffirmed its connection to Market Gardeners Ltd by adopting a similar look-and-feel and an extended logo has also been developed for each of our subsidiary businesses to highlight their connection to the Group.

Bruce Irvine
Chair

Peter Hendry
CEO

Sustainability

Together, we are focused on a sustainable future

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

Sustainability update

June 2021 – July 2022

We're proud of the way we help make fresh produce accessible to millions of people. The fruit and vegetables that move through our MG Group support healthy communities as well as a thriving economy. We also understand that it's important to make positive, lasting changes, by investing in new technologies and alternative ways of operating to ensure our business is sustainable over the long-term. This includes aligning with our growers, shareholders and customers and making decisions that have a positive environmental and social impact.

The significance of this is not lost on us and that's one of the reasons sustainability forms a key pillar in our overall business strategy. Our standards and objectives are outlined in our sustainability roadmap which provides a reference point for our business and includes how we measure success.

The MG Sustainability Roadmap is underpinned by four pillars:

- Economic resilience
- Environmental stewardship
- People and Community
- Partnership

We've taken further steps in calculating our carbon footprint across our operations. This has enabled us to focus on the right areas and target projects that deliver meaningful reductions.

It is our view that effecting immediate change was more important than talking about potential distant plans. It is popular for businesses to declare aspirational goals to reduce a large percentage of emissions by a date which is decades into the future. While this may work in some industries, it can be misleading. We are committed to reducing our carbon footprint, but our approach is to understand the issues and opportunities, explore the technology available and make consistent steps forward by investing in the right areas.

While our programme of work is driven by the MG Board, Management team and our people on-the-ground, the improved performance is delivered on behalf of the hundreds of growers who own MG. As a Co-operative, we have a strong focus on making decisions today that benefit future generations.

Economic resilience

The MG Board is committed to maintaining and promoting high standards of governance as this underpins strong business performance and is essential to retaining the trust and goodwill of our stakeholders. Importantly, there is a strong focus on ensuring MG is financially resilient, with a strong balance sheet. Having financial security supports future investment in a programme of work that makes a meaningful difference.

Given the significance of sustainability, it sits as one of our seven key business strategies and is regularly reviewed by our Board and Management team.

We continue to embed sustainability into our business strategy and continue to strengthen our approach to managing risks. This year we developed and added a separate risk heat map for climate and social risks to provide oversight across key issues and support future decisions.

Environmental stewardship
We have made considerable efforts to reduce our carbon footprint again this year, particularly by minimising the energy consumption and reducing the environmental impact from our refrigeration systems.

A highlight has been our Auckland branch switching on its 893-panel solar energy system, the fifth largest on-roof solar project at the time of installation. Not only does the project ensure decades of green energy for MG, it will also deliver significant cost benefits for the business.

The installation of a natural refrigeration system across our Auckland branch was completed this year and has significantly improved our environmental performance. The new, highly efficient system utilises ammonia, a sustainable refrigerant option, which has zero global warming or ozone depleting potential – the result being that our Auckland branch will remove all future emissions related to refrigeration leaks.

This year the New Zealand operation also implemented a national refrigeration maintenance plan which aims to reduce emissions through improved efficiency and minimising refrigerant leaks.

It is pleasing and humbling to have our environmental credentials acknowledged, with MG being announced a winner of an Environment Award by Horticulture New Zealand, the national body representing New Zealand's 6,000 commercial fruit and vegetable growers. The award was recognition for the work undertaken to decarbonise the Auckland branch, with energy efficiency, refrigeration and food waste diversion initiatives put in place delivering a projected future emissions reduction of 57% (based on 2021-2022 emissions).

People and Community
Our commitment to local communities in New Zealand is headlined by our Good Bunch Programme. This partnership between MG, Dole NZ and the Salvation Army is now in its third year and has seen over 13 tonnes of fresh bananas, along with other produce, donated to local foodbanks.

We remain a committed supporter of the Maia Foundation, which connects the business community with the health sector. MG is also an active member of the wider business community and our ongoing support of the 5+ A Day Charitable Trust remains important to our Co-operative.

In addition, our businesses across the MG Group connect with their local communities. For example, JS Ewers makes a weekly donation of ten crates of fresh produce to the local Kai Rescue charity in Nelson and last year Premier Fresh Australia partnered with Foodbank Australia to donate 415,700 meals to people experiencing hardship.

We are extremely proud of the work undertaken by the MG Charitable Trust (MG Trust). The MG Trust continually seeks to work closely with organisations and individuals to deliver projects that have a positive impact on the horticulture sector in New Zealand. This year the MG Trust has its own Performance Report and Financial Statements which are available on www.mggroup.co.nz/mgtrust.

With regard to our people, we continue to invest in the development of our leaders and the broader team, through our various learning and development programmes.

Partnerships

We continue to work with our network of grower-suppliers to ensure high standards are maintained across labour, ethical employment, environment, and health and safety. This is driven by our Responsible Sourcing Policy which outlines our standards and the expectations for reporting.

As New Zealand's leading fresh produce wholesaler, MG sources products from literally hundreds of suppliers, both inside New Zealand and from around the world. We want to work with likeminded businesses and this includes suppliers who look after their employees, their communities and the environment in a way that is consistent with the MG Sustainability Roadmap. To support this and to give our customers an additional level of confidence in the supply-chain, MG announced that all New Zealand suppliers must be NZGAP Social Practice Add-on, GRASP Global GAP or SEDEX/SMETA accredited by October 2022. Along with attaining a certification, it is our expectation that all suppliers up-hold our mandatory standards for Responsible Sourcing outlined in this Policy.

MG has also promoted the NZGAP Contractor Standard to our growers and provided guidance about undertaking due diligence on labour hire providers.

Looking ahead

We are pleased with the progress we have made to date. Now in its third year, the MG Sustainability Roadmap will undergo a review in the first half of the new financial year. We are in the final stages of achieving the goals we set out in 2019 and are ready to plan out the next phase of our sustainability journey.

While we made a number of large steps forward this year, we are poised for even greater achievements in 2023. A decarbonisation strategy to reduce emissions at JS Ewers culminates in the installation of a biomass boiler, which suffered a delay due to a supplier issue, but is back on track and due to be commissioned in mid-2023. This is the single largest investment MG has made in a sustainability project. This is co-funded by Energy Efficiency & Conservation Authority (EECA) who have shown tremendous support to our business and the wider industry. Once complete, the new system will significantly reduce boiler emissions at our farming operation in Nelson.

Our focus also remains on maintaining a strong balance sheet which will help withstand a range of economic conditions and enable our Co-operative to continue to invest in projects that deliver positive environmental and social outcomes.

We understand that this is a quickly changing landscape 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 overlooked.

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2022

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2022.

For and on behalf of the Board of Directors:

B.R. Irvine
Chair

10 October 2022

J. Lim
Director

10 October 2022

Consolidated Statement of comprehensive income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue – sale of goods	A1.1	590,556	568,830
Cost of sales		506,840	500,769
Gross profit		83,716	68,061
Other operating income	A1.2	4,904	4,518
Administrative expenses		15,866	14,452
Other operating expenses		45,369	43,303
Results from operating activities before other income and other expenses		27,385	14,824
Other income	A1.3	4,819	965
Other expenses	A1.4	1,327	2,874
Results from operating activities		30,877	12,915
Finance income		115	145
Finance expense		3,673	4,144
Net finance costs		3,558	3,999
Share of profit / (loss) of equity accounted investees	D2	2,427	1,929
Profit before income tax		**29,746**	**10,845**
Income tax expense	A3.1	7,339	4,072
Profit for the year		**22,407**	**6,773**
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods (net of tax):			
Foreign currency translation differences for foreign operations		1,033	413
Net (loss)/gain on hedge of a net investment		(480)	(153)
Effective portion of changes in the fair value of cash flow hedges		1,603	326
Items that will not be reclassified to profit or loss (net of tax):			
Change in fair value of land and buildings	B1	41,749	-
Other comprehensive income net of tax		43,905	586
Total comprehensive income for the year		**66,312**	**7,359**
Profit attributable to:			
Owners of the Company		21,860	9,225
Non-controlling interest		547	(2,452)
Profit for the year		**22,407**	**6,773**
Total comprehensive income/(loss) attributable to:			
Owners of the Company		65,401	9,678
Non-controlling interest		911	(2,319)
Total comprehensive income for the year		**66,312**	**7,359**

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 2022

	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 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**
Balance at 1 July 2021	45,390	45,256	(705)	(2,157)	42,394	56,209	7,051	151,044
Profit for the year	-	-	-	-	-	21,860	547	22,407
Other comprehensive income / (loss)	-	40,107	1,603	(363)	41,347	2,194	364	43,905
Total comprehensive income/(loss) for the year	-	40,107	1,603	(363)	41,347	24,054	911	66,312
Transactions with owners, recorded directly in equity								
Dividends *	472	-	-	-	-	(1,801)	(234)	(1,563)
Shares issued *	7,944	-	-	-	-	(7,938)	-	6
Shares surrendered	(478)	-	-	-	-	-	-	(478)
Balance at 30 June 2022	**53,328**	**85,363**	**898**	**(2,520)**	**83,741**	**70,524**	**7,728**	**215,321**

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

Explanation of Reserves

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

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

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

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

Consolidated Statement of financial position

As at 30 June 2022

	Note	2022 $'000	2021 $'000
EQUITY			
Share capital	C1	53,328	45,390
Reserves		83,741	42,394
Retained earnings		70,524	56,209
Total equity attributable to equity holders of the Parent Company		207,593	143,993
Non-controlling interests		7,728	7,051
Total equity		**215,321**	**151,044**
NON-CURRENT ASSETS			
Property, plant and equipment	B1	226,805	168,363
Lease assets (right to use)	B1	61,480	44,333
Goodwill and other intangible assets	B3	43,920	31,261
Investments in equity accounted investees	D2	7,950	6,996
Investments other	D3	6,364	5,501
Deferred tax assets	A3.2	6,671	6,422
Total non-current assets		353,190	262,876
CURRENT ASSETS			
Cash and cash equivalents	C2	7,080	10,761
Inventories and biological assets	B2	13,543	10,672
Trade and other receivables	C3	87,830	81,105
Non-current assets held for sale		-	3,402
Total current assets		108,453	105,940
Total assets		461,643	368,816
NON-CURRENT LIABILITIES			
Borrowings	C5	56,750	53,899
Trade and other payables	C4	553	1,078
Deferred tax liabilities	A3.2	11,866	7,135
Lease liabilities	C6.1	53,446	37,797
Total non-current liabilities		122,615	99,909
CURRENT LIABILITIES			
Borrowings	C5	15,488	13,201
Trade and other payables	C4	98,088	96,267
Taxation payable		1,673	1,387
Lease liabilities	C6.1	8,458	7,008
Total current liabilities		123,707	117,863
Total liabilities		246,322	217,772
Net Assets		**215,321**	**151,044**

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 2022

	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	589,817	561,871
Dividends received from equity accounted investees	862	1,222
Interest received	112	136
Cash paid to suppliers and employees	(555,888)	(541,146)
Interest paid	(3,917)	(3,694)
Income tax paid	(6,171)	(8,299)
Net cash from operating activities	24,815	10,090
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	7,697	3,823
Proceeds from sale of intangible assets	2,444	-
Insurance proceeds	2,334	-
Acquisition of subsidiary, net of cash acquired	60	-
Acquisition of property, plant and equipment	(26,225)	(18,608)
Acquisition of investment / intangible assets	(10,321)	(793)
Net cash (used in) investing activities	(24,011)	(15,578)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	6	6
Proceeds from bank and other borrowings	5,475	2,586
Proceeds from other receivables	1,191	718
Payments for shares surrendered	(478)	(908)
Repayment of borrowings	(1,318)	(1,458)
Dividends paid to Shareholders	(1,329)	(1,067)
Dividends paid to non-controlling interests	(234)	-
Principal portion of lease payments	(6,537)	(6,438)
Loans and advances to other receivables	(1,303)	(375)
Net cash (used in) financing activities	(4,527)	(6,936)
Net (decrease) in cash and cash equivalents	(3,723)	(12,424)
Cash and cash equivalents at 1 July	10,761	23,216
Effect of exchange rate fluctuations on cash held	42	(31)
Cash and cash equivalents at 30 June	**7,080**	**10,761**

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

	2022 $'000	2021 $'000
Profit for the year	22,407	6,773
Adjustments for non-cash items:		
Depreciation of property, plant, equipment and right of use assets	14,256	14,685
Amortisation of intangible assets	31	-
Insurance proceeds classified as cashflow from investing activities	(2,334)	-
Equity accounted earnings less cash dividends received	(1,565)	(707)
Impairment (2022 – fire damage, 2021 – on goodwill)	1,282	2,874
(Gain) on disposals of property, plant and equipment	(2,092)	(1,474)
Other non-cash adjustments	(1,493)	(1,575)
	30,492	20,576
Impact of changes in working capital items:	(5,677)	(10,486)
Net cash from operating activities	24,815	10,090

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 – Key Judgements

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

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

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

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

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

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

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

The Group recognises revenue from the following sources:

Trade Sales - Principal

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

Commission / Agency Sales:

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

Freight and insurance

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

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

Gross Sales (Non-GAAP)	**2022 $'000**	**2021 $'000**
Trade Sales – New Zealand	121,428	106,622
Trade Sales – Australia	425,159	419,126
Sales as Agent – New Zealand	429,958	409,500
Sales as Agent – Australia	18,846	27,456
Total Gross Sales	**995,391**	**962,704**
Revenue		
Total Gross Sales	995,391	962,704
Add Commission earned – New Zealand	42,406	40,489
Add Commission earned – Australia	1,563	2,593
Less purchase of produce on-sold as agent (offsets the sales as agent incl. above)	(448,804)	(436,956)
Total Revenue	**590,556**	**568,830**

A1.2 Other Operating Income

Other Operating Income:	**2022 $'000**	**2021 $'000**
Rental income	2,591	2,817
Sundry income	2,313	1,701
Total Other Operating Income	**4,904**	**4,518**

A1.3 Other income

Other income for 2022 includes insurance proceeds of $2,905,000 relating to the Auckland fire claim, $1,728,000 following the sale of an orchard and divestment of Brisbane market stands, and $186,000 gain on acquisition of remaining 50% of share capital of Darwin Fruit Farms Pty Ltd (DFF) arising from the remeasurement of the Group's existing interest in DFF to fair value as a result of obtaining control on 28 February 2022 (see note D2) (2021: other income included a gain of $965,000 recorded following the sale of land in Wellington).

A1.4 Other expenses

Other expenses in 2022 of $1,327,000 are primarily in relation to the impairment of the Auckland building, stock, plant and equipment, as a result of the fire that occurred on 20 September 2021.

The insurance proceeds from this claim are reported in note A1.3 Other income.

The cost of reinstating the building is capitalised as an addition in land and buildings (refer to note B1).

2021: Other expenses of $2,874,000 were for the impairment of goodwill.

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).

	2022 $'000	2021 $'000
Wages and salaries	82,898	78,997
Contributions to defined contribution superannuation plans	4,554	4,250
Increase in liability for long-service leave	94	301
Total personnel expenses	**87,546**	**83,548**
Classification within the statement of comprehensive income		
Cost of sales	71,738	69,263
Administrative expenses	15,444	13,940
Other operating expenses	364	345
Total personnel expenses	**87,546**	**83,548**

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	2022 $'000	2021 $'000
Current tax expense		
Current period tax charge	6,599	4,682
Adjustment for prior periods	94	(203)
	6,693	**4,479**
Deferred tax expense		
Deferred tax – origination and reversal of temporary differences	1,101	(407)
Adjustment for prior periods	(455)	-
Total income tax expense	**7,339**	**4,072**
Reconciliation of income tax expense		
Profit/(Loss) before tax	29,746	10,845
Income tax using the Parent Company's domestic tax rate (28%)	8,329	3,037
Add/(deduct) taxation effect of:		
Effect of tax rates in foreign jurisdictions	30	(178)
Tax impact of equity accounted investees	(679)	74
Non-deductible expenses	825	931
Tax exempt income	(569)	(921)
Deferred tax not recognised in Australia	-	1,803
(Over)/under provided in prior periods	(360)	(674)
Franking credits	(237)	-
Total income tax expense	**7,339**	**4,072**

Imputation credits

As at balance date imputation credits available to the shareholders for use in subsequent periods totalled $21.35 million (2021: $17.96 million).

Income tax recognised directly in other comprehensive income

Income tax recognised in other comprehensive income relates to the change in fair value of land and buildings of $3,301,000 (2021: nil) and cash flow hedges of $535,000 (2021: $223,000).

A3.2 Deferred tax

Measurement and recognition

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

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

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

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

Key Judgement

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

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

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
New Zealand Group	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Property, plant and equipment	198	248	(12,013)	(8,886)	(11,815)	(8,638)
Derivatives	227	267	(522)	(25)	(295)	242
Employee benefits	974	1,170	-	-	974	1,170
Provisions	1,293	173	(2,023)	-	(730)	173
Other	-	1,160	-	(1,242)	-	(82)
Tax assets/(liabilities)	**2,692**	**3,018**	**(14,558)**	**(10,153)**	**(11,866)**	**(7,135)**

	Assets		Liabilities		Net	
Australian Group	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**	**2022 $'000**	**2021 $'000**
Property, plant and equipment	-	-	(407)	(436)	(407)	(436)
Derivatives	1	94	-	-	1	94
Employee benefits	2,775	2,419	-	-	2,775	2,419
Provisions	984	1,089	-	-	984	1,089
Other	245	580	1	(3)	246	577
Tax losses	3,072	2,679	-	-	3,072	2,679
Tax assets/(liabilities)	**7,077**	**6,861**	**(406)**	**(439)**	**6,671**	**6,422**

Movement in temporary differences during the year:

	Balance 1 July 2020 $'000	**Recognised in income $'000**	**Recognised in equity $'000**	**Arising on acquisition $'000**	**Balance 30 June 2021 $'000**
Property, plant and equipment	(9,273)	199	-	-	(9,074)
Derivatives	471	(358)	223	-	336
Employee benefits	3,482	107	-	-	3,589
Provisions	499	763	-	-	1,262
Other	1,298	(803)	-	-	495
Tax Losses	2,085	594	-	-	2,679
Net Movement	**(1,438)**	**502**	**223**	**-**	**(713)**

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

B. Operating Assets

In this section

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

- Property, plant and equipment
- Inventories
- Intangible assets

B1. Property, Plant and Equipment

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

Measurement and recognition

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

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

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

Key Judgements

Depreciation rates:

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

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

Valuation of Land and buildings:

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

Due to the level of judgement and adjustments required to the observable inputs, a level three classification is deemed appropriate for all property valuation for the Group. Land and buildings were independently revalued as at 30 June 2022 by registered valuers, Duke and Cooke Ltd, Telfer Young, and Herron Todd White. The following table shows the valuation technique used and the significant unobservable inputs:

Valuation technique	Significant unobservable inputs and relationship with fair value measurement
Investment / Income approach This approach capitalises the contracted and / or potential income at an appropriate market derived rate of return	- Capitalisation rates (5.25% to 8.50%). - An increase in the capitalisation rate would reduce the valuation and a decrease would increase the valuation. - An increase in the rental rate would increase the valuation and a decrease would reduce the valuation. - An increase of one percentage point in the capitalisation rate would decrease the valuation by $15.5 million. - A decrease of one percentage point in the capitalisation rate would increase the valuation by $22.2 million. - Land and buildings with a fair value totalling $110.6 million have been valued using this approach.
Sales / Market comparison approach This approach determines a per square metre / hectare rate based on comparable sales, adjusted for differences in location, size and quality of the asset, together with an adjustment for market movements since the sales occurred.	- The independent valuers consider comparable sales transactions in determining the fair value for land and buildings based on their judgement and expertise. For this reason it is not possible to present a specific sensitivity analysis for land and buildings valued using this approach. - Land and buildings with a fair value totalling $64.2 million have been valued using this approach.
If land and buildings were measured using historical cost the carrying value would be $93 million (2021: $85.5 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 30 June 2020 / 1 July 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)	-
Transfer from work in progress	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
Additions	1,644	1,465	577	4,617	18,238	26,541	25,764
Additions through acquisition	-	89	-	912	-	1,001	-
Disposals	(2,986)	(1,420)	(87)	(853)	-	(5,346)	(3,597)
Impairment (Auckland fire)	(746)	-	-	-	(951)	(1,697)	-
Transfer from work in progress	2,628	-	3	2,129	(4,760)	-	-
Revaluations	45,230	-	-	-	-	45,230	-
Reclassification to intangible assets	(2,982)	-	-	-	-	(2,982)	-
Effect of movements in exchange rates	769	50	56	883	(12)	1,746	2,176
Balance at 30 June 2022	184,600	8,107	5,129	46,500	27,278	271,614	82,268
Accumulated depreciation							
Balance at 30 June 2020 / 1 July 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
Depreciation for the year	2,983	1,126	417	3,026	-	7,552	6,704
Disposals	(77)	(1,046)	(78)	(668)	-	(1,869)	-
Impairment (Auckland fire)	(415)	-	-	-	-	(415)	-
Effect of movements in exchange rates	181	35	48	519	-	783	492
Balance at 30 June 2022	10,990	3,962	4,236	25,621	-	44,809	20,788
Carrying amounts							
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
At 30 June 2022	**173,610**	**4,145**	**893**	**20,879**	**27,278**	**226,805**	**61,480**

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

Impairment relates to assets subject to fire damage during the year. The insurance proceeds relating to the impaired assets are disclosed in note A1.3.

Co-funding from EECA (refer note F.3) is netted against work in progress upon meeting relevant milestones and an invoice is raised. As at 30 June 2022 this amounted to $1.24 million (2021: nil).

B2. Inventories and biological assets

Measurement and recognition

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

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

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

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

Inventories recognised as cost of sales amounted to $422.677 million (2021: $422.465 million) for the Group.

	2022 $'000	**2021 $'000**
Inventories	9,008	8,172
Biological assets	4,535	2,500
Total inventories and biological assets	**13,543**	**10,672**

B3. Goodwill and other intangible assets

Measurement and recognition

Goodwill

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

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

Any impairment loss in respect of goodwill is not reversed.

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

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

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

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

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

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

Market licences relate to stands in the Sydney and Melbourne markets. As these are perpetual arrangements, they are considered to be indefinite life intangible assets.

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

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 and other intangible assets	**Goodwill $'000**	**Market licences $'000**	**Other $'000**	**Software and WIP $'000**	**Total $'000**
Cost					
Balance at 1 July 2020	48,369	-	4,059	1,574	54,002
Additions	-	-	72	347	419
Effect of movements in exchange rates	193	-	-	-	193
Balance at 30 June 2021	48,562	-	4,131	1,921	54,614
Balance at 1 July 2021	48,562	-	4,131	1,921	54,614
Additions	-	9,360	882	79	10,321
Reclassification from property, plant and equipment	-	2,982	-	-	2,982
Disposals	-	(1,098)	-	-	(1,098)
Effect of movements in exchange rates	485	-	-	-	485
Balance at 30 June 2022	49,047	11,244	5,013	2,000	67,304
Accumulated amortisation and impairment losses					
Balance at 1 July 2020	(20,467)	-	(9)	-	(20,476)
Impairment	(2,874)	-	-	-	(2,874)
Amortisation for the year	-	-	(3)	-	(3)
Balance at 30 June 2021	(23,341)	-	(12)	-	(23,353)
Impairment	-	-	-	-	-
Amortisation for the year	-	-	(31)	-	(31)
Balance at 30 June 2022	(23,341)	-	(43)	-	(23,384)
Carrying amounts					
At 30 June 2020	27,902	-	4,050	1,574	33,526
At 30 June 2021	25,221	-	4,119	1,921	31,261
At 30 June 2022	**25,706**	**11,244**	**4,970**	**2,000**	**43,920**

Brand asset of $11.863 million has previously been fully impaired resulting in a nil carrying amount (2021: nil). This is not shown in the above table.

Market Licences represent the fair value of licences purchased. Previously these were included in Land and Buildings under property, plant and equipment but are now reclassified as an intangible asset.

B3.1 Impairment testing of goodwill

Goodwill relates to the Group's subsidiaries:

- LaManna Premier Group ("LPG"); and
- Te Mata Exports 2012 Ltd ("Te Mata").

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

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

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

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

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

	2022	2021
Annual revenue growth rate	2.5%	2.5 – 2.6%
Pre-tax discount rate	17.9%	17.9%
Terminal growth rate	2.0%	2.0%

The recoverable amount of the LPG Australia CGU was determined to be equal to its carrying amount (in 2021 an impairment loss of $2.874 million 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 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 increased headroom. The net carrying value for the LPG Australia CGU after accumulated impairment is $19.069 million (2021: $18.583 million).

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

Headroom / (impairment)	Pre-tax discount rate	Post-tax discount rate	Revenue Growth		
			2.25%	2.50%	2.75%
WACC	17.9%	12.0%	-700	2,990	6,704
		12.5%	-2,753	**732**	4,240
		13.0%	-4,624	-1,325	1,995

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

	2022	2021
Annual revenue growth rate (New Zealand / Australia)	2.0% / 2.0%	2.0% / 10.0%
Pre-tax discount rate	13.94%	13.33%
Terminal growth rate	2.0%	2.0%

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

Headroom / (impairment)	Pre-tax discount rate	Post-tax discount rate	Revenue Growth		
			1.50%	2.00%	2.50%
WACC	13.94%	9.9%	1,018	1,169	1,321
		10.4%	309	449	591
		10.9%	-320	-189	-57

The net carrying value for the Te Mata CGU is $6.145 million (2021: $6.145 million). There is no accumulated impairment (2021: nil).

C. Managing Funding

In this section

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

Capital management

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

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

C1. Share capital

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**	**Treasury**	**Total**
Balance at 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 MG 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 issued	1,624	4,792	2,000	-	8,416
Shares transferred	3,890	(2,007)	(2,000)	-	(117)
Shares acquired by MG Charitable Trust (Note F5)	117	-	-	-	117
Shares surrendered	(396)	(79)	(3)	-	(478)
Treasury stock	93	-	-	(93)	-
Balance at 30 June 2022	**40,331**	**12,093**	**997**	**(93)**	**53,328**

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

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

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

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

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

	2022	2021
All matters below were declared and accounted for on	4 August 2022	5 August 2021
Special bonus issue of A Shares	1 for every 12 existing	1 for every 30 existing
Special bonus issue of B Shares	3 for every 4 existing	1 for every 2 existing
Special bonus issue of C Shares	1 for every 1 existing	1 for every 1 existing
Taxable supplier shareholder rebate – paid by issuing C Shares	$250,000	$250,000
Bonus issue on supplier shareholder rebate	3 for every 1 share issued above	3 for every 1 share issued above
Taxable and fully imputed Dividend to be issued from retained earnings at completion of the Annual Meeting.	Final – 3 cents per "A" share. No interim dividend declared	Final – 3 cents per "A" share. No interim dividend declared

C2. Cash and cash equivalents

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

	2022		2021	
	Foreign $'000	NZD $'000	Foreign $'000	NZD $'000
NZD	-	1,686	-	1,033
AUD	4,282	4,701	8,499	9,100
Other (USD, EUR)	429	693	433	628
Total cash and cash equivalents		**7,080**		**10,761**

USD and EUR have been translated at the closing exchange rate of 0.6192 and 0.5952 respectively (2021: 0.7026 and 0.5924 respectively).

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	2022 $'000	2021 $'000
Not past due	65,460	58,671
Past due 1-30 days	3,846	4,158
Past due greater than 30 days	4,666	5,488
Less: provision for impairment / ECL's	(1,617)	(1,631)
Total trade receivables	**72,355**	**66,686**
Prepayments and accrued revenue	3,193	4,288
Advances to equity accounted investees	3,636	4,131
Receivables from MG Charitable Trust	1,971	1,854
Derivative assets	1,898	97
Finance receivables	1,013	1,165
Other receivables	3,764	2,884
Total trade and other receivables	**87,830**	**81,105**

C4. Trade and other payables

Measurement and recognition

Trade and other payables

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

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

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

Trade and other payables	2022 $'000	2021 $'000
Non-current		
Other payables	-	429
Employee benefits	553	649
Total non-current trade and other payables	553	1,078
Current		
Trade and other payables	81,859	83,438
Employee benefits	16,229	12,829
Total current trade and other payables	98,088	96,267
Total trade and other payables	**98,641**	**97,345**

Included above are $26,394,000 (2021: $26,881,000) of trade payables denominated in Australian dollars and $944,000 (2021: $987,000) 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 2022 the effective interest rate on borrowings for the Group was 3.31% (2021: 1.88%). 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 $173.61 million (2021: $132.73 million).

Interest-bearing borrowings	2022 $'000	2021 $'000
Non-current secured bank loans	56,750	53,899
Current secured bank loans	15,488	13,201
Total interest-bearing borrowings	**72,238**	**67,100**

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 2022 was 2.05% (2021 2.27%).

C.6.1 Lease liability	2022 $'000	2021 $'000
Opening lease liability	44,805	46,834
Additions	25,764	6,158
Disposals	(3,816)	(2,093)
Interest on lease liabilities	1,588	1,349
Foreign exchange movement	1,688	344
Gross payments (cash outflows in relation to leases)	(8,125)	(7,787)
Lease liability as at 30 June	**61,904**	**44,805**
Non-current lease liability	**53,446**	**37,797**
Current lease liability	**8,458**	**7,008**

C6.2 Lease expenses

The income statement includes expenses relating to short term leases of $29,000 (2021: $33,000) and expenses relating to leases of low value assets of $33,000 for 2022 (2021: $44,000). Interest on lease liabilities is within financial expenses.

C6.3 Group as a lessor

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

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

	2022 $'000	2021 $'000
Less than one year	2,247	2,183
Between one and five years	2,328	3,599
More than five years	123	301
Future minimum lease receipts as at 30 June	**4,698**	**6,083**

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	2022 %	2021 %
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
Darwin Fruit Farms Pty Ltd	Tropical fruit Production	Australia	100	50

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% (2021:69%) and Te Mata Exports 2012 Ltd ("TMEL") is 74% (2021: 74%) hence the Group's share in subsidiaries and associates of LPG and TMEL is 69% and 74% of the respective interest.

* LaManna Premier Group Pty Ltd has been trading as Premier Fresh Australia and changed its name to Premier Fresh Australia Pty Ltd on 14 September 2022.

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.

	2022 $'000	2021 $'000
Summarised statement of financial position		
Total equity	**21,733**	**20,380**
Total non-current assets	120,748	90,002
Total current assets	38,816	40,052
Total assets	**159,564**	**130,054**
Total non-current liabilities	73,182	46,918
Total current liabilities	64,649	62,756
Total liabilities	**137,831**	**109,674**
Summarised statement of comprehensive income		
(Loss)/profit for the year	592	(5,644)
Less impairment expense	-	(2,874)
Other comprehensive profit / (loss) for the year	213	215
Total comprehensive (loss) / profit for the year	**805**	**(8,303)**
Summarised statement of cash flows		
Net cash from operating activities	**6,076**	**4,226**
Net cash (used in) investing activities	**(11,050)**	**(2,511)**
Net cash (used in) / provided by financing activities	**4,301**	**(6,875)**
Net increase in cash held	**(673)**	**(5,160)**

D2. Associates and joint arrangements (equity accounted investees)

Measurement and recognition

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

Associates and joint arrangements	Principal activity	Country of incorporation	Year end	2022 %	2021 %
United Flower Growers Ltd (2)	Flower Wholesale	New Zealand	30 Jun	50	50
Zee Sweet Ltd (1)	Horticulture	New Zealand	31 Dec	33	33
New Zealand Fruit Tree Company Ltd (1)	Horticulture	New Zealand	31 Dec	33	33
First Fresh New Zealand Ltd (1)	Produce Marketing & export	New Zealand	31 Mar	40	40
Kaipaki Berryfruits Ltd (2)	Berryfruit production	New Zealand	30 Jun	50	50
Innisfail Banana Farming Co. Pty Ltd (2)	Banana Production	Australia	30 Jun	50	50
Col Johnson Pty Ltd (2)	Produce Wholesale	Australia	30 Jun	50	50

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

The interest in the Australian companies above is the actual interest held by LPG. The Group's share of LPG is 69% (2021: 69%), hence the Group's share in subsidiary and associate companies of LPG is 69% of the respective interest.

On 28 February 2022, the remaining 50% of share capital of Darwin Fruit Farms Pty Ltd (DFF) was acquired. In 2021 DFF was reported as a joint arrangement (50%). The total purchase and cash acquired was $60,000. Net identifiable assets acquired were $128,000. In accordance with NZ IFRS 3, the gain on remeasurement of the Group's existing interest in DFF at fair value was $186,000. This has been included in other income (see Note A1.3). On acquisition of the remaining 50% interest the Group obtained control of DFF and it has been consolidated from that date. Given that the acquisition is considered to be immaterial, with no significant fair value adjustments provisionally identified at 30 June 2022, no further acquisition related disclosures are presented.

The Group's share of profit / (loss) in its equity accounted investees for the year was $2.427 million (2021: $1.929 million). The investees are not considered to be individually material. A summary of financial information for these entities is as follows:

	Profit/(loss) $'000	Comprehensive income $'000	Carrying amount $'000
2022	7,292	5,503	7,950
2021	5,372	3,766	6,996

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.

	2022 $'000	2021 $'000
Waimea Irrigators Limited – Shares	1,195	1,195
Century Water Limited - Redeemable notes	2,250	2,250
Other	2,919	2,056
Total other investments	**6,364**	**5,501**

E. Financial Instruments Used to Manage Risk

In this section

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

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

E1.1 Credit risk

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

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

E1.2 Liquidity risk

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

The 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.

2022	Statement of Financial Position $'000	Contractual cash flow $'000	< 6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000
Borrowings	72,238	76,765	9,696	7,910	1,927	57,232	-
Trade and other payables	97,739	97,739	89,568	7,619	117	267	168
Lease liability	61,904	77,109	4,304	4,304	7,590	19,481	41,430
Total financial liabilities	**231,881**	**251,613**	**103,568**	**19,833**	**9,634**	**76,980**	**41,598**
2021	**Statement of Financial Position $'000**	**Contractual cash flow $'000**	**< 6 months $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**> 5 years $'000**
Borrowings	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**

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.

	2022 Notional Value $'000	2022 Fair Value $'000	2021 Notional Value $'000	2021 Fair Value $'000
NZD Interest rate swaps	16,100	(796)	16,100	162
AUD interest rate swaps (NZD equivalent)	21,100	(1,142)	31,288	772
Total	**37,200**	**(1,938)**	**47,388**	**934**

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 $11,000 (decrease) (2021: $93,000 (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.

	2022 AUD $'000	2021 AUD $'000
Investment foreign currency risk		
Net investment in Australian operations	26,457	25,791
Foreign currency denominated borrowings		
Secured bank borrowings designated as a hedged item	(17,714)	(17,714)
Net unhedged exposure	**8,743**	**8,077**

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 2.05% (+ a margin of 1.5%-2%)) unless deemed part of the Group's investment. These advances are payable on demand.

	2022 $'000	2021 $'000
Sales of goods and services	5,354	6,196
Purchases of goods and services	31,051	41,058
Closing advances/receivables	2,647	2,985
Closing loans/payables	785	1,724

No expense or movement in provision on outstanding balances with associates was recorded during 2022 or 2021.

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.

	2022 $'000	2021 $'000
Key management personnel compensation comprised:		
Director's fees and remuneration	954	1,079
Short-term employee benefits	3,976	4,019
Other transactions with key management personnel		
Gross value of Directors' sales	22,041	16,814
Commission charged on Directors' sales (as above)	2,645	2,018
Gross value of Directors' other transactions (prepacking services and sundry other expenses)	193	96
Amounts owing to key management personnel as a result of the above transactions	656	564

F2. Auditor's remuneration

	2022 $'000	2021 $'000
Audit services		
Market Gardeners Limited and subsidiaries (KPMG)	117	96
LaManna Premier Group Pty Limited and subsidiaries (Pitcher Partners)	217	161
Market Gardeners Limited Share register audit (KPMG)	2	1
Other services		
Market Gardeners Limited and subsidiaries (KPMG)	8	12
LaManna Premier Group Pty Limited and subsidiaries (Pitcher Partners)	90	73

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

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

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

F3. Capital Commitments

At 30 June 2022 the Group had capital commitments of $3.736 million (2021: $12.295 million). Capital commitments primarily relate to investment in assets and infrastructure. Capital commitments are recognised after a formal capital review and approval process.

In March 2021 J S Ewers Ltd, a 100% owned subsidiary, entered into a Project Funding Agreement with the Energy Efficiency and Conservation Authority (EECA) in relation to the Government Investment in Decarbonising Industry Contestable Fund. The Fund's aim is to partner with business to accelerate the decarbonisation of industrial processes and process heat, and contribute to the COVID-19 economic recovery by stimulating economic growth and supporting employment. As a result, a co-funded project commenced at JS Ewers Ltd to replace coal fired boilers with low carbon fuel boilers. As at 30 June 2022 the project was delayed but is now progressing with boiler manufacture, holding tank installation and housing shed design and construction. The first two milestones have been achieved and extensions received for the remaining milestones. EECA co-funding is up to 47.4% of the project cost to a maximum of $4,078,000 plus GST based on the achievement of the milestones. All co-funding payments are netted against expenditure capitalised as part of Property, Plant and Equipment work in progress.

F4. Contingencies

Trade indemnities and guarantees issued by the Group amount to $1.933 million for associate companies (2021: $2.939 million).

F5. MG Charitable Trust

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

The Chair's and Chief Executive Officer's review attached to this report comments on the MG Charitable Trust. The Trust has prepared an Annual Review for the 15 months ended 30 June 2022 which is an extract of the full performance report and financial statements of the trust and outlines the:
- key objectives of the Trust;
- trust structure, governance, management and funding;
- A review of the two contestable funding rounds and the launch of the education fund;
- summary financial information including statements of financial performance, financial position and cash flows.

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

On 3 May 2022 the Trust's Deed was varied by vesting the statutory power of appointment of the majority of the trustees in the shareholders of MG (in addition to those able to be appointed by MG as Settlor). At least one trustee is appointed by MG as settlor. The Group does not control the Trust.

No auditor is appointed to the Trust and no review has been undertaken.

G. About this report

In this section

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

Information is considered relevant and material if:

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

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

Reporting entity

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

The 30 June 2022 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 1 July 2022 (2021: 52-week period ending 2 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 during lockdowns 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, reduced availability of labour, 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 2022. 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).

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

Rate used in the preparation of these financial statements	**2022 AUD**	**2021 AUD**
Average rate for the year	0.9477	0.9291
Closing rate	0.9109	0.9339

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:

- Measurement and Recognition of Revenues Note A1.1
- 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

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

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 consolidated financial statements of Market Gardeners Limited (the 'company') and its subsidiaries (the 'group') on pages 20 to 43:

i. present fairly in all material respects the group's financial position as at 30 June 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards 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 2022;
- the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $3,200,000 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.

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**

Valuation of goodwill ($25.7m – refer to note B3)

The group has significant operations in Australia following the historic acquisition of LaManna Bananas and subsequent merger with Premier Fruits Group (together the LaManna Premier Group).

The above acquisitions resulted in significant goodwill being recognised on the statement of financial position.

In 2020, the group acquired a controlling interest in Te Mata Exports 2012 Limited (Te Mata) and recognised $6.1m of goodwill.

The carrying value of goodwill is subject to an annual impairment assessment which requires judgment in respect of forecast performance.

In performing this assessment, management is required to exercise judgment and develop estimates for future forecast performance and select assumptions relating to the weighted average cost of capital, terminal growth, and risks specific to the cashflows.

For these reasons and given the magnitude of the balance we considered the valuation of goodwill to be a key audit matter.

Our audit procedures included, amongst others:

- 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 cash flows;
- Comparing the calculation of value in use against the associated the carrying amounts and performing sensitivity analysis;
- Challenging management’s conclusion to perform an impairment assessment at the consolidated LaManna Premier Group level (being management’s assessment of the lowest level at which independent cash flows are generated);
- 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 related disclosures within the group financial statements.

Our findings:

- As a result of the above procedures, we are satisfied that the carrying value of goodwill is reasonable and supportable. We are also satisfied with the adequacy of the related disclosures.

Valuation of land and buildings ($174m – refer to note B1)

The group has land and buildings subject to revaluation of $174m at 30 June 2022.

Because the group does not have internal valuation expertise to perform these valuations,

Our audit procedures included, amongst others:

- Assessing the competence, objectivity, and integrity of the valuation expert engaged by the group, including an assessment of their professional qualifications, experience, and evaluation of their independence and scope of work;

The key audit matter	How the matter was addressed in our audit
independent valuation experts were engaged being Duke and Cooke Limited, Telfer Young, and Herron Todd White. The independent valuation experts exercise professional judgment in determining the fair value adopted in the financial statements for a specified asset. This judgment relates to their assessment of fair value under the market comparison, and income capitalisation methods, and the related assumptions relating to rental, discount and capitalisation rates (amongst others). We consider the revaluation of land and buildings to be a key audit matter due to the magnitude of the resulting revaluation amounts, the carrying amount of the revalued assets, and the judgment applied by the independent valuer in determining the assets' fair values.	— Direct enquiries of the valuation expert to understand their approach to the valuation of assets, and to identify key areas of judgement; — Assessing the appropriateness of valuation techniques applied, and challenging key data and assumptions underlying certain valuations directly with the valuation expert for valuations that met our specified scoping criteria. Mechanical application of the methodologies was also checked for selected valuations; — Checking that the revalued amounts determined by the valuation expert, and any related deferred tax effects, were reflected in the underlying accounting records; — Assessing whether valuation decreases in individual assets, with revaluation reserves in a debit (negative) position, were recognised through profit or loss for the debit (negative) amount; and — Checking the adequacy of disclosures relating to the valuation basis. **Our findings:** — As a result of the above procedures, we are satisfied the carrying value of land and buildings is reasonable and supportable.

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 control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

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

Our objective is:

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

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Christchurch

10 October 2022

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	66,625	12,751	3,425
L.T. Crozier (Deputy Chair)	66,625	-	3,425
J.A. Lim	66,625	10,000	2,127
B.R. Irvine (Chair)	133,250	8,875	3,425
M.J. Russell	66,625	5,000	3,425
M.R. O'Connor	66,625	3,875	2,979
T. Webb	66,625	3,875	2,446
R. Oakley	66,625	-	3,425
	599,625	44,376	24,677

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	-	-	-
B.D. Gargiulo, MBE. (Chairman) (retired 28 July 2022)	104,527	26,008	-
B.R. Irvine	58,685	4,958	-
P.S. Hendry (Chair, from 28 July 2022)	-	-	-
M. LoGiudice	58,685	7,281	-
	221,897	38,247	-

MG Charitable Trust The following people held office as Trustee of the MG Charitable Trust and received the following remuneration and other benefits for acting as such:			
M.J. Russell	-	5,000	-
T. Webb	-	5,000	-
J.R. Clarke (Chair)	-	-	-
C. Lewis	-	5,000	-
A. Hercus	-	10,000	-
	-	25,000	-

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

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

* B.R. Irvine as director of LaManna Premier Group Pty Ltd receives 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 performing the role of chairperson of a committee and duties outside those of a normal Director role including negotiation of commercial contracts, attendance at associate and subsidiary company meetings, travel time and attendance at committee meetings.

2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note F2 of the attached financial statements to 30 June 2022.

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 4 August 2022 that, in their opinion, the Parent Company had been a co-operative company throughout the period 1 July 2021 to 30 June 2022. 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	23	270,000 to 279,999	5
110,000 to 119,999	23	280,000 to 289,999	2
120,000 to 129,999	12	290,000 to 299,999	1
130,000 to 139,999	19	300,000 to 309,999	3
140,000 to 149,999	11	310,000 to 319,999	1
150,000 to 159,999	9	320,000 to 329,999	1
160,000 to 169,999	6	330,000 to 339,999	2
170,000 to 179,999	8	370,000 to 379,999	2
180,000 to 189,999	9	390,000 to 399,999	1
190,000 to 199,999	6	400,000 to 409,999	1
200,000 to 209,999	6	420,000 to 429,999	1
210,000 to 219,999	2	450,000 to 459,999	1
220,000 to 229,999	7	510,000 to 519,999	1
240,000 to 249,999	1	550,000 to 559,999	1
250,000 to 259,999	1	1,060,000 to 1,069,999	1
260,000 to 269,999	6	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. Changes in accounting policies

The attached financial statements to 30 June 2022 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The accounting policies set out in the attached financial statements have been applied consistently to all periods presented in those financial statements and by Group entities.

6. Directors of subsidiaries

As at 30 June 2022:

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 (resigned 5 August 2022) were the directors of Te Mata Exports 2012 Ltd and Te Mata Exports Ltd.

Messrs K.J. Wells (International Business Manager), P. Lange (resigned 5 August 2022), S. McCormack and P. Scheffer were the directors of Te Mata Exports Australia Pty Ltd.

Messrs B.D. Gargiulo (MBE) (retired 28 July 2022), B.R. Irvine, P.S. Hendry, A.J. Di Pietro and M. LoGiudice were the directors of LaManna Premier Group Pty Ltd.

Messrs B.D. Gargiulo (MBE) (retired 28 July 2022) 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 Premier Fresh Australia Pty Ltd (formerly 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.

7. Interests register

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

General disclosures

Like most co-operative companies, Market Gardeners Limited has frequent transactions with its grower Directors (sales to, agency sales for and purchases from Directors) in the ordinary course of business. For additional information refer to note F1 of the attached financial statements to 30 June 2022.

The general interests register of the Group records Directors' interests in companies and other entities which have or may have material ongoing dealings with the Company and / or Group. During the financial year ended 30 June 2022, there have been no new disclosures recorded.

Further to the above, 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 2022. 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 2022			30 June 2021		
	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	240,138	108,020	7,052	193,281	85,033	7,656
B.R. Irvine as Director of MG Group Holdings Ltd and J S Ewers Ltd (100% subsidiary companies of Market Gardeners Ltd)	1,000	-	-	118,208	-	-
J.A. Lim (joint shareholding)	76,910	62,651	5,408	57,585	44,681	5,688
M.R. O'Connor	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	808,894	322,367	23,296	645,516	262,011	26,296
M.J. Russell	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	102,205	60,188	3,872	79,911	43,762	5,936
T. Webb	-	-	-	-	-	-
Held by a company of which she is a shareholder & director	122,785	35,835	3,876	109,890	24,584	4,096
R Oakley	-	-	-	-	-	-
Held by a company of which he is a shareholder & director	674,357	325,302	23,936	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 2022			30 June 2021		
	A Shares	**B Shares**	**C Shares**	**A Shares**	**B Shares**	**C Shares**
T. Burt, L.T Crozier, B.R Irvine, J.A. Lim, M.R. O'Connor, M.J. Russell, T. Webb, R. Oakley as Directors of Market Gardeners Ltd (holding Treasury stock)	93,229	-	-	-	-	-

The above table discloses the shareholdings of treasury stock as at 30 June 2022.

	30 June 2022			30 June 2021		
	A Shares	B Shares	C Shares	A Shares	B Shares	C Shares
M.J. Russell and T. Webb.	-	-	-	-	-	-
Held by the MG Charitable Trust of which they are trustees	1,988,959	206,360	23,220	1,587,136	266,490	-

M.J. Russell and T. Webb, directors of the Parent Company, are two of the five trustees of the MG Charitable Trust (the Trust). During the period the Trust purchased an additional 117,208 "A" shares in the Parent Company from MG Group Holdings Ltd in exchange for a debt back to that Company.

8. Donations

During the year the Parent Company made donations of $44,000 (2021: $207,000), the Group $85,000 (2021: $227,000).

Corporate governance statement

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

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

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

To this end the Board, primarily through the audit committee, continues a rigorous process of reviewing, adding to and updating MG's policies and practices, and those of the Group, to keep pace with both domestic and international developments in this area. It is important to note that developments occur frequently, and the Board continues to reaffirm its commitment to maintaining high quality policies, procedures and practices into the future, throughout the Group.

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

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

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

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

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

As at 30 June 2022, LaManna Premier Group Pty Ltd (LaManna Premier) was a 69.3% (2021: 69.3%) subsidiary. MG currently has appointed two representative directors to the LaManna Premier Board (Bruce Irvine and Peter Hendry (Chair with effect from 28 July 2022)). Brian Gargiulo retired as MG's third representative director and Chairman of the LaManna Premier board on 28 July 2022. 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. Voting rights are proportionate based on shareholding percentages notwithstanding the number of directors appointed by a shareholder group.

MG's constitution has specific procedures for the appointment and retirement of Directors, eligibility requirements for being nominated / appointed and automatic retirement rotations every three years. The MG Board met 9 times during the financial year (10 times last financial year), in addition to attending to committee matters between meetings. These meetings include conference calls to address any matters or issues arising between scheduled meeting dates. In addition to the meetings of the Parent Company, Directors of the subsidiary and associate companies also met throughout the year. The outcomes of such meetings, key business issues and the performance of such companies are reported through to each meeting of the MG Board by MG's representative Directors.

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

Group Management Structure
The core business of the Group is transacted in New Zealand by Market Gardeners Ltd and in Australia by 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 Executive Director NZ Subsidiaries and Associates (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 from time-to-time other senior executives of LaManna Premier Group and MG attend all LaManna Premier Group board meetings.

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

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

As in prior years, no directors' fees were paid to MG Directors that are also MG representative directors of any subsidiary or associate companies. As a result, members of MG's Board acting as representative directors on subsidiary and associate company boards are remunerated by MG with special project fees. The non-controlling interest representative Directors on the 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 full shareholder participation at the Annual Meeting to ensure a high level of accountability and identification with the Group's strategies and goals. In addition to this, the Board has continued with an ongoing communication programme with all shareholders.

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

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

Board Committees

Audit Committee

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

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

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

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

MG AUDIT COMMITTEE	MANAGEMENT ATTENDEES (by invitation)
Joanna Lim (Chair), Shareholder Director	Peter Hendry, CEO
Trevor Burt, Special Director	Duncan Pryor, CFO & Company Secretary
Bruce Irvine, Special Director	Kimberly Chavez, Business Assurance Manager
Mike Russell, Shareholder Director	KPMG, as required

Remuneration and Nomination Committee

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

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

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

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

Annual Review

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