MARKET GARDENERS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2010

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Financial highlights

- **Group gross sales under management** $573.554 million
- **Group profit before income tax** $8.152 million
- **Group profit for the year (after income tax)** $4.237 million
- **Group total equity** $72.033 million
- **Group total assets** $186.578 million

	2010 $'000	**2009** $'000
Shareholder distributions		
• Supplier shareholder rebate	250	300
• Bonus issue on supplier shareholder rebate	500	600
• Final gross dividend on "A" shares 8 cents per share (2009 : 10 cents per share)	886	1,019
• Final gross dividend on "D" shares 8 cents per share (2009 : 10 cents per share)	191	224
Total shareholder distributions in relation to the year ended 30 June	1,827	2,143

Chairman's review

It is with considerable satisfaction, coupled with a degree of caution, that I report on behalf of your Board of Directors on a strong performance and a solid result in difficult trading conditions for Market Gardeners Limited, trading as MG Marketing (MG). For the year to 30 June 2010, which was the 87th in our long history, the final result was below the previous year but must be considered against a backdrop of continuing economic recession and a consequent downturn in profitability across many commercial business sectors.

For the fresh produce sector in particular, these conditions inevitably led to further reductions in buyer demand and tightening of consumer spending compared to the previous year. In such an operating climate MG has had no option but to operate as frugally and efficiently as is possible whilst continuing to improve the cost-effectiveness of its supply and distribution operations on all fronts. To a great extent your Company has been successful in achieving these necessary steps. More details are given by the Chief Executive Officer in his report which follows.

Notably, the effects of the ongoing market downturn were most sharply experienced by our LaManna Group activities in Australia. A significant national oversupply problem in the second half of the year impacted heavily on LaManna's earnings. Banana production in particular soared during this period, causing a glut in volumes and a prolonged price collapse. Despite this set-back, however, MG is confident its strategy of targeted investment in Australian fruit and vegetable production and wholesale will pay off over the longer term. More information is provided in the LaManna report in the next section.

Oversupply of New Zealand produce was also a challenging issue during the year, although not so detrimental to our earnings at the domestic market level. Even so, the perennial problem of over-production is a matter of continuing concern and will only be effectively addressed through a combination of the inevitable attrition in the growing industry and much stronger management over what is being grown. This process is evolving slowly.

Across all of MG's business activities, our ongoing programme to lessen overheads, lift operational capabilities and develop new and specialised markets is delivering positive results. We have made excellent progress over recent years, but there is more we need to do. It is vital that as a co-operative we find ways to work smarter, gain new efficiencies and meet changing market expectations in a demanding recessionary climate.

Our mix of operations between domestic and offshore operations and products contributed to MG's sound overall result for the year under review. The ability to generate multiple sources of revenue and not overly rely on one or two markets or produce types is important for our financial performance and will certainly remain so. Whilst local market supplies were prone to suffering excessive production at different times of the year, out-of-season imported fruit and vegetables continue to provide a consistent source of revenue throughout the year. This is the result of many years of investment by MG in productive trade partnerships and development of expertise in the exacting international arena.

It is worthy of note that your Company continued to increase its base of grower-suppliers during the year, with up to 50 new members joining the co-operative shareholder base. This trend is encouraging for MG's future because it reinforces the mutual advantages underlying our business organisation. The Company is always interested in strengthening its supplier-distributor relationships with existing as well as new growers. Whilst membership remains strong and active we are better placed to respond positively to market changes and implement new and better ways to conduct our operations.

In a year that continued to impose difficult trading conditions on many fronts, MG has been able to withstand the worst effects and deliver a solid result for its Shareholders. Whilst the overall result is heartening, there can be no room for any complacency. Margins and profits are still extremely tight and are likely to remain so for some time. It will be essential for the Company to keep costs under strict control and to continue to seek further efficiency gains across our services to growers as well as our local, national and international distribution channels to markets.

Financial Performance and Distributions

This year's trading is highlighted on page two of this report and is further discussed in the ensuing Chief Executive's report. Despite the difficult trading environment described above MG has continued to grow with gross sales under management now exceeding $573 million (up from last year's $569 million), total assets are now over $186 million and Group equity has grown to over $72 million. As in the past Group cashflows have been reasonable and reflect the continued close management of all areas of the business, in particular debtor collection and bank funding.

In addition to this Annual Report and financial statements, this year the Board has decided to provide a summarised version of the annual report showing only the key financial reports. If you would like a copy of the Annual Review it can be found on the MG website (www.mgmarketing.co.nz), or by requesting a copy from the company secretary (email: dpryor@mgmarketing.co.nz or phone: (03) 3431794).

Chairman's review (continued)

Based on the financial performance to 30 June 2010, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling $1.827 million. On 26 August 2010 the Board declared the following distributions in relation to the year ended 30 June 2010:

- Supplier shareholder rebate – a taxable rebate of $250,000 to be applied by the Company in paying up in full "C" shares of the Company to be issued at $1.00 each and made in such manner as the Directors determine to those Current Producers that have supplied on a consignment basis during the financial year ended 30 June 2010;
- Bonus issue – a two for one fully imputed taxable bonus issue on the "C" shares issued out of the above rebate. This amounts to $500,000 worth of "C" shares being issued (you receive two further "C" shares for every one "C" share you receive from the above rebate). As imputation credits have been attached to the bonus issue shares they are mostly tax paid in the hands of the shareholder;
- Final dividend – a fully imputed taxable gross dividend of 8 cents on every "A" and "D" share on issue. Once again imputation credits are attached.

The above distributions will be made only to those shareholders entered on the share register with effect from 30 June 2010 and continuing to hold, at the date of the 2010 Annual Meeting, the shares held at 30 June 2010. The above rebate, bonus issue and dividends represent $1.827 million being distributed back to MG's loyal and supportive shareholders.

The Co-operative Role

The role of MG as a co-operative in supplying and distributing fresh produce has changed significantly over the past decade or so. Today, both in New Zealand and Australia, it incorporates a greatly expanded and diverse range of activities compared to the original concept of uniting growers and buyers at auction. It is worth emphasising that our co-operative model has successfully dealt with these changes and is well-equipped to continue doing so. In the current recessionary period the role taken by MG has delivered its shareholders a number of significant benefits.

At the forefront of these is our ability to co-ordinate supplies of best-quality produce to meet consumers' expectations. MG's significant investments over recent years in cool chain facilities, new distribution centres and grower liaison services have ensured a high degree of quality assurance and service continuity for retailers, a crucial factor in conducting our business regionally, nationally and offshore. A piecemeal or ad hoc approach to today's markets is simply not good enough and would quickly result in the loss of buyer support and declining produce values. Whilst instances of over-production can and do put serious pressure on MG's capability in this respect, it remains a fact that our collective strengths and diversity as a co-operative have enabled us to weather the worst of the negative effects.

Furthermore, our efforts are striving to add value, not cost, to the produce supply chain. The co-operative structure we operate in ensures that returns from investments in the form of margins and rebates will reward those Members who support such efforts. Profits will always vary according to factors within and sometimes beyond our control, but the bottom line for MG is that a significant portion of its profits are returned to its owners. In good times or bad, this principle is fundamental to our health.

Domestic and International

Your Company's operating strengths and earnings capacity rely directly on hundreds of actively participating growers throughout New Zealand, Australia and offshore through our trading partners, such as Dole and Sunkist. The diversity and the spread of this network provides MG with the synergies and flexibility needed to capitalise on market opportunities.

In New Zealand the market performance throughout the year under review was relatively flat for the majority of produce lines. For virtually the entire period prices and demand tended to slip downwards, with very few bright spots. At the same time output levels kept increasing as a result of mainly excellent growing conditions throughout the country. The inevitable result for the majority of domestic suppliers and growers was a steady decline in returns on sales as margins were progressively squeezed tighter.

Despite these difficulties in the marketplace, MG provided its grower-suppliers with the best possible opportunities for income on a consistent year-round basis. Even though some vegetable lines proved extremely hard to move because of heavy over-supply, your Company did as much as it possibly could to secure a reasonable return for growers.

Chairman's review (continued)

In Australia MG continued to consolidate its commercial growing and distribution activities on a nationwide basis through its subsidiary, the LaManna Group. This exercise is very much a work in progress and to date we have achieved most of our primary objectives. During the year LaManna was set back quite severely by Australia's massive over-supply problems in the latter half the period, but your Directors view this as something of an anomaly in the greater picture. Further information on business development in Australia is covered in the Chief Executive's report.

Across the board our import activities produced a steady result for the year under review. MG continues to lead the market, in both New Zealand and Australia, in a wide range of popular tropical fruits. Solid trade volumes and good results have been achieved for both import and export produce sales between New Zealand and Australia. Our strength in this domain is the result of many years of experience gained whilst building and maintaining commercial links with a reliable network of international suppliers.

In North America our California-based subsidiary company has continued to perform a valuable role in acquiring high quality and off-season produce for consumers in New Zealand and Australia. Our trading links across many countries in the Pacific Rim region give us added trading opportunities and insurance against home-market supply disruptions.

Annual Meeting

MG Shareholders are invited to attend this year's Annual Meeting of the Company, which is to be held at the Monaco Apartments Grand Mercure, 6 Point Road, Monaco, Nelson on Wednesday 24 November 2010, commencing at 5.30 pm.

At this function you are cordially invited to meet the Directors of the Company and senior management representatives to discuss areas of particular interest or relevance to your activity. You are most welcome to attend the formal meeting, as well as a social gathering and dinner to be held afterwards.

Directorate and Staff

During what has been a most demanding year, I wish to record my appreciation for the excellent governance accorded to MG by our Board of Directors. The directorate was enlarged in February when Alan Franklin was appointed to fill a casual vacancy. Based in Auckland, Alan is an experienced celery grower and his industry knowledge contributes much to the Board's collective expertise. In the face of tough economic times, your Board has succeeded in securing a strong end-of-year position for the Company, ready to face the challenges ahead.

In accordance with the Company's constitution, Messrs John Clarke, Francie Di Leva and Alan Franklin retire by rotation and being eligible offer themselves for re-election. As no other valid nominations were received their re-election will be announced at the Annual Meeting on 24 November 2010.

I also wish to formally acknowledge the excellent results that have been achieved by MG's Chief Executive Officer, Tom Treacy. Tom has announced his retirement from the Company effective from the end of June 2011. Tom has unstintingly served the best interests of MG since his appointment in 1988. His leadership qualities and pragmatic business approach have helped secure the Company's thriving performance through a lengthy period of significant change and many challenging situations. I can say without doubt that it has been a pleasure to work with him over almost two decades. I am sure all Members of the Co-operative will agree that we owe a large debt of thanks to Tom for his outstanding contribution to our success.

The Chief Executive Officer's position will be taken up at the end of the current financial year by Peter Hendry. Peter joined MG in 1998 as an account manager in Auckland and has performed a number of management roles, culminating with his current position of General Manager. He has proved to be a highly regarded member of our senior management team with the necessary experience and skills to carry on the task of leading our executive team into the future.

The LaManna Group operations in Australia continue to be led by the LaManna Chief Executive, Bernard Treacy. We are fortunate to have someone of his strength and capability handling our business operations in the Australian market in these testing times.

A tribute should also be made to our highly competent Company Secretary and Chief Financial Officer, Duncan Pryor, and his team. They provide MG with an exceptional service which is much appreciated by Members of the Board as well as the Company's management team.

Chairman's review (continued)

Outlook

There is a well-known saying that when times get tough, the tough get going. This is easy to say, of course, but not so easy to do. Resilience is one thing MG has plenty of and has a proven track record to show for it. Simply being tough in the current economic climate will not be enough. We will also need to be smarter, more adaptable and extremely efficient to deal with the clear challenges that lie ahead.

Our hard-won understanding of the produce business is that consumers want value for money, convenience, choice and consistently high quality. In order to obtain these preferences, today's buyers are increasingly looking for alternatives that encompass retail, wholesale, direct and home-grown sources of fresh vegetables and fruit. Knowing this, it becomes imperative for MG as a large co-operative group to establish new performance benchmarks and efficiency standards in supply methods, presentation and pricing initiatives. In order to achieve these critical goals, we will need the active support of all our growers and shareholders.

In pursuit of this support, it is most likely the gradual trend towards grower consolidation and economy of scale will quicken in pace. Larger-scale growers who are highly responsive to pricing and demand signals will be best placed to take advantage of changing market conditions and consumer preferences.

Size alone will not be sufficient, however. Of equal if not greater importance will be the ability to exercise better industry co-ordination over what is grown, when it is produced and how it is presented for sale. With larger production scales this ability will be fundamental to success. If we are to avoid over-production, which is the bane of our industry, these are the steps required to be taken.

What we are facing is a significant change away from unplanned and speculative growing towards co-ordinated arrangements and more widespread practices of producing to order. It would be naïve to expect all our crops to be grown in such a perfect environment, as markets and free enterprise don't work that way. However, it is incumbent on MG to encourage as many growers and shareholders as possible to pro-actively plan, execute and deliver produce that is wanted and valued by buyers. We will certainly be discussing these important aspects with suppliers in the coming months.

In closing I take this opportunity to thank all MG Shareholders and grower-suppliers for their ongoing support with supply arrangements, and also our many and varied local, national and international customers for their continuing business. I should also acknowledge the excellent work performed by our staff members throughout New Zealand and overseas. Finally, I wish you all the best of success in your personal and business prospects.

B P Gargiulo

Brian Gargiulo, MBE
Chairman,
19 October 2010

Chief executive officer's report

A continuation of the economic downturn and an unprecedented level of over-supply in Australia hampered trading in the year to 30 June 2010 and blunted an otherwise strong performance in the home markets for Market Gardeners Limited, trading as MG Marketing (MG). Whilst the final result is not as pleasing as in previous years, it is commendable that your Company has delivered a result providing a modest return for Shareholders in particularly adverse conditions.

It is no exaggeration to report that the period under review presented MG with some of the greatest obstacles to profitability and tests to our business operations in its recent history. The ongoing recessionary influences, coupled with falling consumer demand and sizeable crop surpluses for extended periods gave almost no respite for the entire financial year. To say trading in this environment was difficult would be an understatement. Yet MG has handled the severity of the challenges realistically and is prepared for a continuation of the same demanding conditions.

Your Company's ability to withstand such a difficult period is founded on its past actions, especially its prudent capital investments, concerted cost reductions and non-stop attention to service excellence and high produce quality. Importantly, this focus has continued in both our domestic and offshore markets for the reporting period and into the current year. In addition, MG has further improved operating efficiencies to maintain procurement and distribution activities as cost-effectively as is practicably possible. At the same time we have enhanced our level of responsiveness to marketplace buyers and consumers, a vital factor in preparing for an economic recovery and a return to healthier margins for produce sales.

What the year's difficulties graphically demonstrated is something I have raised before and will do so again! Through good times a number of inherent weaknesses in the fresh produce growing sector are fortuitously overlooked. These are issues of industry fragmentation and in most cases include ease of entry, unplanned crop selection and the perennial problem of over-supply. Economists will say it takes a hefty recession to weed out the pretenders from the professionals. This is certainly true of our business and the implications now stare us in the face. It is no longer a question of optional remedial measures, but one of sheer necessity for the immediate future.

Having said this, it is encouraging to see an increasing number of MG shareholder-growers responding to our overtures and supplying a higher proportion of their output subject to directions from our procurement staff and sales personnel working in the retail area of fresh fruit and vegetable markets. Those growers will have received better returns on average than others who do not or will not heed the information available for planting and harvesting decisions. Admittedly returns and margins for growers across the board have been lacklustre in recent times, but the essential truth remains under any or all trading conditions: meet the market's expectations and it will reward you. Conversely, ignore the signs and be prepared for disappointment.

It is earnestly hoped that prices will pick up in the Spring and early Summer months, but it would be foolish to be overly optimistic. MG's task is to ensure its grower-suppliers are well prepared to satisfy the need for sales continuity, quality assurance and premium packaging and presentation of produce. We remain committed to these facets of your business under all circumstances and irrespective of the ups and downs of market fluctuations.

Financial Overview

As is noted above, the result for the year is considered to be commendable given the economic conditions faced but is also disappointing in that we have not reported another consecutive profit increase. The key financial highlights are detailed on page two of this annual report and are discussed further in the Chairman's review.

Once again the Group's gross sales under management have remained strong and exceeded $573 million, a small but acceptable increase of 0.67% on the prior year. Group profit before income tax exceeded $8.1 million, a decrease on the prior year and reflects the impact of the poor market conditions experienced in Australia on the LaManna Group result (discussed in the Chairman's review and below) in contrast to the sound result coming from the New Zealand operations. Despite the decrease in the Group profit this year's income tax expense has increased. This is primarily the result of the New Zealand Government's decision to remove the depreciation deductibility on buildings with longer lives and resulted in a $1 million charge to the deferred tax liability, despite there being no actual capital gains tax in New Zealand.

Group equity has continued to strengthen and now exceeds $72 million. This increase reflects, amongst other things such as dividends and share surrenders, the group net profit after tax of $4.2 million and the impact of the triennial property revaluations of $4.6 million. Total assets have now grown to exceed $186 million of which $85 million reflects the Group's investment in its infrastructure of property, plant and equipment. A discussion on this year's infrastructure investments is detailed below. Group cash flows from operations continue to be well managed and reflect the current economic environment which has required our business units to more carefully watch and manage their accounts receivable / debtors.

Chief executive officer's report (continued)

As is noted in the Chairman's review this year MG is presenting, in addition to this Annual Report and financial statements, an Annual Review which includes only the key financial reports. We have moved to this format to present more meaningful information to our shareholders, staff and interested parties. If you would like a copy of the Annual Review it can be found on the MG website (www.mgmarketing.co.nz), or by requesting a copy from the company secretary (email: dpryor@mgmarketing.co.nz or phone: (03) 3431794).

The Chairman's review also details the distributions that have been declared for the year to 30 June 2010 which again are a significant recognition of the performance of the MG Group. It is pleasing to note once again the support of the shareholders through their high level of reinvestment of their dividends back into more MG shares. If you would like to participate in the dividend reinvestment plan please contact our Company Secretary, Mr Duncan Pryor, at Support Office for further information.

New Zealand Market

In spite of the economic frailties of the market, MG's share of domestic sales continued to expand during the year, both in volume and in new sales and distribution avenues. The same cannot be said for prices and margins, however, with disappointing rates of return for virtually all staple produce lines sold fresh across the counter. The reasons for this are discussed elsewhere in my report, but it is worth considering a number of increasing trends amongst the buying public of New Zealand.

One of these is consumer preference for more discounted or special items and a reluctance to make high-end, impulse purchases. Even more serious is a similar trend towards home-grown produce, evidenced by a recent surge in the number of seedlings and bedding plants sold at garden centres. It is one thing to receive a reduced margin, but another altogether to get none at all. Similarly, a growth in farmers' markets has been apparent for some years, with consumers keen to support local producers. These trends deserve our close scrutiny and you can be sure that MG is looking closely at ways to counter the potentially negative impacts on our business.

Any recovery in the country's economic fortunes is not likely to be decisive or quick. This realisation puts the onus on all of us to tackle the multiple threats of local and private competition in the best way we possibly can. That is for MG, as your distributor, to secure buyers' supply agreements and for grower-suppliers to deliver exactly what those agreements specify every day, every week and every month of the year. Nothing less than this will succeed against opposing market forces.

During the year MG continued its investment programme in new and refurbished distribution and storage facilities at key locations. Major improvements were completed at Wellington's Grenada North centre and at the Auckland, Penrose premises. In these centres, MG now has a state of the art storage and ripening facility for imported fruit, consolidating our position as the country's leading supplier of bananas. Our Palmerston North branch was also extended to create additional storage space and more efficient handling of produce.

On other fronts, MG created a new joint venture operation with an Auckland based flower company, United Flower Auctions Limited, which trades as United Flower Growers Limited. This is already providing flower growers with improved access to auctions and services throughout the country. We also entered into a strategic alliance with and investment in the operation of J S Ewers Ltd, a substantial glasshouse operation in Nelson and leading supplier of tomatoes.

MG Shareholders can now visit the Company's recently developed website (www.mgmarketing.co.nz), which showcases our personnel and activities. Over time, this site will be progressively upgraded to include a secure Member section, where grower-suppliers will be able to conduct specific transactions on-line. Coupled with email functions, these electronic services will offer significant speed and cost improvements. You will also have noted the return of our regular newsletter "Supplyline" in April, both in print and on the website. First produced in 1997, but not seen for some years of late, this informative publication is produced twice a year and features prominent and noteworthy examples of our growing and distribution operations, in addition to profiling individual growers and their successes.

LaManna Group, Australia

The LaManna Group of Companies is MG's 92% owned subsidiary conducting business in the Australian horticulture industry. For several years LaManna has been engaged in an investment programme focused on consolidating supplies of locally grown bananas and other tropical fruit lines into a single cohesive wholesale trading presence, in addition to import and export activities covering major markets across the country. This programme has proceeded satisfactorily and has largely been accomplished.

The year in review produced two very contrasting six-month periods, starting with a strong and confident first half, but ending with a severe four-month banana price downturn to a degree unprecedented in living memory. This sudden turnaround was caused by a massive surplus in production prompted by exceptional growing conditions.

Chief executive officer's report (continued)

When added to a weakening in consumer spending, the result was a 45% drop in banana prices for the last eight weeks year on year. Inevitably this impacted heavily on LaManna's earnings and profitability over the full reporting period.

The consequence of this situation is an immediate and ongoing shakeout of the entire produce sector. Major restructuring is by necessity occurring at all levels of the industry, from farming operations to distribution channels and wholesaler-retailer supply relationships. Whilst not a comfortable process, it does provide LaManna with excellent opportunities to capitalise on openings and gaps emerging in supply chains to market.

In pursuit of this task LaManna is concentrating on several refinements to the way it conducts business. Firstly it continues to reorganise its capacity to add value to domestic and international supply chains. By developing cross-functional skills for procurement and sales teams, LaManna is able to link Australian suppliers and customers much more effectively than has been the case with traditional distribution practices.

Additionally, LaManna is further developing its own farming interests in the Northern Territory, with an emphasis on adding value to crops grown for specific segments of the market. The objective of this work is to optimise controls over the timing and volume of production as well as quality assurance.

As bananas comprise a large proportion of LaManna's business, these grower and supply chain initiatives will be crucial to its success in local markets. Also of increasing importance is the Group's development of other produce categories such as imported fruit varieties from the Northern Hemisphere and also New Zealand. Although the Australian produce sector was hit hard by the banana price collapse, LaManna's prospects are encouraging under the changes being implemented. These initiatives are grounds for reasonable confidence in the short to medium term.

The current Board of Directors for LaManna Bananas Pty Ltd (parent company of the LaManna Group) comprises MG representatives Brian Gargiulo, MBE (Chairman), Tom Treacy, Andrew Fenton and Bruce Irvine, as well as two independent directors in Philip Holberton and Paul Graham.

Imports

Imports of out-of-season and tropical produce are an integral part of MG's business earnings in New Zealand and Australia. Your Company has expended considerable time and effort over many years to secure the most reliable sources and supply chains to achieve consistent results. Given the variables of global weather, exchange rates and border controls, this is by no means an easily attained position.

Notwithstanding the economic downturn, we remained the number one importer and distributor of out-of-season produce during the year. This accomplishment is a tribute to our international team based locally and offshore who have developed productive partnerships with global brand leaders such as Dole and Sunkist, as well as numerous other suppliers mainly in the Northern Hemisphere.

Our North American office continues to support this strong position sourcing produce for the New Zealand and Australian markets. It is noteworthy that many categories of fruit and vegetables previously seldom available here are now well established with consumers. Our intention is to continue developing these lines of produce, mindful of the risks involved in all matters of international trade.

MG Staff

For the second straight year operating under recessionary conditions, it is a credit to MG staff that they have performed exceptionally well to shield the Company and shareholder-suppliers from the worst effects of the ongoing downturn. It is fair to say that staff and their managers frequently exceeded their usual responsibilities to deliver positive outcomes for suppliers and customers of MG, and to make the best of sometimes trying circumstances. To all of them, I say a heartfelt thank you and well done!

Last year I forecast that economic conditions would remain flat for an extended period before any strong sign of upward recovery. This has proved to be the case and in these conditions it falls on our advisory, technical and support staff to take a vital role in helping suppliers adapt successfully to meet our grow-to-demand exhortations. The same goes for our sales and marketing personnel, who play a key part in recognising the marketplace signals and passing this information on to growers for their benefit.

In acknowledgment of their efforts, it is our pleasure to again feature the names of all the MG Group staff members on the cover of the Annual Review.

Chief executive officer's report (continued)

Conclusion

As MG Shareholders have been informed, I will be stepping down as Chief Executive Officer at the end of the current financial year and this is my final contribution to the Annual Report in that capacity. Over the many years I have held this position, it has been extremely satisfying to see the steady growth of MG's operations in all parts of New Zealand as well as Australia and other parts of the world. Whilst not without occasional growing pains, this progress has been a salient example of the underlying business strengths and mutual advantages of co-operative ownership. MG's record over the past two decades has been founded on this strong co-operative spirit and I am sure it will continue to lead to future commercial success.

There are certainly some demanding challenges ahead of us however. As witnessed in the year under review, the ever-present spectre of over-production is the biggest of these. It is something that must be addressed to minimise the short and long term damaging effects on produce prices and margins. There is no quick fix, but strategic policies are being formulated by MG to exert better control over the type and quantity of vegetables and fruit being grown. Fittingly for a co-operative, these moves involve teamwork and communication aimed at better co-ordinating our planting, harvesting and distribution decisions. No doubt you will be hearing a lot more on this theme in the coming year.

Another big challenge for MG is to improve the market competitiveness of commercially grown crops so as to combat rising volumes of farm-direct and home-grown produce. As we cannot realistically compete on price, we must respond in other ways to protect and expand our market share. This means offering exceptionally good quality produce on a timely basis throughout and between the growing seasons. Understanding and responding to market signals is a critically important factor in this process. We must also lead with new and improved lines of produce to attract and retain more retail buyers. MG has devoted resource to this area of innovation and is working with a number of growers to bring these initiatives to market. Our prospects in the horticultural industry will be assisted by new growing arrangements such as these, plus we must attend closely to consumer insistence on environmentally sustainable growing, packaging and transport methods.

The body of expert knowledge existing in your Company has been developed over many years and is always available to shareholders and suppliers. I urge you to take advantage of these skills at every business opportunity and not to overlook or restrict dialogue and collaboration with MG's staff and managers. The true test of every partnership is how well all the partners work together. It is no different for grower-suppliers as co-operative members of MG.

Your Company has a proud and productive history going back to 1923, long before most of us were born. I have every confidence that with the calibre of people directing and operating in the organisation, we can maintain this record and add to it in constructive and worthwhile ways. Our experienced Board members are supported by a strong team of managers and enthusiastic staff. These are the best ingredients we can possibly have for the future.

Finally, I wish to express an earnest thank you to all my executive colleagues, the Group's employees and Directors who have contributed greatly to my enjoyable tenure of office. The same vote of appreciation goes to the many hundreds of shareholders and growers who have played an essential part in what for me has been a hectic, stimulating and gratifying career with MG. I offer my best wishes to you all for a successful and rewarding future.

Tom Treacy
Chief Executive Officer
19 October 2010

MARKET GARDENERS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2010.

For and on behalf of the Board of Directors:

B.D. Gargiulo, MBE Chairman 19 October 2010	B.R. Irvine Director 19 October 2010

Statement of comprehensive income

For the year ended 30 June

	Note	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
Revenue – sale of goods	6	302,576	296,532	113,717	117,510
Cost of sales		258,983	248,499	91,364	95,766
Gross profit		43,593	48,033	22,353	21,744
Other operating income	7	1,640	1,351	953	640
Administrative expenses	8	8,732	8,205	5,643	5,166
Other expenses		25,251	27,663	9,213	11,466
Results from operating activities		11,250	13,516	8,450	5,752
Finance income		230	392	2,036	2,290
Finance expense		3,960	3,756	3,189	2,818
Net finance costs		3,730	3,364	1,153	528
Profit before equity earnings and income tax		7,520	10,152	7,297	5,224
Share of profit/(loss) of equity accounted investees	13	632	(21)	-	-
Profit before income tax		**8,152**	**10,131**	**7,297**	**5,224**
Income tax expense	10	3,915	2,901	2,885	1,047
Profit for the year		**4,237**	**7,230**	**4,412**	**4,177**
Other comprehensive income					
Foreign currency translation differences for foreign operations		(979)	5	-	-
Changes in the fair value of land and buildings		5,444	-	1,563	-
Effective portion of changes in the fair value of cash flow hedges		(307)	(661)	(68)	(1,222)
Income tax on other comprehensive income	14	(742)	24	23	273
Other comprehensive income for the period, net of income tax		3,416	(632)	1,518	(949)
Total comprehensive income for the year		**7,653**	**6,598**	**5,930**	**3,228**
Profit attributable to:					
Owners of the company		4,117	6,853	4,412	4,177
Non-controlling interest		120	377	-	-
Profit for the year		**4,237**	**7,230**	**4,412**	**4,177**
Total comprehensive income attributable to:					
Owners of the company		7,533	6,221	5,930	3,228
Non-controlling interest		120	377	-	-
Total comprehensive income for the year		**7,653**	**6,598**	**5,930**	**3,228**

The significant accounting policies and notes to the financial statements on pages 17 to 44 form part of and are to be read in conjunction with these financial statements.

Statement of changes in equity

For the year ended 30 June

Group	Share Capital $'000	Revaluation reserve $'000	Hedging reserve $'000	Foreign currency translation reserve $'000	Total reserves $'000	Retained earnings $'000	Minority interest $'000	Total equity $'000
Balance at 1 July 2008	13,106	24,063	459	2,483	27,005	16,321	4,003	60,435
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	6,853	377	7,230
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	(554)	5	(549)	-	-	(549)
Net change in the fair value of land and buildings	-	(83)	-	-	(83)	-	-	(83)
Total other comprehensive income	-	(83)	(554)	5	(632)	-	-	(632)
Total comprehensive income for the period	-	(83)	(554)	5	(632)	6,853	377	6,598
Transactions with owners, recorded directly in equity								
Dividends	559	-	-	-	-	(974)	(377)	(792)
Shares issued	790	-	-	-	-	(720)	-	70
Shares surrendered	(407)	-	-	-	-	-	-	(407)
Balance at 30 June 2009	14,048	23,980	(95)	2,488	26,373	21,480	4,003	65,904
Balance at 1 July 2009	14,048	23,980	(95)	2,488	26,373	21,480	4,003	65,904
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	4,117	120	4,237
Other comprehensive income								
Net change in the fair value of cash flow hedges	-	-	(211)	(979)	(1,190)	-	-	(1,190)
Acquisition of equity accounted investee	-	(821)	-	-	(821)	821	-	-
Net change in the fair value of land and buildings	-	4,606	-	-	4,606	-	-	4,606
Total other comprehensive income	-	3,785	(211)	(979)	2,595	821	-	3,416
Total comprehensive income for the period	-	3,785	(211)	(979)	2,595	4,938	120	7,653
Transactions with owners, recorded directly in equity								
Dividends	608	-	-	-	-	(1,129)	(258)	(779)
Shares issued	946	-	-	-	-	(900)	-	46
Shares surrendered	(791)	-	-	-	-	-	-	(791)
Balance at 30 June 2010	14,811	27,765	(306)	1,509	28,968	24,389	3,865	72,033

The significant accounting policies and notes to the financial statements on pages 17 to 44 form part of and are to be read in conjunction with these financial statements.

Statement of changes in equity (continued)

For the year ended 30 June

Parent Company	**Share Capital $'000**	**Revaluation reserve $'000**	**Hedging reserve $'000**	**Total reserves $'000**	**Retained earnings $'000**	**Total equity $'000**
Balance at 1 July 2008	13,106	15,671	458	16,129	8,141	37,376
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,177	4,177
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	(949)	(949)	-	(949)
Total other comprehensive income	-	-	(949)	(949)	-	(949)
Total comprehensive income for the period	-	-	(949)	(949)	4,177	3,228
Transactions with owners, recorded directly in equity						
Dividends	559	-	-	-	(909)	(350)
Shares issued	790	-	-	-	(720)	70
Shares surrendered	(407)	-	-	-	-	(407)
Balance at 30 June 2009	14,048	15,671	(491)	15,180	10,689	39,917
Balance at 1 July 2009	14,048	15,671	(491)	15,180	10,689	39,917
Total comprehensive income for the period						
Profit for the period	-	-	-	-	4,412	4,412
Other comprehensive income						
Net change in the fair value of cash flow hedges	-	-	(47)	(47)	-	(47)
Net change in the fair value of land and buildings	-	1,565	-	1,565	-	1,565
Total other comprehensive income	-	1,565	(47)	1,518	-	1,518
Total comprehensive income for the period	-	1,565	(47)	1,518	4,412	5,930
Transactions with owners, recorded directly in equity						
Dividends	608	-	-	-	(1,016)	(408)
Shares issued	946	-	-	-	(900)	46
Shares surrendered	(791)	-	-	-	-	(791)
Balance at 30 June 2010	14,811	17,236	(538)	16,698	13,185	44,694

The significant accounting policies and notes to the financial statements on pages 17 to 44 form part of and are to be read in conjunction with these financial statements.

Statement of financial position

As at 30 June

	Note	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
EQUITY					
Share capital	18	14,811	14,048	14,811	14,048
Reserves		28,968	26,373	16,698	15,180
Retained earnings		24,389	21,480	13,185	10,689
Total equity attributable to equity holders of the Parent Company		68,168	61,901	44,694	39,917
Minority interest		3,865	4,003	-	-
Total equity		72,033	65,904	44,694	39,917
NON-CURRENT ASSETS					
Property, plant and equipment	11	85,620	75,579	37,295	36,375
Intangible assets	12	33,006	34,172	638	639
Investments in equity accounted investees	13	7,119	4,523	201	37
Investments in subsidiaries		-	-	1,231	1,231
Trade and other receivables	16	10,780	1,267	10,477	713
Deferred tax assets	14	2,605	2,015	1,697	1,470
Total non-current assets		139,130	117,556	51,539	40,465
CURRENT ASSETS					
Inventories	15	6,189	5,214	4,316	3,220
Trade and other receivables	16	32,672	38,602	66,789	62,023
Cash and cash equivalents	17	8,587	8,181	2,876	2,632
Total current assets		47,448	51,997	73,981	67,875
Total assets		186,578	169,553	125,520	108,340
NON-CURRENT LIABILITIES					
Loans and borrowings	19	3,456	45,895	2,385	33,551
Trade and other payables	20	1,183	1,308	877	1,099
Deferred tax liabilities	14	4,210	2,210	1,685	674
Total non-current liabilities		8,849	49,413	4,947	35,324
CURRENT LIABILITIES					
Loans and borrowings	19	60,301	4,352	43,067	1,500
Trade and other payables	20	44,417	48,298	31,875	31,182
Taxation payable		978	1,586	937	417
Total current liabilities		105,696	54,236	75,879	33,099
Total liabilities		114,545	103,649	80,826	68,423
NET ASSETS		72,033	65,904	44,694	39,917

The significant accounting policies and notes to the financial statements on pages 17 to 44 form part of and are to be read in conjunction with these financial statements.

Statement of cash flows

For the year ended 30 June

		Group		Parent Company	
	Note	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Cash receipts from customers		306,646	298,624	117,166	120,854
Dividends received		589	570	1,251	-
Interest received		230	394	170	267
Cash was applied to:					
Cash paid to suppliers and employees		(294,536)	(281,817)	(106,696)	(112,628)
Interest paid		(3,566)	(3,639)	(2,827)	(2,693)
Income tax paid		(3,639)	(908)	(1,569)	(127)
Net cash from operating activities	25	5,724	13,224	7,495	5,673
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		328	195	4	7
Proceeds from loans and advances		1,164	-	1,164	7,717
Cash was applied to:					
Advances to equity accounted investees		-	(3,779)	-	(1,310)
Acquisition of property, plant and equipment		(12,255)	(13,472)	(4,831)	(6,883)
Acquisition of equity accounted investees		(170)	(1,554)	(164)	-
Acquisition of business and subsidiaries, net of cash acquired		-	(1,145)		(1,145)
Loans and advances		(7,118)	-	(7,118)	-
Net cash (used in) investing activities		(18,051)	(19,755)	(10,945)	(1,614)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from issue of share capital		46	70	46	70
Proceeds from bank and other borrowings		17,779	17,846	13,709	5,511
Proceeds from loans and advances		461	283	105	283
Cash was applied to:					
Shares surrendered	18	(791)	(407)	(791)	(407)
Repayment of borrowings		(3,380)	(7,239)	(2,922)	(6,850)
Dividends paid		(675)	(792)	(411)	(350)
Loans and advances		(512)	(3,233)	(6,042)	(3,233)
Net cash from/(used in) financing activities		12,928	6,528	3,694	(4,976)
Net increase/(decrease) in cash and cash equivalents		601	(3)	244	(917)
Cash and cash equivalents at 1 July		8,181	8,200	2,632	3,549
Effect of exchange rate fluctuations on cash held		(195)	(16)	-	-
Cash and cash equivalents at 30 June		8,587	8,181	2,876	2,632

The significant accounting policies and notes to the financial statements on pages 17 to 44 form part of and are to be read in conjunction with these financial statements.

Notes to the financial statements

1. Reporting entity

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

Financial statements are presented for the Parent Company and consolidated financial statements. The consolidated financial statements of Market Gardeners Limited as at and for the year ended 30 June 2010 comprise the Parent Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

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

2. Basis of preparation

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 19 October 2010.

(b) Basis of measurement

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

- Land and buildings which are carried at fair value;
- Derivative financial instruments which are measured at fair value; and
- Financial instruments classified as available for sale which are measured at fair value.

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 12 – valuation and recoverable amount of intangible assets;
- Note 14 – recognition of deferred tax asset; and
- Note 18 – co-operative share capital classification.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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

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

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

(b) Foreign currency

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

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

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

(iii) Hedge of net investment in foreign operation
Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in foreign operations are recognised directly in equity, in the FCTR, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Statement of Comprehensive Income. When the hedged net investment is disposed of, the cumulative amount in the FCTR is transferred to the Statement of Comprehensive Income as an adjustment to the profit / loss on disposal.

(c) Financial instruments

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

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

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

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

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

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

Trade and other receivables are stated at their cost less impairment losses and are classified as "loans and receivables" financial instruments.

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

(ii) Derivative financial instruments

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

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

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

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

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

(iii) Share capital

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Land and buildings are measured at fair value. The basis of the valuation is highest and best use as determined by an independent valuer, disposal costs are not deducted. Any surplus on revaluation is transferred directly to equity unless it offsets a previous decrease in value recognised in other comprehensive income, in which case it is recognised in other comprehensive income. Upon revaluation all accumulated depreciation is netted against the cost of the land and buildings prior to determining the amount by which the land and buildings are to be revalued.

(ii) Subsequent costs

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(iii) Depreciation

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

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

(iv) Capital work in progress

Capital work in progress is recognised as an asset and is stated at cost less impairment. Expenditure directly attributable to the acquisition or creation of the asset is capitalised up to the time of commissioning of substantially all of the asset. Once commissioned, the asset is transferred out of work in progress and depreciated over its expected useful life.

(e) Intangible assets

(i) Goodwill

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

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

(ii) Brand

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

Where a brand is considered to have an indefinite life, no amortisation is provided for in the financial statements but it is subject to an annual impairment test. The brand value is denominated in Australian dollars and therefore a foreign exchange translation arises on consolidation.

(f) Leased assets

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

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

(g) Inventories

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

(h) Impairment

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

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

(i) Impairment of equity instruments

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

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

(ii) Impairment of receivables

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

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

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

(iii) Non-financial assets

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

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

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

(i) Employee benefits

(i) Defined contribution plans

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

(ii) Other long-term employee benefits

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

(iii) Short-term employee benefits

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

(j) Provisions

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

(k) Revenue and other operating income

(i) Revenue - sale of goods

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

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

3. Significant accounting policies (continued)

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

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

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

(l) Lease payments

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

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

(m) Finance income and expenses

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

(n) Income tax expense

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

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

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

Deferred tax is not recognised for the following temporary differences:

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

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

(o) New standards, amendments and interpretations

A number of new standards, amendments and interpretations became effective and were adopted for the preparation of the 2010 Group financial statements. They include:

- NZ IAS 1 Preparation of Financial Statements (revised). The Group has applied the revised NZ IAS 1 which became effective 1 January 2009. As a result, the Group presents in the Statement of Changes in Equity all owner changes in equity, while all non-owner changes in equity are presented in the Statement of Comprehensive Income. Comparative information has been re-presented as required by the revised standard.

- NZ IAS 23 Borrowing costs (revised). The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset from 1 July 2009.

- NZ IFRS 3 Business combinations (revised) and NZ IAS 27: Consolidated and separate financial statements (amended) became mandatory for accounting periods beginning on or after 1 July 2009. The Group have adopted these standards which require all business combinations occurring on or after 1 July 2009 to be accounted for by applying the acquisition method. The changes in these policies are applied prospectively.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

A number of new standards, amendments and interpretations are not yet effective for the year ended 30 June 2010 and have not been applied in preparing these financial statements, the relevant standards are detailed below. At the time of the annual report the impact of each relevant standard had not yet been determined:

- NZ IFRS 5 Amendments to Non Current Assets Held for Sale and Discontinued Operations. The amendments clarify the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in NZ IFRS 5. The amended standard will be mandatory for the 2011 Group financial statements.

- NZ IAS 1 Amendments to Presentation of Financial Statements. The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. The amended standard will be effective for the 2011 Group financial statements.

- NZ IAS 7 Amendments to Statement of Cash Flows. The amendments clarify that only expenditure that results in the recognition of an asset can be classified as cash flow from investing activities. The amended standard will be effective for the 2011 Group financial statements.

- NZ IAS 17 Amendments to Leases. The amendments remove the guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. Additionally, the amendments clarify that when a lease includes both land and building elements, an entity should determine the classification of each element based on paragraphs 7-13 of NZ IAS 17, taking into account of the fact that land normally has an indefinite economic life. The amended standard will be effective for the 2011 Group financial statements.

- NZ IAS 36 Amendments to Impairment of Assets. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in NZ IFRS 8 before applying the aggregation criteria of NZ IFRS 8. The amended standard will be effective for the Group's 2011 financial statements.

- NZ IAS 39 Amendments to Financial Instruments: Recognition and Measurement. The amendments provide guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in NZ IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedge forecast cash flows impact on profit or loss. The amended standard will be effective for the 2011 Group financial statements.

- NZ IFRS 9 issued as a wider project to replace NZ IAS 39. NZ IFRS 9 retained but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of the classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in NZ IAS 39 on impairment of financial assets and hedge accounting continues to apply. The amended standard will be effective for the 2014 Group financial statements.

- NZ IAS 24 Related Party Disclosures (revised 2009). The amended standard refines the definition of a related party. The standard will be effective for the 2012 Group financial statements.

There are a number of other standards, amendments and interpretations which are not yet effective and the Directors and management consider they will have no impact on the Group. The non-relevant standards, amendments and interpretations are:

- NZ IFRS 1 First-time Adoption of NZ IFRS.
- NZ IFRS 2 Share-based Payments – Group Cash – settled Share-based Payment Transactions.
- NZ IAS 32 Financial Instrument: Presentation – Classification of Rights Issues.
- NZ IFRIC 14: NZ IAS 19 - The limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction.
- NZ IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

4. Determination of fair values

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

(a) Land and buildings

The fair value of land and buildings is based on market values. The market value of land and buildings is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. Details relating to the revaluation of land and buildings are shown in note 11.

(b) Intangible assets

The fair value of brand assets acquired in a business combination was based on the discounted estimated royalty payments that have been avoided as a result of the brand being owned. The valuation was performed by independent valuers.

(c) Derivatives

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

5. Acquisition of subsidiary

Business combinations – 2010

Effective 30 June 2010 the Group acquired the remaining 50% of share capital of Mainland Tomatoes Limited from B.D & A.B. Gargiulo and Brian Gargiulo Trust No.2. If the acquisition had occurred on 1 July 2009 the Directors' estimate of impact on consolidated revenue and consolidated profit for the period would have been $1,343,000 and $114,305 respectively.

The values of assets and liabilities recognised on acquisition are their estimated fair values. The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Note	Recognised values on acquisition $'000 2010
Property, plant and equipment	11	6,626
Trade and other receivables		2,783
Cash and cash equivalents		18
Loans and borrowings		(1,750)
Trade and other payables		(7,677)
		-
Consideration		-

6. Revenue – sale of goods

Revenue from the sale of goods represents the value of traded product and the commissions earned from sales made as agent. Gross sales under management represent the value of traded product and the gross value of sales made as agent. In 2010 gross sales under management for the Group were $573,554,000 (2009: $569,746,000) and for the Parent Company $326,294,000 (2009: $325,792,000).

Notes to the financial statements (continued)

7. Other operating income	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
Bad debts recovered	-	135	-	-
Net gain / (loss) on sale of property, plant and equipment	166	30	(9)	-
Foreign exchange gain / (loss)	-	55	-	(13)
Rental income	1,474	1,131	962	653
Total other income	1,640	1,351	953	640

8. Administrative expenses

The following items of expenditure are included in administrative expenses:

Donations	20	20	10	10
Auditor's remuneration comprises:				
For audit work:				
• to Market Gardeners Limited and subsidiaries (KPMG)	63	58	63	58
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	75	73	-	-
For other audited related services:				
• to Market Gardeners Limited and subsidiaries (KPMG)	7	7	7	7
• to Market Gardeners Limited (BDO)	5	5	5	5
• to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)	31	33	-	-
Total auditor's remuneration	181	176	75	70

Other audit related services paid to KPMG include fees in respect of the Group compliance with NZ IFRS and the audit of the Parent Company's share register. Other audit related services paid to Pitcher Partners relate to internal audit and taxation services.

9. Personnel expenses

Wages and salaries	38,501	35,092	19,403	19,383
Contributions to defined contribution superannuation plans	1,994	1,911	603	550
Increase/(decrease) in liability for long-service leave	316	179	(9)	15
Total personnel expenses	40,811	37,182	19,997	19,948

10. Income tax expense in the statement of comprehensive income

Current tax expense	3,212	3,193	2,073	1,256
Prior period adjustment to current tax	35	(222)	5	(296)
	3,247	2,971	2,078	960
Deferred tax - origination and reversal of temporary differences	(143)	(70)	(26)	87
Deferred tax – removal of tax depreciation on buildings	1,071	-	949	-
Deferred tax - reduction in tax rate	(260)	-	(116)	-
Tax credit/(expense)	668	(70)	807	87
Total income tax expense	3,915	2,901	2,885	1,047

Notes to the financial statements (continued)

10. Income tax expense in the statement of comprehensive income (continued)	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
Profit before tax	8,152	10,131	7,297	5,224
Income tax using the Parent Company's domestic tax rate	2,446	3,039	2,189	1,567
Add/(deduct) taxation effect of:				
Difference in effective tax rate of equity accounted investees	229	134	-	-
Non-deductible expenses	705	314	430	363
Tax exempt income	(489)	(364)	(251)	(90)
Group loss offset	-	-	(277)	(497)
Current year losses for which no deferred tax asset was recognised	32	-	-	-
Under/(over) provided in prior periods	181	(222)	(39)	(296)
Deferred tax – removal of tax depreciation on buildings	1,071	-	949	-
Deferred tax – reduction in tax rate	(260)	-	(116)	-
Total income tax expense	3,915	2,901	2,885	1,047

Imputation credits	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
Imputation credits at 1 July	2,607	3,059	2,522	2,974
New Zealand tax payments, net of refunds	1,569	100	1,545	100
Imputation credits attached to dividends paid and bonus issues	(906)	(552)	(906)	(552)
Imputation credits at 30 June	3,270	2,607	3,161	2,522
The imputation credits are available to shareholders of the Parent Company:				
Through the Parent Company	3,161	2,522	3,161	2,522
Through subsidiaries	109	85	-	-
Imputation credits at 30 June	3,270	2,607	3,161	2,522

11. Property, plant and equipment

Group	Note	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Cost or valuation							
Balance at 1 July 2008		57,475	2,094	3,115	12,497	1,380	76,561
Additions		4,975	647	641	650	6,560	13,473
Acquisitions through business combinations		900	15	7	48	-	970
Disposals		(156)	(139)	(406)	(146)	-	(847)
Reclassification		(49)	-	33	59	(43)	-
Effect of movements in exchange rates		(71)	(11)	10	(48)	-	(120)
Balance at 30 June 2009		63,074	2,606	3,400	13,060	7,897	90,037
Balance at 1 July 2009		63,074	2,606	3,400	13,060	7,897	90,037
Additions		3,593	25	233	2,615	280	6,746
Acquisitions through business combinations	5	6,436	20	4	166	-	6,626
Transfer to trade and other receivables – finance lease		-	-	-	-	(1,993)	(1,993)
Transfer to investments in equity accounted investees	13	(2,147)	-	-	-	-	(2,147)
Disposals		(2)	(157)	(88)	(405)	-	(652)
Revaluations		1,032	-	-	-	-	1,032
Reclassification		2,078	-	127	3,578	(5,783)	-
Effect of movements in exchange rates		(497)	(74)	(43)	(354)	-	(968)
Balance at 30 June 2010		73,567	2,420	3,633	18,660	401	98,681

Notes to the financial statements (continued)

11. Property, plant and equipment (continued)

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Accumulated depreciation						
Balance at 1 July 2008	2,256	1,048	2,483	6,697	-	12,484
Depreciation for the year	1,175	189	335	963	-	2,662
Disposals	(84)	(43)	(391)	(164)	-	(682)
Effect of movements in exchange rates	-	(1)	(1)	(4)	-	(6)
Balance at 30 June 2009	3,347	1,193	2,426	7,492	-	14,458
Balance at 1 July 2009	3,347	1,193	2,426	7,492	-	14,458
Depreciation for the year	1,172	244	486	1,201	-	3,103
Disposals	(1)	(92)	(119)	(216)	-	(428)
Revaluations	(3,771)	-	-	-	-	(3,771)
Reclassification	61	-	(53)	(8)	-	-
Effect of movements in exchange rates	(51)	(38)	(20)	(192)	-	(301)
Balance at 30 June 2010	757	1,307	2,720	8,277	-	13,061
Carrying amounts						
At 1 July 2008	55,219	1,046	632	5,800	1,380	64,077
At 30 June 2009	59,727	1,413	974	5,568	7,897	75,579
At 1 July 2009	59,727	1,413	974	5,568	7,897	75,579
At 30 June 2010	72,810	1,113	913	10,383	401	85,620

Parent Company

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Cost or valuation						
Balance at 1 July 2008	27,816	222	2,553	3,065	1,380	35,036
Additions	27	101	205	187	6,560	7,080
Acquisitions through business combinations	-	15	7	48	-	70
Disposals	(16)	(35)	(406)	(24)	-	(481)
Reclassification	14	-	11	18	(43)	-
Balance at 30 June 2009	27,841	303	2,370	3,294	7,897	41,705
Balance at 1 July 2009	27,841	303	2,370	3,294	7,897	41,705
Additions	1,074	10	63	1,238	280	2,665
Transfer to trade and other receivables – finance lease	-	-	-	-	(1,993)	(1,993)
Disposals	(2)	(1)	(88)	(184)	-	(275)
Revaluations	34	-	-	-	-	34
Reclassification	2,078	-	127	3,578	(5,783)	-
Balance at 30 June 2010	31,025	312	2,472	7,926	401	42,136
Accumulated depreciation						
Balance at 1 July 2008	575	127	2,087	2,070	-	4,859
Depreciation for the year	451	35	286	215	-	987
Disposals	(8)	(7)	(391)	(110)	-	(516)
Balance at 30 June 2009	1,018	155	1,982	2,175	-	5,330
Balance at 1 July 2009	1,018	155	1,982	2,175	-	5,330
Depreciation for the year	465	30	266	478	-	1,239
Disposals	(1)	(1)	(119)	(78)	-	(199)
Revaluations	(1,529)	-	-	-	-	(1,529)
Reclassification	61	-	(53)	(8)	-	-
Balance at 30 June 2010	14	184	2,076	2,567	-	4,841

Notes to the financial statements (continued)

11. Property, plant and equipment (continued)

	Land and buildings $'000	Motor Vehicles $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital work in progress $'000	Total $'000
Carrying amounts						
At 1 July 2008	27,241	95	466	995	1,380	30,177
At 30 June 2009	26,823	148	388	1,119	7,897	36,375
At 1 July 2009	26,823	148	388	1,119	7,897	36,375
At 30 June 2010	31,011	128	396	5,359	401	37,295

Security
Property, plant and equipment forms part of and is security for bank loans and finance leases (refer to note 19).

Leased plant and equipment
The Group leases certain plant and equipment under a number of finance lease arrangements. The net carrying amount of this leased plant and equipment was $nil (2009 : $141,000).

Land and buildings
Land and buildings include leasehold improvements and leasehold entitlements. Land and buildings were revalued to net current value as at 30 June 2010 based on the valuations provided as at that date by the following registered valuers: Simes Ltd ($16,444,000), Duke and Cooke Ltd ($9,854,000), Truebridge Partners ($30,250,000), Blackmore and Associates ($3,220,000), Coast Valuations ($330,000), Chadderton Valuation ($1,000,000), Herron Todd White ($4,484,000), Valuecorp ($6,719,000).

Fair value
The Directors consider that the fair value of land and buildings is approximated by their carrying value. The most recent independent valuations were reflected in the 30 June 2010 financial statements. If the land and buildings were measured using the cost model then the carrying value would be $42,177,000 (2009: $35,774,000) for the Group and $12,723,000 (2009: $10,659,000) for the Parent Company.

12. Intangible assets

Group	Goodwill $'000	Brand $'000	Trademarks $'000	Total $'000
Cost				
Balance at 1 July 2008	19,648	13,783	9	33,440
Acquisitions through business combinations	632	-	-	632
Additional costs related to previous acquisitions	259	-	-	259
Effect of movements in exchange rates	(92)	(65)	-	(157)
Balance at 30 June 2009	20,447	13,718	9	34,174
Balance at 1 July 2009	20,447	13,718	9	34,174
Effect of movements in exchange rates	(707)	(458)	-	(1,165)
Balance at 30 June 2010	19,740	13,260	9	33,009
Accumulated amortisation and impairment losses				
Balance at 1 July 2008	-	-	1	1
Amortisation for the year	-	-	1	1
Balance at 30 June 2009	-	-	2	2
Balance at 1 July 2009	-	-	2	2
Amortisation for the year	-	-	1	1
Balance at 30 June 2010	-	-	3	3
Carrying amounts				
At 1 July 2008	19,648	13,783	8	33,439
At 30 June 2009	20,447	13,718	7	34,172
At 1 July 2009	20,447	13,718	7	34,172
At 30 June 2010	19,740	13,260	6	33,006

Notes to the financial statements (continued)

12. Intangible assets (continued)

Parent Company	**Goodwill $'000**	**Trademarks $'000**	**Total $'000**
Cost			
Balance at 1 July 2008	-	9	9
Acquisitions through business combinations	632	-	632
Balance at 30 June 2009	632	9	641
Balance at 1 July 2009	632	9	641
Acquisitions through business combinations	-	-	-
Balance at 30 June 2010	632	9	641
Accumulated amortisation and impairment losses			
Balance at 1 July 2008	-	1	1
Amortisation for the year	-	1	1
Balance at 30 June 2009	-	2	2
Balance at 1 July 2009	-	2	2
Amortisation for the year	-	1	1
Balance at 30 June 2010	-	3	3
Carrying amounts			
At 1 July 2008	-	8	8
At 30 June 2009	632	7	639
At 1 July 2009	632	7	639
At 30 June 2010	632	6	638

With the exception of $632,000 of goodwill (in the Parent and Group), which relates to the New Zealand cash generating unit, the goodwill and the indefinite life brand intangible asset of the Group have been allocated to the Australian operation cash generating unit. The recoverable amount of the Australian operation cash generating unit is based on value-in-use calculations. The calculation uses cash flow projections based on budgets approved by the Board to June 2011 and a discount rate of 10.5%. Cash flows beyond June 2011 have been extrapolated using a steady growth rate of 3% (a conservative growth factor based on CPI). The calculation supports the carrying amount of the recorded goodwill and the indefinite life brand. The value-in-use cash flow model is sensitive to the key assumptions. By way of example, if the weighted average cost of capital or free cash flows reduced by 10% this may give rise to an indication of potential impairment which would need to be considered.

The Group intangible brand asset which arises on accounting for a business combination is considered, after analysing the economic and other factors that give rise to the brand, to have an indefinite useful life.

13. Investments in equity accounted investees (associates)

The Group's share of profit/(loss) in its equity accounted investees for the year was $632,000 (2009: ($21,000)).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:	**Total assets $'000**	**Total liabilities $'000**	**Revenues $'000**	**Profit/ (loss) $'000**
2009				
Equity accounted investees in aggregate	13,160	8,869	63,894	(42)
2010				
Equity accounted investees in aggregate	10,717	6,450	70,247	924

Notes to the financial statements (continued)

13. Investments in equity accounted investees (associates) (continued)	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
Movements in carrying value of equity accounted investees:				
Balance at 1 July	4,523	4,075	37	605
Share of profit/(loss) of equity accounted investees	632	(21)	-	-
Share of tax of equity accounted investees	(186)	(23)	-	-
Share of revaluation reserve of equity accounted investees	611	-	-	-
Dividends from equity accounted investees	(589)	(570)	-	-
Acquisitions through business combinations	-	1,554	-	-
Transfer from land	2,147	-	-	-
Cost of additional investment in equity accounted investees	170	122	164	66
Impairment in value of investment in equity accounted investees	(55)	(406)	-	(634)
Effect of movement in foreign exchange	(134)	(208)	-	-
Balance at 30 June	7,119	4,523	201	37
Amount of goodwill in carrying value of equity accounted investees:				
Balance at 1 July	2,859	2,873	-	-
Balance at 30 June	4,909	2,859	-	-

In October 2008 the Group undertook the purchase of land and business interests. The fair value measurement of this transaction was not completed until after 30 June 2009. The completion of the determination of fair value of the assets acquired has resulted in the reclassification of $2,147,000 from land to investment in associates in the current reporting period.

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2010 $'000	Assets 2009 $'000	Liabilities 2010 $'000	Liabilities 2009 $'000	Net 2010 $'000	Net 2009 $'000
Property, plant and equipment	-	-	(3,320)	(2,210)	(3,320)	(2,210)
Derivatives	290	44	(150)	-	140	44
Provisions	2,315	1,971	(740)	-	1,575	1,971
Other items	-	-	-	-	-	-
Tax assets/(liabilities)	2,605	2,015	(4,210)	(2,210)	(1,605)	(195)

Parent Company	Assets 2010 $'000	Assets 2009 $'000	Liabilities 2010 $'000	Liabilities 2009 $'000	Net 2010 $'000	Net 2009 $'000
Property, plant and equipment	-	-	(886)	(674)	(886)	(674)
Derivatives	290	210	(59)	-	231	210
Provisions	1,407	1,260	(740)	-	667	1,260
Tax assets/(liabilities)	1,697	1,470	(1,685)	(674)	12	796

Notes to the financial statements (continued)

14. Deferred tax assets and liabilities (continued)

Movement in temporary differences during the year

Group	Balance 1 July 08 $'000	Recognised in Statement of Comprehensive Income $'000	Recognised in equity $'000	Balance 30 June 09 $'000
Property, plant and equipment	(2,272)	145	(83)	(2,210)
Derivatives	(63)	-	107	44
Provisions	2,103	(132)	-	1,971
Other items	(57)	57	-	-
	(289)	70	24	(195)

Group	Balance 1 July 09 $'000	Recognised in Statement of Comprehensive Income $'000	Recognised in equity $'000	Balance 30 June 10 $'000
Property, plant and equipment	(2,210)	(272)	(838)	(3,320)
Derivatives	44	-	96	140
Provisions	1,971	(396)	-	1,575
Other items	-	-	-	-
	(195)	(668)	(742)	(1,605)

Parent Company	Balance 1 July 08 $'000	Recognised in Statement of Comprehensive Income $'000	Recognised in equity $'000	Balance 30 June 09 $'000
Property, plant and equipment	(791)	117	-	(674)
Derivatives	(63)	-	273	210
Provisions	1,464	(204)	-	1,260
	610	(87)	273	796

Parent Company	Balance 1 July 09 $'000	Recognised in Statement of Comprehensive Income $'000	Recognised in equity $'000	Balance 30 June 10 $'000
Property, plant and equipment	(674)	(214)	2	(886)
Derivatives	210	-	21	231
Provisions	1,260	(593)	-	667
	796	(807)	23	12

There are no unrecognised deferred tax assets and liabilities.

Notes to the financial statements (continued)

15. Inventories

	Note	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
Inventory		6,189	5,214	4,316	3,220
Inventory subject to contract		1,094	2,102	1,094	2,102
Amount due to supplier		(1,094)	(2,102)	(1,094)	(2,102)
		6,189	5,214	4,316	3,220

In 2010 inventories recognised as cost of sales amounted to $230,094,000 (2009: $219,326,000) for the Group and $76,925,000 (2009: $80,905,000) for the Parent Company. In 2010 the Parent Company and Group write-down of inventories to net realisable value amounted to $8,000 (2009: $50,000). In 2010 the Parent Company and Group inventories stated at net realisable value amounted to $27,000 (2009 : $154,000).

16. Trade and other receivables

	Note	Group 2010 $'000	Group 2009 $'000	Parent Company 2010 $'000	Parent Company 2009 $'000
Non-current					
Finance lease receivables		2,383	344	2,383	344
Derivatives		462	923	159	369
Prepayments and other receivables		8,935	-	8,935	-
Provision for prepayments and other receivables		(1,000)	-	(1,000)	-
Total non-current trade and other receivables		10,780	1,267	10,477	713
Current					
Trade receivables	21	24,562	28,836	15,054	15,683
Receivable from subsidiaries		-	-	48,244	39,491
Prepayments and other receivables		7,813	9,704	3,194	6,787
Finance lease receivable		260	51	260	51
Derivatives		37	11	37	11
Total current trade and other receivables		32,672	38,602	66,789	62,023
Total trade and other receivables		43,452	39,869	77,266	62,736

Receivables for the Group denominated in currencies other than the functional currency comprise $9,354,000 (2009: $13,346,000) of trade receivables denominated in Australian dollars and $13,000 (2009: $33,000) of trade receivables denominated in US dollars. The finance lease receivable relates to assets used by the fruit ripening business which is classified as a finance lease. Details of the impairment of trade receivables are shown in note 21.

17. Cash and cash equivalents

The effective interest rate on bank balances for the Group in 2010 was 6.89% (2009: 7.07%) and Parent Company in 2010 was 7.28% (2009: 7.71 %).

18. Capital and reserves

a) Issued and paid up share capital

	Rebate Shares (Number '000 / $'000) A Shares	B Shares	C Shares	Total
Balance at 1 July 2008	9,126	3,278	702	13,106
Shares issued	630	-	719	1,349
Shares transferred	800	(99)	(701)	-
Shares surrendered	(366)	(40)	(1)	(407)
Balance at 30 June 2009	10,190	3,139	719	14,048
Balance at 1 July 2009	10,190	3,139	719	14,048
Shares issued	654	-	900	1,554
Shares transferred	807	(88)	(719)	-
Shares surrendered	(578)	(210)	(3)	(791)
Balance at 30 June 2010	11,073	2,841	897	14,811

18. Capital and reserves (continued)

The Parent Company and Group have adopted the amendments to NZ IAS 32 and NZ IAS 1 and as a result the "A", "B" and "C" shares, which are defined as puttable equity instruments under those amendments, are classified as equity in the financial statements. In determining this view the key areas of judgement and assumptions were:

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

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

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

All shares have a nominal value of $1.00 as permitted by the Co-operative Companies Act 1996. As a result, the above table represents the dollar value and number of shares on issue and the movements in each class of share. "D" shares are classified as non-current liabilities under NZ IFRS and are excluded from the above table. Refer to note 19 for further disclosures.

From time to time the Directors declare distributions including rebates, bonus issues and dividends. These distributions are accounted for in the period in which the actual declaration is made. As a result, the November 2009 announcement of a $300,000 taxable rebate (capitalised into "C" shares), a bonus issue of two for one on this rebate amounting to $600,000 (capitalized into "C" shares) and a fully imputed taxable gross final dividend of 10.0 cents on all "A" and "D" shares, is accounted for in the year ended 30 June 2010.

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

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

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

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

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

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

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

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

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

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

b) Foreign currency translation reserve

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

Notes to the financial statements (continued)

18. Capital and reserves (continued)

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

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

e) Supplier shareholder rebate (2010)
On 26 August 2010, a taxable rebate of $250,000 was declared by the Directors for the year to 30 June 2010 (2009: $300,000) which is to be applied by the Parent Company in paying up in full "C" shares of the Parent Company to be issued at $1.00 each upon completion at the 2010 Annual Meeting. The rebate will be accounted for in the period it is declared, namely the year ended 30 June 2011.

f) Bonus issue on supplier shareholder rebate (2010)
On 26 August 2010, the directors declared a two for one (2 for 1) bonus issue on the above "supplier shareholder rebate (2010)". The bonus issue will be accounted for in the period it is declared, namely the year ended 30 June 2011 (the bonus issue for the year ended 30 June 2009 was two for one (2 for 1)).

g) Final dividend
On 26 August 2010 the Directors declared a fully imputed taxable gross final dividend of 8 cents per "A" and "D" share (2009: 10 cents per "A" and "D" share). This final dividend is to be issued from retained earnings upon completion at the 2010 Annual Meeting. The final dividend will be accounted for in the period the dividend is actually declared, namely the 30 June 2011 financial statements. No interim dividend was declared in the year to 30 June 2010.

19. Loans and borrowings

This note provides information about the contractual terms of the Parent Company and Group's interest-bearing loans and borrowings. For more information about the Parent Company and Group's exposure to interest rate and foreign currency risk, see note 21.

	Group		Parent Company	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Non-current liabilities				
Secured bank loans	-	43,197	-	31,313
Finance lease liabilities	1,071	460	-	-
Redeemable "D" shares	2,385	2,238	2,385	2,238
	3,456	45,895	2,385	33,551
Current liabilities				
Current portion of secured bank loans	59,967	4,029	43,067	1,500
Current portion of finance lease liabilities	334	323	-	-
	60,301	4,352	43,067	1,500
Total loans and borrowings	63,757	50,247	45,452	35,051

The bank loans are secured over land and buildings with a carrying amount of $72,810,000 (2009: $59,727,000) (see note 11).

As at 30 June 2010 the Group had secured bank loans totalling $59,967,000 due to Rabobank of which $44,305,000 is considered to be term debt and which has been disclosed as current secured bank loans as at 30 June 2010. In October 2010 the Company identified and notified Rabobank of a potential breach of one of its financial covenants at 30 June 2010 which arose from year-end financial reporting adjustments. A waiver of this potential breach was received from Rabobank before the finalisation of the Company and Group's results for the 30 June 2010 financial year. The conditions giving rise to the breach are expected to be temporary. Although the Directors consider that the $44,305,000 of secured loans shown as current debt is more appropriately classified as non-current debt, NZ Equivalents to International Reporting Standards (NZ IFRS) require the Group to classify the debt as current debt. In addition to these financial statements the Board has prepared an Annual Review for distribution to its shareholders. The Annual Review has been prepared on the basis that this debt is term debt.

"D" shares have been classified as non-current liabilities on the basis that the Parent Company and Group has an obligation to pay a minimum fixed dividend and may be redeemed for cash at the end of their term at the option of the shareholder. "D" shares carry the right to an annual dividend of 8% gross of imputation credits or the same dividend declared on "A" shares, whichever is the higher. Dividends on "D" shares are accumulating in the event that there are insufficient profits to declare the required dividend and take priority to the dividends on "A" shares. Further, "D" shares participate in any bonus issue, ordinary or special, in the same manner as "A" shares. Ordinarily "D" shares do not carry the right to vote. "D" shares also participate in a "D" share dividend election plan pursuant to which dividends on "D" shares are able to be reinvested into further "D" shares. "D" shares are only able to be transferred with the specific written approval of the Parent Company's Board.

Notes to the financial statements (continued)

19. Loans and borrowings (continued)

The initial period of issue for "D" shares is to 30 June 2013. The Board may, by giving 4 months notice, extend this term by successive periods of up to 5 years. At the end of each period, including the initial period, the Parent Company may elect to repay the "D" shares or renew the period (or a shorter period), or a combination of both renewal / repayment. In the event that the Parent Company elects to renew the "D" shares, each "D" shareholder has the right, within 20 business days, to give notice requiring the repayment of some / all of their "D" shares – this is subject to a minimum continued "D" shareholding in the event of a partial repayment. "D" shares may not be redeemed prior to 30 June 2013 and thereafter may only be redeemed at the conclusion of the extended period.

	Group		Parent Company	
20. Trade and other payables	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Non-current				
Derivatives	766	985	766	985
Employee benefits	417	323	111	114
Total non-current trade and other payables	1,183	1,308	877	1,099
Current				
Trade payables	39,254	43,471	28,719	28,146
Derivatives	199	96	199	96
Employee benefits	4,964	4,731	2,957	2,940
Total current trade and other payables	44,417	48,298	31,875	31,182
Total trade and other payables	45,600	49,606	32,752	32,281

Payables denominated in currencies other than the functional currency comprise $20,039,000 (2009: $22,343,000) of trade payables denominated in Australian dollars and $2,318,000 (2009: $1,253,000) of trade payables denominated in US dollars.

21. Financial instruments

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

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

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

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

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

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

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

Notes to the financial statements (continued)

21. Financial instruments (continued)

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

The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.

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

	Group		Parent Company	
Trade receivables	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Not past due	23,572	28,118	15,234	15,663
Past due 1-30 days	868	815	165	172
Past due 31-60 days	245	186	36	99
Past due 61-90 days	38	41	14	13
Past due greater than 91 days	778	397	60	80
Total trade receivables (gross)	25,501	29,557	15,509	16,027
Impairment provision	(939)	(721)	(455)	(344)
Total trade receivables (net)	24,562	28,836	15,054	15,683

Provision for doubtful debts				
Opening provision	721	905	344	263
Bad debts written off	(124)	(294)	(69)	(13)
Increase in provision	342	110	180	94
Closing provision	939	721	455	344

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

Group 2010	**Balance sheet $'000**	**Contractual cash flows $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Non-derivative financial instruments							
Loans and borrowings	63,757	64,583	60,285	313	612	3,373	-
Trade and other payables	44,635	44,635	41,799	2,419	88	205	124
Total financial liabilities	108,392	109,218	102,084	2,732	700	3,578	124
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	466	1,046	506	153	396	(9)	-
Group 2009							
Non-derivative financial instruments							
Loans and borrowings	50,247	60,386	1,689	5,711	9,430	43,556	-
Trade and other payables	48,525	48,525	45,887	2,315	65	195	63
Total financial liabilities	98,772	108,911	47,576	8,026	9,495	43,751	63
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	147	3,915	667	477	1,252	1,519	-

Notes to the financial statements (continued)

21. Financial instruments (continued)

Parent Company 2010	Balance sheet $'000	Contractual cash flows $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial instruments							
Loans and borrowings	45,452	46,024	43,162	95	191	2,576	-
Trade and other payables	31,787	31,787	30,260	1,416	22	35	54
Total financial liabilities	77,239	77,811	73,422	1,511	213	2,611	54
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	769	1,515	528	175	441	371	-
Parent Company 2009							
Non-derivative financial instruments							
Loans and borrowings	35,051	38,630	546	2,046	7,678	28,360	-
Trade and other payables	31,200	31,200	29,666	1,420	15	45	54
Total financial liabilities	66,251	69,830	30,212	3,466	7,693	28,405	54
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	701	3,101	579	390	1,077	1,055	-

Foreign currency exchange risk

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

	Group		Parent Company	
2010	**USD**	**AUD**	**USD**	**AUD**
Trading foreign currency risk	**$'000**	**$'000**	**$'000**	**$'000**
Due within 12 months				
Bank	250	386	2	386
Trade receivables	9	208	-	208
Trade payables	(1,909)	(760)	(1,848)	(760)
Net balance sheet exposure before hedging activity	(1,650)	(166)	(1,846)	(166)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	1,848	552	1,848	552
Net unhedged exposure	198	386	2	386
2009				
Trading foreign currency risk				
Due within 12 months				
Bank	231	188	1	188
Trade receivables	21	-	-	-
Trade payables	(1,104)	(797)	(792)	(797)
Net balance sheet exposure before hedging activity	(852)	(609)	(791)	(609)
Forward exchange contracts				
Notional amounts of foreign exchange contracts	792	797	792	797
Net unhedged exposure	(60)	188	1	188

Notes to the financial statements (continued)

21. Financial instruments (continued)

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

	2010 AUD $'000	2009 AUD $'000
Investment foreign currency risk		
Net investment (including intangible assets that arise on consolidation) in Australian operations	33,998	35,076
Foreign currency denominated borrowings		
Secured bank borrowings	(11,350)	(12,350)
Net unhedged exposure	22,648	22,726

Interest rate risk - repricing analysis **2010** **Group**	**Note**	**Total $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Fixed rate instruments							
Finance lease receivable		2,643	130	130	260	780	1,343
Finance lease liabilities		(1,405)	(167)	(166)	(751)	(321)	-
Total fixed rate instruments		1,238	(37)	(36)	(491)	459	1,343
Variable rate instruments and related derivatives							
Cash and cash equivalents		8,587	8,587	-	-	-	-
Secured bank loans		(59,967)	(59,967)	-	-	-	-
"D" shares	19	(2,385)	(2,385)	-	-	-	-
Effect of interest rate swaps		-	46,684	-	(5,000)	(32,684)	(9,000)
Total variable rate instruments and related derivatives		(53,765)	(7,081)	-	(5,000)	(32,684)	(9,000)
Parent Company							
Fixed rate instruments							
Finance lease receivable		2,643	130	130	260	780	1,343
Total fixed rate instruments		2,643	130	130	260	780	1,343
Variable rate instruments and related derivatives							
Cash and cash equivalents		2,876	2,876	-	-	-	-
Secured bank loans		(43,067)	(43,067)	-	-	-	-
"D" shares	19	(2,385)	(2,385)	-	-	-	-
Effect of interest rate swaps		-	34,467	-	(5,000)	(20,467)	(9,000)
Total variable rate instruments and related derivatives		(42,576)	(8,109)	-	(5,000)	(20,467)	(9,000)

Notes to the financial statements (continued)

21. Financial instruments (continued)

Interest rate risk - repricing analysis 2009 Group	**Note**	**Total $'000**	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**
Fixed rate instruments							
Finance lease receivable		395	26	25	51	153	140
Finance lease liabilities		(783)	(162)	(161)	(323)	(137)	-
Total fixed rate instruments		(388)	(136)	(136)	(272)	16	140
Variable rate instruments and related derivatives							
Cash and cash equivalents		8,181	8,181	-	-	-	-
Secured bank loans		(47,226)	(47,226)	-	-	-	-
"D" shares	19	(2,238)	(2,238)	-	-	-	-
Effect of interest rate swaps		-	48,591	-	(10,000)	(24,242)	(14,349)
Total variable rate instruments and related derivatives		(41,283)	7,308	-	(10,000)	(24,242)	(14,349)
Parent Company							
Fixed rate instruments							
Finance lease receivable		395	26	25	51	153	140
Total fixed rate instruments		395	26	25	51	153	140
Variable rate instruments and related derivatives							
Cash and cash equivalents		2,632	2,632	-	-	-	-
Secured bank loans		(32,813)	(32,813)	-	-	-	-
"D" shares	19	(2,238)	(2,238)	-	-	-	-
Effect of interest rate swaps		-	35,949	-	(10,000)	(11,600)	(14,349)
Total variable rate instruments and related derivatives		(32,419)	3,530	-	(10,000)	(11,600)	(14,349)

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

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

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

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

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

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

Sensitivity analysis
At 30 June 2010 it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit before income tax by approximately $122,000 (2009: $119,000). Interest rate swaps have been taken into account in this calculation.

Notes to the financial statements (continued)

21. Financial instruments (continued)

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased the Group's profit before income tax by approximately $27,000 for the year ended 30 June 2010 (2009: $57,000). The Group policy of entering into forward exchange contracts has been allowed for in this calculation. The impact of such a foreign currency movement is generally mitigated by a similar movement in the pricing of the associated produce sold.

Hedging
Interest rate hedges
The Group has a policy of ensuring that between 70 and 100 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Interest rate swaps, denominated in Australian and New Zealand dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. The swaps mature over the next six years following the maturity of the related loans and have fixed swap interest rates ranging from 4.77 percent to 6.85 percent (2009: 4.77 percent to 6.85 percent). At 30 June 2010, the Group had interest rate swaps with a notional contract amount of $56,684,000 (2009: $65,176,000). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 June 2010 was $488,000 payable (2009: $148,000 payable).

Forecast transactions
The Group classifies its forward exchange contracts hedging forecast transactions as cash flow hedges. The net fair value of forward exchange contracts used as hedges of forecast transactions at 30 June 2010 was $22,000 receivable (2009: $1,000 receivable) comprising assets of $37,000 (2009: $11,000) and liabilities of $15,000 (2009: $10,000).

Recognised assets and liabilities
The fair value of forward exchange contracts used as economic hedges of monetary assets and liabilities in foreign currencies at 30 June 2010 was $nil (2009: $nil) recognised in fair value derivatives.

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

Classification and fair values

	Derivatives $'000	Loans and receivables $'000	Available for sale $'000	Other amortised cost $'000	Total $'000	Fair value $'000
Group						
2010						
Total assets	499	48,897	-	2,643	52,039	52,039
Total liabilities	965	-	-	108,392	109,357	109,357
2009						
Total assets	934	46,721	-	395	48,050	48,050
Total liabilities	1,081	-	-	98,772	99,853	99,853
Parent						
2010						
Total assets	196	77,303	-	2,643	80,142	80,142
Total liabilities	965	-	-	77,239	78,204	78,204
2009						
Total assets	380	64,593	-	395	65,368	65,368
Total liabilities	1,081	-	-	66,251	67,332	67,332

Fair value hierarchy
The fair value hierarchy levels are defined as set out below. The Group's financial instruments above are all categorized as level 2 fair values.

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

Notes to the financial statements (continued)

22. Operating leases

Leases as lessee Non-cancellable operating lease rentals are payable as follows:	**Group** **2010** **$'000**	 **2009** **$'000**	**Parent** **2010** **$'000**	 **2009** **$'000**
Less than one year	3,037	3,878	1,637	1,737
Between one and five years	4,649	8,414	2,229	2,433
More than five years	55	172	55	172
	7,741	12,464	3,921	4,342

The Group leases business premises, plant and equipment and motor vehicles under operating leases. Motor vehicle leases are for periods of between 3 and 5 years, business premise leases are for periods of between 1 and 13 years and plant and equipment leases are for periods of between 1 and 5 years.

During the year ended 30 June 2010 $4,743,000 (2009: $5,404,000) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases for the Group and $1,887,000 (2009: $1,897,000) for the Parent Company.

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

Less than one year	1,233	949	729	541
Between one and five years	1,518	1,620	1,017	814
More than five years	-	-	-	-
	2,751	2,569	1,746	1,355

23. Capital commitments

Capital commitments as at 30 June	-	3,400	-	3,400

As at June 2010 capital commitments were $nil (30 June 2009, the Parent Company had entered into contracts for the purchase of property, redevelopment of the Wellington branch and the extension of the Auckland branch buildings).

24. Contingencies

The Group and Parent Company had the following contingencies.

Trade indemnities and guarantees issued $1,882,000 (2009: $155,000).

The Group and Parent Company have provided a guarantee of $316,000 (2009: $880,000) to the Bank of New Zealand on behalf of NZ Ripeners Limited.

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

Notes to the financial statements (continued)

25. Reconciliation of the profit for the period with the net cash from operating activities	**Group 2010 $'000**	**Group 2009 $'000**	**Parent Company 2010 $'000**	**Parent Company 2009 $'000**
Profit for the year	4,237	7,230	4,412	4,177
Adjustments for:				
Advance to subsidiaries, equity accounted investees and other parties	4,868	6,729	14,099	(3,711)
Amortisation of intangible assets	1	1	1	1
Cost of additional investment in equity accounted investees	-	(122)	-	(66)
Payable on purchase of investment	-	(400)	-	(400)
Depreciation	3,103	2,662	1,239	987
Finance lease charges	(343)	53	-	-
Impairment/(reversal of impairment) of investments	55	406	-	634
Change in derivatives recognised in hedging reserve	(319)	(661)	(68)	(1,222)
Increase/(decrease) in deferred tax on reserves	(700)	24	23	273
(Increase)/decrease in future taxation benefit	1,408	(94)	784	(186)
Equity accounted earnings of equity accounted investees	143	614	-	-
Unrealised foreign currency translation of subsidiaries	450	145	-	-
Reclassification of fixed assets to trade and other receivables	1,933	-	1,933	-
(Gain)/loss on sale of non-current assets	(166)	(30)	9	15
Repayment of subsidiaries loan	-	-	-	50
Effect of movement in foreign exchange rate on investing / financing activities	-	-	(526)	(76)
Bonus issue and dividend on "D" shares capitalised	224	121	224	121
	14,894	16,678	22,130	597
Impact of changes in working capital items:				
Change in inventories	(975)	600	(1,096)	447
Change in trade and other receivables	(3,583)	(6,396)	(14,528)	3,648
Change in taxation receivable / payable	(608)	2,072	520	829
Change in trade and other payables	(4,004)	270	469	152
	(9,170)	(3,454)	(14,635)	5,076
Net cash from operating activities	5,724	13,224	7,495	5,673

26. Related parties

The immediate parent and ultimate controlling party of the Group is Market Gardeners Limited. The following transactions are conducted on normal commercial terms. Like most co-operatives the Parent Company and Group has frequent transactions with its grower Directors (sales to, agency sales for and purchases from Directors) in the ordinary course of business.

From time to time the Parent Company makes advances to associates and subsidiaries. Associate advances are not interest bearing where they are considered to be part of the investment or are otherwise interest bearing at the Parent Company's average cost of borrowing. Advances to subsidiary companies are not interest bearing with the exception of certain advances which are made to allow the subsidiary to acquire an investment.

	Group 2010	Group 2009	Parent Company 2010	Parent Company 2009
Transactions with subsidiaries				
Sales of goods and services	-	-	3,896	3,948
Purchases of goods and services	-	-	23,754	20,712
Closing advances/receivables	-	-	48,244	39,491
Closing loans/payables	-	-	274	659
Transactions with associates				
Sales of goods and services	405	989	35	339
Purchases of goods and services	1,067	197	212	197
Closing advances/receivables	675	4,273	50	1,801

26. Related parties (continued)

The Group, through its then associate company Mainland Tomatoes Ltd, has contracted with G.D.W. Gargiulo & Son Ltd (a company owned by Mr Gargiulo, MBE (Chairman) and associated parties) for the provision of management services and leased packhouse premises. In the year to 30 June 2010 these transactions amounted to $120,000 (2009: $120,000). As at 30 June 2010 the Parent Company acquired the remaining 50% of the shares in Mainland Tomatoes Ltd. Further details of this acquisition are in note 5. At 30 June 2010 Mainland Tomatoes Ltd had an account receivable from G.D.W. Gargiulo & Son Ltd amounting to $225,000.

The Parent Company is a participating employer in a defined contribution superannuation fund. During the year the Parent Company made employer contributions to the fund as disclosed in note 9. In addition, the Parent Company leased premises and motor vehicles on an operating lease basis from the superannuation fund. These lease payments represented $156,000 and $726,000 of the Parent Company lease costs respectively (2009: $138,000 and $665,000). The Parent Company does not guarantee the performance or value of the superannuation fund but does appoint the Trustees of the fund who at balance date were the Chairman Mr B.D. Gargiulo, MBE; the Deputy Chairman Mr F.P. Di Leva; the Chief Executive Mr T.M. Treacy; the Company Secretary Mr D.J. Pryor and Mr D.J. Stock (Barrister and Solicitor).

Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers, and contributes to a defined contribution superannuation plan on their behalf. Key management personnel compensation comprised:

	2010 $'000	2009 $'000
Directors fees and remuneration	1,016	1,071
Provision for post retirement benefits	-	100
Short-term employee benefits	1,944	1,887

27. Group entities

Significant subsidiaries	Country of incorporation	2010 %	2009 %	Balance date	Principal activity
Hansons Lane International Holdings Ltd	New Zealand	100	100	30 June	Investment Holding
Blackbyre Horticulture Ltd	New Zealand	100	-	30 June	Property Holding
Market Fresh Wholesale Ltd	New Zealand	100	100	30 June	Property Holding
Phimai Holdings Ltd	New Zealand	100	100	30 June	Property Holding
Southland Produce Markets Ltd	New Zealand	100	100	30 June	Property Holding
Mainland Tomatoes Ltd	New Zealand	100	50	30 June	Vegetable Production
Market Gardeners (USA) Inc.	USA	100	100	30 June	Produce Sourcing and Exporting
LaManna Bananas Pty Ltd	Australia	92	92	30 June	Produce Wholesale
Verona Fruit Pty Ltd	Australia	100	100	30 June	Produce Wholesale
LaManna Bananas (Adelaide) Pty Ltd	Australia	100	100	30 June	Produce Wholesale
Fruitology Pty Ltd	Australia	100	100	30 June	Produce Broker
Australian Banana Company Pty Ltd	Australia	100	100	30 June	Produce Packing & Wholesale
Carbis Bananas Pty Ltd	Australia	100	100	30 June	Investment Holding
LaManna Bananas Property One Pty Ltd	Australia	100	100	30 June	Property Holding
LaManna Bananas Property Two Pty Ltd	Australia	100	100	30 June	Property Holding
LaManna Group Holdings Three Pty Ltd	Australia	100	100	30 June	Investment Holding

Equity accounted investees (associates)

Fresh Vegetable Packers Ltd	New Zealand	34	34	30 June	Vegetable Packing
United Flower Growers Ltd	New Zealand	50	-	30 June	Flower Wholesale
Fresh Choice W.A. Pty Ltd	Australia	50	50	30 June	Produce Wholesale
Darwin Banana Farming Company Pty Ltd	Australia	50	50	30 June	Banana Production
Innisfail Banana Farming Company Pty Ltd	Australia	50	50	30 June	Banana Production

The Parent Company has not consolidated its investment in NZ Ripeners Ltd due to the fact that contractual arrangements result in the Parent Company not having control over NZ Ripeners Ltd and the benefits of ownership will not be realised by the Group.

27. Group entities (continued)

The interests in the Australian incorporated companies detailed in the table above are the actual interests held by the Group. As LaManna Bananas Pty Ltd is a 92% owned subsidiary company, all of its subsidiaries (being the other Australian incorporated subsidiaries listed above) are effectively 92% owned by the Group and its associate companies, Fresh Choice W.A. Pty Ltd, Darwin Banana Farming Company Pty Ltd and Innisfail Banana Farming Company Pty Ltd are effectively 46% owned by the Group.

28. Subsequent events

There were no events subsequent to 30 June 2010 (30 June 2009 : nil) requiring disclosure.

Audit report

To the shareholders of Market Gardeners Limited

We have audited the financial statements on pages 12 to 44. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 17 to 23.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 2010 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company and certain of its subsidiaries in relation to general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 12 to 44:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 30 June 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 19 October 2010 and our unqualified opinion is expressed as at that date

KPMG

Christchurch
KPMG New Zealand partnership and a member firm of the
KPMG network of independent member firms affiliated with KPMG, a Swiss cooperative

Statutory information

1. Directors’ fees & remuneration

Parent Company The following people held office as Director of the Parent Company during the year and received the following remuneration and other benefits for acting as such:	*** Directors’ fees**	*** Special project and other fees**	**Other benefits**
J.R. Clarke	45,000	3,750	1,011
F.P. Di Leva (Deputy Chairman)	56,250	6,500	1,011
A.G. Fenton	45,000	3,750	1,011
A.G. Franklin (appointed 4 February 2010)	18,750	1,500	421
B.D. Gargiulo, MBE. (Chairman)	92,000	68,250	1,011
B.A. Goodman	45,000	3,250	1,011
B.R. Irvine	45,000	8,151	1,011
	347,000	95,151	6,487

Subsidiary Company The following people held office as Director of subsidiary company LaManna Bananas Pty Ltd and received the following remuneration and other benefits for acting as such:			
A.G. Fenton	* 68,765	* 51,002	-
B.D. Gargiulo, MBE. (Chairman)	* 118,777	* 68,001	-
P.H. Graham	68,765	12,829	-
P. Holberton	68,765	3,665	-
B.R. Irvine (appointed 7 July 2008)	* 68,765	* 37,717	-
T.M. Treacy	-	-	-
	393,837	173,214	-

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

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

* Messrs Fenton, Gargiulo and Irvine, as directors of LaManna Bananas Pty Ltd and Mr Gargiulo as Chairman of all LaManna Bananas Pty Ltd subsidiary and associate companies, receive meeting fees and travel allowances from the Parent Company which are included in the Subsidiary Company table above. Mr Treacy is a director of LaManna Bananas Pty Ltd but is not a Director of the Parent Company.

2. Auditors’ remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note 8 of the attached financial statements to 30 June 2010.

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 resolved on 26 August 2010 that, in their opinion, the Parent Company had been a co-operative company throughout the period 1 July 2009 to 30 June 2010. 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.

Statutory information (continued)

4. Executive employees' remuneration

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

Remuneration range	Number of employees	Remuneration range	Number of employees
100,000 to 109,999	32	210,000 to 219,999	1
110,000 to 119,999	9	220,000 to 229,999	2
120,000 to 129,999	7	240,000 to 249,999	3
130,000 to 139,999	8	250,000 to 259,999	1
140,000 to 149,999	2	260,000 to 269,999	1
150,000 to 159,999	5	270,000 to 279,999	1
160,000 to 169,999	2	300,000 to 309,999	1
170,000 to 179,999	3	330,000 to 339,999	1
180,000 to 189,999	2	340,000 to 349,999	1
190,000 to 199,999	4		

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

The remuneration of subsidiary company's employees is included in the above table.

5. Interests register

The following entries were recorded in the interests register of the Parent Company and its subsidiaries 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 26 of the attached financial statements to 30 June 2010.

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

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

Director	Nature of Interest	Company / Entity
As directors of the Parent Company, Market Gardeners Ltd		
B.R. Irvine	Director	Retail Adventures Pty Ltd
A.G. Franklin	Partner	Franklin Partnership
B.D. Gargiulo B.R. Irvine F.P. Di Leva	Chairman Director Director	Blackbyre Horticulture Ltd

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

During the current financial year Blackbyre Horticulture Ltd acquired a property in Nelson, New Zealand. Messrs Gargiulo, Irvine and Di Leva are the directors of this 100% owned subsidiary company and have confirmed all interests by virtue of being Directors of the Parent Company.

Statutory information (continued)

5. Interests register (continued)

Director	Nature of Interest	Company / Entity
As directors of the subsidiary company, LaManna Bananas Pty Ltd		
B.D. Gargiulo A.G. Fenton B.R. Irvine T.M. Treacy	Chairman Director Director Director	An interest by virtue of the Parent Company, Market Gardeners Ltd subscribing for a 50% interest in associated company United Flower Growers Ltd.
In addition to the above new disclosures, a number of directors disclosed changes to existing disclosures (such as being appointed Chairman) and resignations from other directorships held and previously disclosed in the interests register.		

Particular disclosures

Upon his appointment as a Director of Market Gardeners Ltd Mr A.G. Franklin declared an interest by virtue of a shareholding in Market Gardeners Ltd (as disclosed below) together with an interest in all directors remuneration and other benefits received or paid by the Parent Company including (without limitation) Directors fees, Special directors / project fees, Audit Committee fees, Insurance and indemnity from the company, Southern Cross medical insurance.

(a) Share dealings

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

	30 June 2010				30 June 2009			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
J.R. Clarke	320,472	229,169	53,337	-	244,486	228,466	52,241	-
Held by a company of which he is a shareholder and director	1,446	-	-	-	1,315	-	-	-
F.P. Di Leva	69,002	432	-	227,458	62,070	1,145	12	206,780
A.G. Fenton	-	-	-	-	-	-	-	-
Held by a trust in which he is a trustee and beneficiary	9,895	11	6	10,769	9,885	21	-	10,769
A.G. Franklin	63,842	6,948	1,722	133,798	55,837	8,291	1,079	121,635
(Appointed 4 February 2010)								
B.D. Gargiulo, MBE. (Chairman)	314,410	-	-	13,378	254,537	34,420	-	12,162
Held by a company of which he is a shareholder and director	1,738	95,468	19,869	-	1,580	70,791	24,677	-
B.A. Goodman	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	16,583	17	21	13,378	15,064	30	-	12,162

Statutory information (continued)

5. Interests register (continued)

The above table discloses the shareholdings of Directors of the Parent Company. Mr T.M Treacy is the only director of a subsidiary company, but not a Director of the Parent Company, that holds shares in the Parent Company. These shares are held by a company in which Mr T.M. Treacy is a shareholder and director. 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 2010				30 June 2009			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
T.M. Treacy	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	5,062	-	-	66,898	4,602	-	-	60,817

(b) Directors' & officers' indemnity and insurance

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

(c) Use of company information

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

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

Other than the disclosures made above, Mr. B.D. Gargiulo (MBE) also declared an interest in an actual / proposed transactions during the accounting period. This transaction is disclosed in notes 5 and 26 of the attached financial statements to 30 June 2010.

6. Changes in accounting policies

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

7. Donations

During the year the Parent Company made donations of $10,000 (2009: $10,000), the Group $20,000 (2009: $20,000).

8. Directors of subsidiaries

As at 30 June 2010:

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

Messrs B.D. Gargiulo (MBE) and E.Q. Javellana were the directors of NZ Ripeners Ltd.

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

Messrs B.D. Gargiulo (MBE) and P.S. Hendry (Market Gardeners Ltd's General Manager) were the directors of Southland Produce Markets Ltd.

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

Statutory information (continued)

8. Directors of subsidiaries (continued)

Messrs B.D. Gargiulo (MBE), B.J. Treacy and T.M. Treacy were the directors of Verona Fruit Pty Ltd and Fruitology Pty Ltd.

Messrs B.D. Gargiulo (MBE), T.M. Treacy, F.P. Di Leva and M.B. Gargiulo were the directors of Mainland Tomatoes Ltd.

Messrs B.D. Gargiulo (MBE), T.M. Treacy and A. Schirripa were the directors of LaManna Bananas (Adelaide) Pty Ltd and Carbis Bananas Pty Ltd.

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

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

No director of a subsidiary company resigned during the year to 30 June 2010.

Corporate governance statement

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

Role of the Board
The majority of the Board is elected by shareholders with independent directors able to be appointed by the shareholder appointed grower directors. Under the Companies Act 1993 and the Co-operative Companies Act 1996 the Board has overall responsibility for the governance, management and supervision of the Company and wider Group.

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

Board Operations and Membership
The Board of Directors currently consists of 6 shareholder appointed Directors (Messrs Gargiulo, Di Leva, Clarke, Fenton, Franklin and Goodman) and 1 Special Director (Mr Irvine). Notwithstanding normal business operations, none of the MG Directors are directly involved in the day-to-day management of the Company's operations. From time to time the board appoints independent Special Directors - Bruce Irvine is one such Special Director and has been on the MG board since December 1994.

Like most co-operatives, 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. In the event of a potential or actual interest arising from any such transactions, declarations are made by the relevant director and a register of interests is maintained. Details of all interests are reviewed by the Board periodically throughout the year with all new entries disclosed in the annual report.

With regards to appointments of Directors for subsidiary and associate companies which form part of the Group, the MG Board considers and makes all appointments of the MG representative directors. As associate companies are only partly owned, MG only appoints certain representative directors to such entities. The remaining directors are appointed by the other shareholders in those companies. As LaManna (92% subsidiary) has minority interest shareholders, one of the two independent directors on the LaManna board, Philip Holberton, has been nominated to specifically represent those shareholders interests in addition to normal Director duties and responsibilities. Paul Graham is LaManna's second independent director.

MG's constitution has specific procedures for the appointment and retirement of MG Directors, eligibility requirements (such as active and minimum shareholdings) and automatic retirement rotations every three years. The MG Board met 10 times during the year (12 times last year), in addition to attending to committee matters between meetings. These meetings include conference calls to address any matters or issues arising between set meeting dates. In addition to the meetings of the Parent Company, Directors of the subsidiary and associate companies also met throughout the year. The outcomes of such meetings, key business issues and the performance of such companies are reported through to each meeting of the MG Board by MG's representative Directors.

Group Management Structure
The core business of the Group is transacted in New Zealand by Market Gardeners Ltd and in Australia by LaManna Bananas Pty Ltd and its subsidiary and associates. MG is represented on the boards of the subsidiary and associate companies by members of the MG Board and / or senior management.

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

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

Audit Committee
This sub-committee of the MG Board met 4 times during the year (5 times last year) in its chartered role of reviewing all financial, management, auditing, compliance and risk factors affecting the Company and Group. As a sub-committee of the MG Board, it is made up of three Directors, one of whom (Bruce Irvine) is independent and is the chairman of the committee. Its meetings are attended by MG's Chief Executive, Chief Financial Officer, General Manager, Internal auditor and the Company's external auditors, KPMG, as required.

Corporate governance statement (continued)

As in the past, the focus of this Committee was in ensuring that all branches and divisions of MG were subject to an internal audit together with considering the future direction of the internal audit function and its responsibilities / duties within the Group. The LaManna Group also has an Audit Committee and is in the process of seeking to employ its own internal auditor – to date the LaManna Group has been subject to limited internal audit reviews which are undertaken on a targeted basis.

As in the past the Audit Committee continues to monitor domestic and international developments in corporate governance best practices, procedures and policies, however this has not resulted in any significant modifications in the current year.

Board Remuneration
As in the past, MG obtains external professional advice on remuneration to be paid to Directors on a two yearly basis (formerly annually). 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. An increase of $36,500 in the pool of fees paid to directors is being sought at the 2010 annual meeting – if approved this will take the total pool of directors fees to $454,750.

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

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

As noted above, in Australia the LaManna Group Audit Committee is currently looking to appoint its own internal auditor. To date LaManna has been subject to limited internal audit reviews which are undertaken on a targeted basis and were reviewed and controlled by the LaManna board. To date these reviews have been undertaken by the LaManna Group auditors, Pitcher Partners, and primarily focus on surprise stocktake procedures.

Remuneration Committee
The Remuneration Committee consists of the MG Chairman and Deputy Chairman. The committee is responsible for the review and administration of director's fees, establishing coherent remuneration policies and practices, and the remuneration of the MG Chief Executive and senior management personnel.

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