

SAM ADDAMO NAOLEGUTU AH-SAM SIMEONA AIONO ALIPA ALAPATI VINCENT ALOI DOMENIC ALOI PIO AMI LIAINA GRAEME ANDERTON GEORGE ANDY DREW ARAMOANA PAT ASHURST MATHEW ATTANA CHARLIE ATTANA ADAM ATTANA USO AVIIVII KERRY BAIRD DAVID BAKER JOHN BAKER RACHEL BARKER PETER BARRETT DAVID BARRIE JOE BASILE LUCY BAYLEY LUKE BEAMES KELLY BEAZLEY CAROLINE BENDALL BEENA BHANA KELLI BILLION NICHOLAS BINGLE EVAN BISHOP TOM BLAKEBOROUGH ANDREW BODY ROBERT BOLGE GEOFFREY BOLTON CAROL BONHAM JUSTIN BOOTH ROBERT BORSATO DANIEL BORSATO CHRISTOPHER BORSATO KIM BOUSTRIDGE SHAUN BOWIE MICHAEL BREITMEYER ANNA BRENMUHL NEIL BRIDGENS GAYE BROOKER GRANT BROUGHTON BRIAN BUCHANAN RAHUL BUKSH TARELLA BURNS ROBBIE BURNS TRUDY BUTLER GARY CABLE PHILIP CACHIA GRANT CADDIGAN ASHLEY CAIN FRANK CALABRESE RICHARD CAMERON WAYNE CAMPBELL MICHAEL CAMPBELL JENNY CANNISTRA JOHN CARESWELL MURRAY CARSE ALBERT CHALMERS OWEN CHARLESTON DAVID CHRISTENSEN HELENA CHUNG JOHN CLARKE SAMUEL COFFEY KARL COLQUHOUN JOHN CONWAY REGAN COOPER ROCCO CORRONE GAVIN COSGRIFF ANDRE COSGROVE MARK COSSAR BARRY DALE ROBERT CRAVEN GRANT CREIGHTON MARCELLO CRISARA ANDREW CROSS PAUL CROWTHER LYNN CROZIER DEAN CURKOVIC BRIAN DALE MARILYN DALE SHANE DAVIS COLIN DAVIS MICHAEL DEBONO ROBERT DESCATOIRES JOE DEVLIN FRANCIS DI LEVA ERIN DICKINSON PETER DILKES JONATHAN DILLON LOUISE DIXON LEON DODDS DAVID DOHNT NICK DRAZIC PHILLIPA DUNN DERRICK DYSON JAMES ELISARA EPATI ELISARA SOLI ADRIAN EVANS PETER EVANS JOANNE EVERINGHAM VINCENT FALETAU ELISARA FALO LELEILAVA XAN FALO NINO FASANO LAURIE FEMIA TENNANT FENTON ANDREW FENTON ERIC FIELD DOUG FISHER JENNIFER FLOOD SIONE FOLAU-POLE FA'ALEO FONUA WILLIAM FONUA CHRIS FORREST ANGELA FRANCIS LINDSAY FRANCIS GEORGE FRANCIS ROBERT FRANCO ALAN FRANKLIN KALENI FRASER DAVID FREEMAN CAMERON FRIEND TONY GALLIVEN DAVID GANNON FLOYD GARDINER DOMINIC GARGIULO BRIAN GARGIULO COLIN GASS TYSON GEORGE ROGER GEORGIEFF WARRICK GIBSON IVAN GILBERT LANCE GILLON BASIL GOODMAN BRENT GRAHAM TYLER GRAHAM MURRAY GREEN DANUTA GROBELSKI ADAM GROVE DEAN HAMILL NEEL HARAKH SIMON HARDIE GRANT HARFORD ERROL HATTERSLEY MICHAEL HAWKINS MALCOLM HENDERSON ALEXANDER HENDRY PETER HENDRY TONY HENEY MARIA HENRY JEFFREY HERAPATH CHRIS HIBBERT TESSA HICKSON IAIN HIGGINS TRUCE-ANNE HILLARY ALEXANDER HIRSLER GRAEME HIRST MARK HOBBS STEVEN HOLDER ROB HOLLIER GEORGE HOMIK NICK HOOPER CLARKE HORNER LAURIE HOSKING KATE HOSSEN MARTIC HRABANOV CRISTIAN HRABANOV CAROL HU BENJAMIN HUME WAYNE HUME PIO HURINUI PETER HURRING FAZAL HUSSAIN WALLY IACOPETTA STEPHEN IACOPINO SAM ILAIU CAROLINE INKSON MICHAEL IOPPOLO BRUCE IRVINE RUSSELL IVATTS JEREMY JAMES BRIAN JARMAN RAY JELLETT MATTHEW JEWELL MAXWELL JOHANSSON NORMAN JORDAN MANICKATHAN JOSEPH MANASE KAILEA JOHN KALAZICH RAMINDER KAUR TAMATI KAWHENA KEVIN KE GAVIN KEIDGE TINA KENNINGTON JOSH KIESANOWSKI CATHY KILICK JASON KING DODINA KISONA MARTIN KOLATTUKUDY TONGA KOLI MARCO LANDO PETER LANGE FASI LATU LAWRENCE LAVERY SAMUEL LEA NETI LEATIGAGA ENI LEAUPEPE SAM LEE KIHON LEE HAZEL LEES CHRIS LEONE GAVIN LEVY MICHAEL LIA JIAN LIN CAROL LISSINGTON DANIEL LITTLE MICHAEL LITTLE WILLIAM LITTLE DAVID LITTMAN RHYS LIVINGSTON PETER LOPES IAN LUK NICHOLAS LULHAM PATRIQUE LUMA JENNIE LUNN DUC MA STUART MCDONALD RYAN MACEK MARK MACEK BEN MADSEN VILI MAKI JIM MALONEY DAYAL MANU SAM MARSON ROBERT MARTIN DYLAN MARTIN CLARE MARTIN PATRICK MARZANO HAMISH MASON SCOTT MASON TEOKOTAI MATAITI JOHN MATAMUA SUZANNE MATTINGLY TIMOTHY MAWSON AARON MAYNE JOHN MCARTHUR MURRAY MCBRIDE MARGARET MCCARRIGAN BRENT MCCLURE DANE MCCOLLUM SIMON MCCORMACK YVONNE MCILWAIN LYNN MCKAY ANDREW MCKENZIE DEREK MCKINNEL MATTHEW MCRAE VENUS MEHTA GREGORY MEIBUSCH JAMES MEOLA DALE METCALF MARK MIDDLETON SAM MILANESE JAMIE MILL ELLIOT MITCHELL AMASAI MOALA ANTHONY MOEBUS RICHARD MOEKE JUAN MOKOMOKO TROY MOKOMOKO SIO MOLIA SHANE MOON DANIEL MOOR RUFINO MORALES TEOMAN MORGIL STEVEN MORICE KEVIN MUNROE ALLAN MURRAY VINCE MUSICO MAHES NARAN VIJAY NARAYAN TUI NAU JOE NAYACAKALOU ERIN NEIBLING DANIEL NEUMANN JEFF NEUMANN PHILLIP NEWPORT EMMA NEWTON DAVID NEWTON JUDITH NEWTON GREG NGAWHIKA MANDY NIGRO HARRY NISBETT JASON NOBLE PETER NORTHERN WAYNE O'HALLORAN GRAEME OLDHAM BRENDAN O'NEILL SEAN O'NEILL MAU HELOTU ONO TONY ORD SHANE ORMSBY NICHOLAS O'SULLIVAN ROGER O'SULLIVAN RICHARD OTT TUPOU OTUTAHA IOSEFO PAKOME SENITU PAKOME MICHAEL PALMA PETER PAP SUNIL PATEL FAALAGIGA PATI JASON PETERS DARRYL PETERSON MARIA POBLETE ROCHELLE POGSON ANNEMARIE POKANAU DENNIS POLAMALU TIM POORTER ADELLE PORTER SKYE POWELL-JONES DEREK PREGI JERRY PRENDERGAST NAOMI PRESCOTT DUNCAN PRYOR DAN PU GREIG PULLAR JARRETH PULLEN SHANE QUINN LUKE RADAN KAREN RADWAY GRAHAM RAMADGE RANCE RAUMATI DAVID REESE JADE REEVES DANIEL REID JAN REID SHARON REID BRETT REID ROBERT REIGER HOWARD REILLY MARGARET RELIA GREG RICH WENDY RICHARDS SHANE RICKIT JASON ROBERTS LANCE ROBERTSON BEN ROSS FRANK RUGGIERO JAMIE RUSS MILI SARAVU BRENDAN SCHEIWE DORINA SCHIRRIPA TONY SCHIRRIPA SHANE SCOTT DIANE SCOTT VAINGA SEFESI STEVEN SEFESI BRUCE SHEED LAWRENCE SILLS-OHLSSEN NEIL SILVERMAN SAM SINGH PRANEEL SINGH ANDREW SINNOTT NATHAN SMART GLEN SMITH MARK SMITH GLENN SMITH ALUALU SOISOI RICK SOUTH DAVID SPEDDING RAYMOND STEELE KEVIN STEVENSON AMANDA STOCKER TONY STONE SIMONE STRATHAIRN GORDON STUART GRANT STUMBLES PATRICK STUTZ GIUSEPPE SURACE WAYNE SWIFT SALESI TAHOLO STEWART TAIT ISI TAPUI ANGELO TARANTO MARIO TARANTO TONY TARANTO SATEKI TAUFU JOHN TAVITE CAMERON TAYLOR KUONGA TEALEI JIM THOMOLARIS BILL THOMOLARIS GLEN THOMPSON WARREN THOMPSON ANDREW THOMPSON CRAIG THOMSON SHAUN THREADWELL PETE TIPPETT ROMERO TOAIOLO ALF TOAIOLO BERNARD TOAIOLO ROBERT TOMLIN MATA TONGIA CYRIL TORRANCE TIM TOUHUNI POUKEI TOUHUNI KEVIN TRACEY VAN HOA TRAN DOUG TRASK SANDY TRASK TOM TREACY JOE TRIMBOLI VINCENT TSOI JERMAINE TUHI KAT TUILAEPVA VAE TUILAEPVA VASASOU TUILAEPVA JENNIFER TUNG TAU TUPOU ANTHONY TURNER CRAIG TYMENSEN TAMANGO UARUTA TEVITA UEPI FANO VAEGA JOSEPH VAN DER LOO JUSTIN VAN TWEST KOBUS VAN VUUREN IRINA VASSILIEVA SHANE WADSWORTH MICHAEL WAGNER ALAN WAKE TONY WALSH XIAN WANG WAYNE WATKINS ROSS WATSON KATE WEAVER WAYNE WEBLEY KERRY WELLS ROBYN WHITE CLINTON WHITIKIA-NGATUERE ROHAN WHYTE HESHAN WICKRAMANYAKE BRADLEY WILKINSON KEN WILLEY ADAM WILLISON WHITNEY WILSON NICOLE WINTER ALBERT WOLFGRAHM KEN WONG JARED WOODCOCK KELVIN WOODMASS IVANNA WOOLLAMS DANNY YOUNG TONY ZANNINO ANDRE ZITTERSTEIJN JOSEPH ZOFREA PAUL ZOFREA



MARKET GARDENERS LIMITED ANNUAL REVIEW 2012



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FINANCIAL HIGHLIGHTS

• Group gross sales under management	<u>\$534.481 million</u>
• Group profit before income tax	<u>\$7.633 million</u>
• Group profit for the year (after income tax)	<u>\$6.447 million</u>
• Group total equity	<u>\$79.227 million</u>
• Group total assets	<u>\$182.058 million</u>

2012	2011
\$'000	\$'000

Shareholder distributions

• Supplier shareholder rebate	250	250
• Bonus issue on supplier shareholder rebate	250	250
• Final gross dividend on "A" shares 4 cents per share (2011 : 4 cents per share)	502	479
• Final gross dividend on "D" shares 8 cents per share (2011 : 8 cents per share)	209	200

Total shareholder distributions in relation to the year ended 30 June

<u>1,211</u>	<u>1,179</u>
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CHAIRMAN'S REVIEW



Brian Gargiulo, MBE - Chairman

Market Gardeners Limited, trading as MG Marketing, is a co-operative company with a successful business record of 89 years supplying and distributing fresh fruit and vegetables. On behalf of its over 400 shareholders, MG provides sales and marketing support at domestic and international levels for its grower-members and other suppliers in trading with national retail chains and independent produce outlets.

On behalf of your Board of Directors I am pleased to report on a satisfactory performance in the year ending 30 June 2012 for the Group operations of Market Gardeners Limited, trading as MG Marketing (MG). The highlights, summarised on the preceding page, are encouraging for your co-operative as a whole, given that we experienced some volatile market trading conditions within a generally subdued economic background.

Despite the challenging environment facing the business, our trading activities produced largely positive results and vindicated the overall direction MG is taking on its domestic and international fronts. Specific details on the Group's financial performance are provided later in this review, but it is worth commenting here on conditions and outcomes experienced during the year across our major markets of New Zealand and Australia.

Our domestic sales operations achieved reasonably good results in what were, at times, very difficult trading conditions. Total volumes traded improved over the previous year, but of concern was a decline in product values reflecting the continued problem of over-production reducing prices.

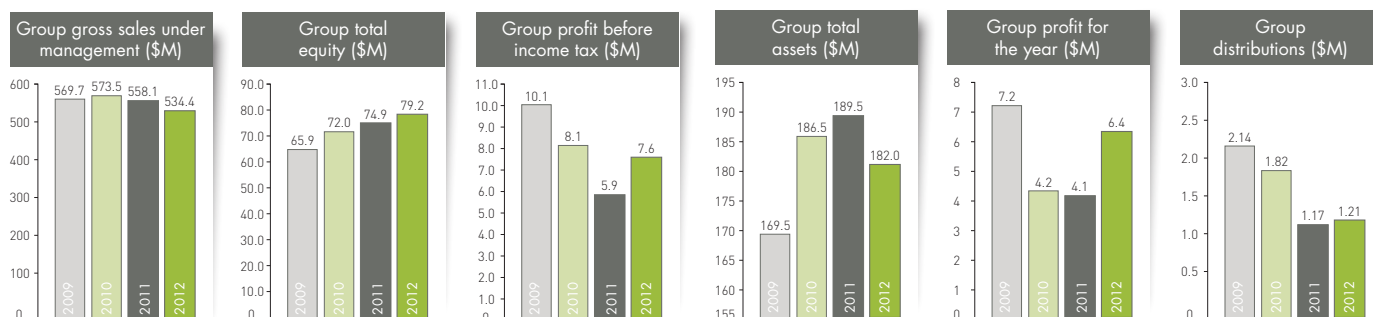
For many years MG's directors and management have worked to address the issue of supply and demand imbalances with a degree of success. Importantly, these efforts must continue if grower-suppliers are to attain consistently acceptable commercial returns. Natural events such as floods and earthquakes are beyond our control, but the ability to better manage and co-ordinate what we produce certainly is not. This vital topic is covered in more detail by the Chief Executive in his report.

In our Australian markets, volatility is the best word to describe trading conditions for the year in review. The disruptive 2011 cyclones and flooding, which severely cut produce supplies, enabled the LaManna Group to capitalise on strong demand and good prices early in the year. However, this position turned abruptly in the latter half, with prices crashing to all-time lows and returns well below expectation. Whilst this led to a disappointing annual result, your Directors are confident LaManna Group's ongoing diversification programme in Australia will reduce exposure to such erratic market conditions and consolidate its earnings base. More details are given under the separate LaManna Group section in this review.

Across our business interests domestically and offshore, MG continued to adjust to changes and meet challenges in its trading environment. At a retail level we made good progress during the year towards building stronger trading relationships with key supermarket accounts, fully aware of a trend for direct approaches to grower sources. Your Board and management believe that the produce sector we depend on can only benefit through constantly improving continuity of supply and quality of produce. These key drivers underpin profitable sales of vegetables and fruit and work to the advantage of everyone in the produce supply line, not least of all the growers themselves. In pursuit of this principle, MG has maintained its focus on investments to improve its distribution and storage facilities, refine its customer services and utilise a team of skilled and dedicated staff.

Alongside such investments, MG recognised the equally important need for economic efficiency, particularly as business costs increased more than produce returns for the year in review. Wherever feasible we reduced operating overheads without compromising delivery standards and encouraged members / suppliers to do likewise. More constructively, we also sought to improve growers' earning capability through alternative crop selections and diversifying to adopt higher value products. These initiatives helped an increasing number of grower-suppliers to lift productivity during the year and we expect more will benefit from this ongoing programme.

It was notable during a difficult and trying year for produce growers that MG attracted new members to the co-operative and grew its total shareholder base. This was an encouraging sign of the potential strength to be gained from being part of a well-organised and efficiently-run collective of committed grower interests. The more our members act in support of this fundamental principle, the better off our co-operative business will be.



Financial Performance and Distributions

The year's trading is highlighted on page one of this review and is further discussed in the ensuing Chief Executive's report. In a challenging trading environment MG maintained strong gross sales under management to exceed \$534 million, with total assets at \$182 million and Group equity growing to over \$79 million. Group cashflows have remained strong and reflect the continued prudent management of all areas of our business.

In addition to this Annual Review a full annual report and financial statements have been prepared. These documents 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).

Based on the financial performance to 30 June 2012, the MG Board of Directors has resolved to return to its shareholders significant distributions totalling \$1.211 million. On 16 August 2012 the Board declared the following distributions in relation to the year ended 30 June 2012:

- 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 2012;
- Bonus issue – a one for one fully imputed taxable bonus issue on the "C" shares issued out of the above rebate. This amounts to \$250,000 worth of "C" shares being issued (you receive one further "C" share 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 4 cents on every "A" and 8 cents on every "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 2012 and continuing to hold, at the date of the 2012 Annual Meeting, the shares held at 30 June 2012. The above rebate, bonus issue and dividends represent \$1.211 million being distributed back to MG's loyal and supportive shareholders.

Domestic and International

For the year under review, the New Zealand market continued as the mainstay of MG's business and the focus of its core revenue streams from domestically grown and out-of-season imported produce. As previously referred to, total sales volumes experienced modest growth in an extremely price competitive market for the entire year. Whilst this was expected for the most part, not so obvious was industry rationalisation increasingly being felt across all parts of the supply chain. The major reasons for this were, and continue to be, ongoing consolidation of purchasing power by leading retail groups, greater insistence on product quality and supply continuity from big retail operators, and a growing consumer preference for a wider choice of well-packaged and attractively presented fruit and vegetables. These trends put considerable pressure on growers and suppliers to improve their offerings, or suffer the consequences of not doing so.

MG responded during the reporting year – and continues to respond – by working more closely alongside key retailers, by strengthening strategic services and locations in our distribution channels, and by facilitating development amongst grower-suppliers of exclusive and new-style crop varieties. This is necessarily a lengthy process involving all components of the supply chain, from the farm right through packing sheds, transport, storage and delivery. Importantly, the results proved largely positive for the review period. The progress achieved bodes well for our co-operative enterprise as further changes and more rationalisation inevitably occurs in the marketplace.

Our dominant domestic market position in imported fruit sales was maintained during the year with satisfactory returns on major lines of bananas and out-of-season products. MG continued to work productively in tandem with key international trade partners such as Dole and Sunkist, whose long-standing reputation for quality and value stayed



CHAIRMAN'S REVIEW (continued)



consistently high amongst discerning New Zealand consumers. Despite downward pressure on sales volumes for some tropical varieties caused by economic constraints and tighter discretionary spending, the imported fruit sector remained a significant contributor to total revenue and earnings.

A new development for the co-operative in the latter part of the financial year was to form a 50:50 joint venture with Te Mata Exports 2012 Ltd of Havelock North, a leading exporter of pipfruit to all New Zealand's key international markets. MG, which to date has had a limited role in horticultural exports, sees this venture as a strategic opportunity to expand offshore sales alongside a proven and experienced global marketer. Scope exists for sourcing additional produce from MG shareholders and suppliers to sell offshore with the goal of achieving sustainable returns for growers.



GLEN THOMPSON
Chief Executive Officer



PHILIP HOLBERTON
Director Melbourne
LaManna Independent Director

LaManna Group, Australia - Annual Review

Market conditions for MG's produce growing and distribution business under LaManna Group in Australia proved extremely volatile for the year under review. After recovering from devastating cyclones and floods in the previous year, the fresh fruit sector went on a roller coaster ride. Early in the year shortages pushed prices up to record levels, only for national supply gluts to swiftly depress values to the lowest in decades.

In such a disorderly market, early gains recorded by LaManna were largely eroded by the year's end and its operations delivered a lower than expected result. Despite this, the LaManna Group made good progress with its product diversification programme into additional fruit and vegetable categories covering retail markets in all main Australian population centres.

Broadening the base of LaManna's product mix allows for less reliance on banana sales and traditional tropical fruit lines that are exposed to major weather events. As bananas still comprise over half of all product volumes traded, the Company maintained its joint venture investments in the Queensland and Northern Territory farming operations. A selected range of new varieties were also under trial with a view to licensing further production and mitigating the risk of an over-reliance on a few product lines.

During the year the Chief Executive Officer of LaManna, Bernard Treacy, resigned from his position to take up a role with a trading bank. Glen Thompson, the Company's Chief Financial Officer, is now performing this role.

LaManna's Fresh Crop wholesale outlet in Sydney for non-banana produce continued to trade successfully with a wider offering of fresh produce lines. The Company is also considering the future requirements for and implications of the relocation of the central produce market in Melbourne.

In Brisbane repairs to LaManna's flood damaged warehouse and equipment were completed and full services resumed early in the reporting year. Given that no insurance was available to cover this work, the extra effort and time commitments given by staff and management at Rocklea deserve the highest degree of recognition.

Despite the year's unprecedented market disturbances, MG is positive about LaManna's future earnings prospects. The subsidiary has a sound operational base from which to expand profitable business lines. Category diversification, along with efficiencies gained from co-ordinating its nationwide supply and distribution network, provides the business with a solid platform for growth.

Annual Meeting

Shareholders of MG are invited to attend the Annual Meeting of the Company, to be held at Tatum Park, 820 - 850 State Highway 1, Horowhenua, (Kapiti Coast / Levin) on Wednesday 28 November 2012, commencing at 5.30 pm.

In addition, after the AGM, MG's Directors, senior management and staff welcome the co-operative's members to meet informally and discuss matters of interest concerning MG and any of its business activities. Attendees can participate in the formal meeting, as well as take part in the social gathering and dinner to be held in the evening.



Directorate and Staff

It is fitting to record my gratitude to MG's hard-working and dedicated Board of Directors. Throughout a testing year they contributed positively and purposefully in their governance duties to oversee another solid result for the Company. The progress MG has made in meeting its marketplace challenges and optimising grower returns is a tribute to their abilities.

In the year under review three changes were made to MG's Board of Directors including the retirement of Basil Goodman, as covered on the following page. His replacement on the Board is Lynn Crozier, a Canterbury vegetable grower for over 40 years and long-standing supplier to the co-operative. Another appointment to the Board was that of Tom Treacy, MG's former Chief Executive, as a special Director. His experience in the industry is a welcome addition to the Directorate resources.

I would also take this opportunity to acknowledge the stalwart contribution of our Deputy Chairman, Francie Di Leva, who has recorded 20 years of service to the Company. Mr Di Leva has and continues to represent the best interests of MG in a constructive manner and his input is highly appreciated.

In accordance with the Company's constitution, Messrs Alan Franklin and Lynn Crozier retired by rotation and being eligible offered themselves for re-election. As no other valid nominations have been received, their re-election will be announced at the Annual Meeting on 28 November 2012.

No competitive business can succeed without a team of conscientious and dedicated management and staff and we are fortunate in having some of the best available. In his second year at the helm, our Chief Executive Peter Hendry has proven that he has all the skills and resources to effectively implement MG's commercial objectives, and the ability to lead a very competent team of senior managers with confidence and goodwill. Added to this is the ongoing contribution of our International Business Manager, Kerry Wells, as well as the Company Secretary and Chief Financial Officer, Duncan Pryor, and their staff who yet again have proven to be indispensable to the success of the co-operative across all its operating activities.



MG Board of Directors



JOHN R CLARKE
Director,
Levin



LYNN T CROZIER
Director,
Rolleston



FRANCIE P DI LEVA
Deputy Chairman,
Nelson



ANDREW G FENTON
Director,
Te Puke



ALAN G FRANKLIN
Director,
Auckland



BRIAN D GARGIULO,
MBE
Chairman,
Christchurch



BRUCE R IRVINE
B COM, LLB, CA
Director,
Christchurch



TOM TREACY
Director
Christchurch

Executive Management Attendees



PETER HENDRY
Chief Executive
Officer,
Christchurch



DUNCAN PRYOR
B COM, CA
Company Secretary & Chief
Financial Officer,
Christchurch



KERRY WELLS
B. Ag. Com
Int. Business Manager
Christchurch

CHAIRMAN'S REVIEW (continued)

Retirement of BASIL GOODMAN

At the close of the year under review Basil Goodman retired from the Board after 12 years' continuous service as a Director of Market Gardeners Limited.



Based at Cromwell, Central Otago, Mr. Goodman has a life-long career serving the commercial interests of New Zealand's summerfruit growing and marketing industry.

His business expertise in this sector and his in-depth knowledge of trading in fresh produce at all levels proved a valuable asset to MG's domestic growing and exporting strategies.

Mr. Goodman continues his role as the fruit grower representative on the Horticulture Exports Authority and as chairman of Alexandra-based Seasonal Solutions, a labour pool service he founded for fruit and vineyard growers which organises 800 RSE workers from the Pacific each year.

As a fitting tribute to his many achievements over several decades, he received the fruit industry's annual Bledisloe Cup two years ago for outstanding services to horticulture and summerfruit in particular.

Outlook

In recent years MG has faced sizeable challenges to its business of growing and marketing produce. It would be fair to say it has made a good fist of adapting to changes in the industry at both domestic and international levels. The coming year will undoubtedly see further transformations, with impacts being felt throughout the organisation. As a co-operative we need to be ready for these if we are to react quickly and intelligently, as we must. Looking ahead, it is worth recognising the most important elements driving the current change process and considering how best the Company should position itself to succeed.

Consolidation and changes across the retail sector have become powerful influences on shaping the produce industry. Within this environment MG's role is to position itself as the preferred source of premium quality, continuously available and competitively-priced fruit and vegetables. This is a task

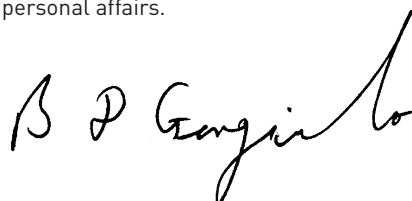
that must be well-managed and supported in order to succeed. Certainly, an inability to raise product standards will result in short-term difficulty and long-term failure for supplier interests. Your co-operative has worked consistently to raise product quality, improve supply continuity and further on-farm efficiency programmes, all with the purpose of meeting domestic and overseas customer expectations. It is up to growers and suppliers participating in these MG-supported programmes to ensure their ongoing success.

Another change strongly impacting on our business and certain to continue is the broadening of consumer preferences to encompass new varieties of produce, irrespective of seasonality. In response to this trend and also to lessen the risks of relying on too few product lines, MG is encouraging grower participation, where appropriate, for diversification into new product varieties and types. Several innovative categories are already being sold or tested in the market, capable of achieving good returns in their niche positions. Whilst primary produce lines will dominate in volume terms, there are financial benefits to be gained by minimising over-production and avoiding low pricing issues. Our diversification programme for growers in New Zealand and Australia will continue to create new opportunities on a commercially prudent basis. The same principle also applies to imported out-of-season produce.

These market-related change agents will also make substantial impacts on farm practices. It is clear that MG's most successful growers today have adopted increasingly cost-effective ways to manage, harvest and process their crops. It takes a very focused and disciplined approach year-round to optimise the product quality and continuity that is needed to lift market value and sales returns. It also requires a shifting of costs to support such initiatives, with adjustments across the whole supply chain and especially in terms of on-farm investment. MG strongly encourages members to heed these market imperatives and to consider and discuss with the co-operative opportunities for positive change. Our individual prospects can certainly be enhanced using our collective strength, as has been proven by the Company for the past 89 years.

Finally, I take this opportunity on behalf of the Directorate to express my appreciation to MG's shareholders who have supported the Company during the year with produce supplies. I also express sincere thanks to our loyal customers at all levels of the retail sector and to our joint venture and commercial trading partners. My gratitude goes to MG managers and staff in New Zealand and overseas, whose performances in the field, in warehouses and in offices far and wide make the co-operative the great success that it is.

I wish you all the best for the coming year in your business and personal affairs.



Brian Gargiulo, MBE
Chairman
17 September 2012

CHIEF EXECUTIVE OFFICER'S REPORT



Peter Hendry - Chief Executive Officer

It is satisfying to report a sound result for the financial year to 30 June 2012, albeit one punctuated by a number of adverse events affecting production and trading conditions for Market Gardeners Limited, trading as MG Marketing (MG). Overall your Company's performance was creditable under the circumstances, as it continued to improve Group equity and reduce debt, whilst completing capital investments on expanded and streamlined distribution facilities.

The year was noteworthy for its stark contrast in growing and selling conditions on either side of the Tasman. New Zealand experienced a series of interruptions for many suppliers, caused by widespread snowfalls, several localised floods and, of course, disruptions caused by Canterbury's earthquakes. Despite these setbacks MG's total volumes sold were up on the previous year. Prices for produce, however, were depressed by a flat economy and surplus offerings for vegetable lines in particular.

In Australia the situation was reversed, as banana over-production in the latter half of the year crashed retail prices to cancel out gains made in the first half of the year. The unpredictability of this market vindicates the work in progress by MG's subsidiary, LaManna Group, to widen its range of fresh produce through a well co-ordinated network of improved outlets in all the major cities. As in New Zealand, we are working closely with Australian growers, including joint venture partners, to fine-tune crop selection and harvests, as well as introducing new varieties of produce with the potential to add value and lift returns.

On the international front a new development during the year was MG's entry into the export sector, with a strategic investment in the Te Mata export business. The joint venture with Te Mata Exports opens the door for MG suppliers to new markets for what we anticipate to be an expanding range of seasonal produce. On the imports side, MG continues to hold its leading market position for key products in New Zealand and continues to improve its presence in Australia for selected lines of fruit and vegetable imports.

Across the board, MG made solid progress towards building a more cost-efficient and market-responsive supply chain linking growers with existing and new markets. Importantly, we also focused our efforts to better co-ordinate grower-supplier activities and align production levels more closely with changing market requirements. This process was coupled with our ongoing programme to diversify into new products and varieties capable of enhancing returns on sales. These initiatives made positive impacts during the year under review and will continue to guide our business into the future.

Financial Overview

As is noted above, the result for the year is considered satisfactory. The key financial highlights are detailed on page one of this annual review and are discussed further in the Chairman's review.

Once again the Group's gross sales under management have remained strong and exceeded \$534 million but were back on the prior year's \$558 million achievement. Group profit before income tax exceeded \$7.6 million and reflects the poor market conditions experienced in Australia on the LaManna Group result (discussed in the Chairman's review) offset by the sound result coming from the New Zealand operations.

Group equity has continued to grow and now exceeds \$79 million, an increase of over \$4 million from 2011. This increase reflects the net effect of, amongst other things, the dividends and share surrenders, the group net profit after tax of \$6.4 million and the impact of movements in the foreign currency and hedging reserves. Total assets currently stand at \$182 million, down from 2011's \$189 million which reflects the sale of several surplus properties during the year with the proceeds used to reduce Group debt. Group cash flows from operations continue to be strong and well managed with over \$5.8 million coming in from operating activities. These inflows, combined with the proceeds from investing activities, have resulted in a net debt reduction by the Group of over \$10 million.

The Chairman's review also details the distributions that have been declared for the year to 30 June 2012 which again are a significant recognition of the performance of the MG Group. As always I am pleased to note 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.

CHIEF EXECUTIVE OFFICER'S REPORT (continued)



New Zealand Market

During the year the Company made steady progress in reducing disparities between supply volumes and market demand, an issue that remains a serious weakness for the industry at large. It is encouraging that greater numbers of MG grower-suppliers sought to address this issue specifically during the year and in many cases our procurement advisors gave practical and effective support. At the same time MG sales managers at the other end of the supply line continued to work with major retailers and independent outlets to cement long-term trading relationships, a process needing continuous attention to every detail of every consignment.

The same rationale was applied by MG during the year to its own distribution facilities and service centres, undergoing a regime of continuous improvement around the country. The objectives of this programme are to operate with greater cost-efficiency and provide growers and customers with assurance of quality control in a controlled environment. Accordingly, strategic decisions were made to sell surplus land in Wellington, create new development space from existing land in Auckland, and expand the Christchurch warehouse facilities for local produce. MG also sold its Greymouth branch operation, realising a good return, with all staff transferring to the new owner.

A further sale was that of our Christchurch support office property on very satisfactory terms that will result in reduced debt and operating costs for the co-operative. Support office staff relocated to temporary premises for the rest of the year, awaiting a final move to a new building in November 2012. The new office complex is adjacent to the Christchurch distribution centre in Waterloo Road, on land already owned by MG.

In the domestic market our retail fresh produce brand Nature's Pick continued to be well supported by customers, as well as being adopted by an increasing number of vegetable suppliers. MG's joint venture flower business, United Flower Growers Ltd (UFG) had another year below expectation in difficult trading and economic conditions. The board of UFG is working on a number of initiatives to improve performance in the third year of this joint venture. With branches covering Auckland, Wellington, Dunedin, Nelson and Invercargill, the partners are considering opportunities to establish new branches and services to expand UFG's reach and build revenue.



Imports / Exports

MG maintained its leading share in the domestic market of mainstream categories in the out-of-season fruit imports during the year. Despite strong competition in the category, sales volumes of bananas were consistent for Dole branded fruit. Public awareness was heightened during the 2011 Rugby World Cup, for which Dole was the official fruit supplier. The Company's commitment to this globally recognised brand includes operating large state of the art banana ripening and storage facilities in the main centres, and contributing to promotion and educational programmes nationwide.

The Company continued its association with other international suppliers of tropical and sub-tropical produce, including Sunkist, with citrus varieties and fresh grapes making up the bulk of sales alongside bananas. Good volumes were sold, but some high value lines suffered as consumer spending dipped in a flatter economy. There were also challenges on the bio-security front, with import regulations restricting access from some countries, necessitating imports from alternative sources. As with locally grown produce, market requirements for continuity of supply and consistent quality are paramount for success and the company continues to evolve to meet supply and market challenges. Our North American office based in California provided MG with a strategic base from which to procure significant volumes of Northern Hemisphere fresh produce for the New Zealand and Australian operations. Opportunities for further expansion are being explored which will further improve buying power and revenue streams.

MG's recent joint venture investment in Te Mata Exports 2012 Ltd offers encouraging prospects for growers wanting to supply export products through this business. As a successful pip-fruit marketing company, Te Mata markets to key countries and its established network provides synergies for selected seasonal produce to be added in the coming years.



Executive Management Team



BRIAN BUCHANAN
Internal Audit



ROGER GEORGIEFF
Marketing Manager
Domestic



GRANT HARFORD
BMS
National Operations Manager



PETER HENDRY
Chief Executive
Officer



CHRIS HIBBERT
Information Systems
Manager



PETER LANGE
B.A.
Imports Manager



JERRY PRENDERGAST
Brand Development &
National Key Account
Manager



DUNCAN PRYOR
B.Com, CA
Company Secretary and
Chief Financial Officer



KERRY WELLS
B.Ag. Com
International Business
Manager

MG Staff

At all levels of the Company, our employees performed to high standards and produced excellent results during the year. In a number of cases staff went above and beyond their normal responsibilities dealing with exceptional events to ensure supply lines remained open and kept functioning effectively. In parts of New Zealand and Australia where facilities were damaged or cut off by snow and floods, branch managers and their staff voluntarily went that "extra mile" for the benefit of MG's grower-suppliers and customers. We are fortunate to have such a dedicated and professional team upholding our business.

During the year MG continued to develop its national operations resources with the appointment of Kevin Tracey to the new role of warehousing and logistics manager based in Auckland. The position is an important one as it focuses on developing smarter supply chain systems to improve distribution links between producers and their markets. It is enabling all our branches to fine-tune their facilities and services in areas such as procurement, ordering, stock management and storage integrity.

The Company's human resources for support services were also boosted, with enhancements to our advisory and technical teams on quality assurance, crop selection, procurement decisions and packaging technology. Whether in the field or in office support roles, these staff members welcome contact with MG grower-suppliers and are keen to help with vital aspects of production throughout all our growing areas.

As we have done in recent years, we again feature the names of our Group staff members on the cover of the Annual Review to recognise their importance, value and contribution to the Group's performance.

Conclusion

The short-term outlook for MG promises to be no less challenging, or demanding of our combined efforts, than the pressures readily familiar to all in the produce sector. We can broadly expect the cost of doing business will keep rising faster than values on many lines of produce, at least for parts of the year. This erosion of grower profitability has been evident for some time and is a legitimate cause for concern. However, growers and suppliers should not accept this trend as inevitable, because there are measures we can adopt collectively to counteract and, given time and intent, to reverse it.

Foremost amongst these is the need to co-ordinate crop growing and procurement decisions across as many lines of produce as possible and certainly within individual vegetable and fruit categories. MG has provided leadership in this process for some time and will continue to do so. It is imperative we understand the demands of the marketplace, whether at the domestic or international level, and be capable of fulfilling buyers' expectations to consistently high standards. This principle applies not only to traditional crops, but to a widening range of new varieties MG is developing to create competitive advantages for growers seeking to add value to their output.

As members of MG, you can count on an efficient storage and distribution network to safely handle and consign your produce to retail customers. No less importantly, you can rely on MG management and staff members for practical support in making the best crop selection decisions and helping add value through advances in processing and packaging methods. Indeed, more growers are working closely alongside MG and adjusting their business practices to more closely align production with current market trends. In doing so, they are better equipped to avoid the extremes of price falls and secure a more reliable income base with very real prospects of improving returns.

It is appropriate that in my second year as Chief Executive of the Company, I record my appreciation to the many members of the co-operative who have taken the trouble to make contact and express their views on our mutual business interests openly and constructively. Feedback from MG's grower-suppliers is a necessary part of learning to deal with changes and adopt the best course of action for the wider good of the organisation. I also express a similar vote of thanks to all our customers, whose opinions provide much "food for thought" and are valuable contributions taken on board by our management.

I would also make a point of acknowledging the support provided to me and to all MG managers and staff by the Board of Directors, whose guidance has been most appreciated. On this closing note, I hope that your coming year is both rewarding and satisfying.

Peter Hendry
Chief Executive Officer
17 September 2012

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Group	
	2012 \$'000	2011 \$'000
Revenue – sale of goods	266,789	277,462
Cost of sales	227,249	237,102
Gross profit	39,540	40,360
Other operating income	6,424	1,932
Administrative expenses	9,428	10,019
Other expenses	29,273	24,802
Results from operating activities	7,263	7,471
Finance income	467	404
Finance expense	3,616	4,454
Net finance costs	3,149	4,050
Profit before equity earnings and income tax	4,114	3,421
Share of profit of equity accounted investees	3,519	2,567
Profit before income tax	7,633	5,988
Income tax expense	1,186	1,872
Profit for the year	6,447	4,116

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

Net cash from operating activities	5,851	3,135
Net cash from /(used in) investing activities	6,635	(4,594)
Net cash (used in) financing activities	(10,605)	(2,745)
Net increase /(decrease) in cash and cash equivalents	1,881	(4,204)
Cash and cash equivalents at 1 July	4,753	8,587
Effect of exchange rate fluctuations on cash held	36	370
Cash and cash equivalents at 30 June	6,670	4,753

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

BALANCE SHEET

AS AT 30 JUNE 2012

	Group	
	2012 \$'000	2011 \$'000
EQUITY		
Share capital	16,042	15,760
Reserves	24,938	30,943
Retained earnings	36,779	26,851
Total equity attributable to equity holders of the Parent Company	77,759	73,554
Non-controlling interest	1,468	1,421
Total equity	79,227	74,975
NON-CURRENT ASSETS		
Property, plant and equipment	76,504	84,391
Intangible assets	35,562	36,418
Investments in equity accounted investees	9,398	8,395
Trade and other receivables	9,371	11,647
Deferred tax assets	4,320	3,394
Total non-current assets	135,155	144,245
CURRENT ASSETS		
Inventories	4,288	6,158
Trade and other receivables	33,922	33,138
Cash and cash equivalents	6,670	4,753
Taxation receivable	279	-
Non-current assets held for sale	1,744	1,270
Total current assets	46,903	45,319
Total assets	182,058	189,564
NON-CURRENT LIABILITIES		
Loans and borrowings	45,445	49,990
Trade and other payables	2,024	1,393
Deferred tax liabilities	3,729	4,118
Total non-current liabilities	51,198	55,501
CURRENT LIABILITIES		
Loans and borrowings	7,075	13,251
Trade and other payables	44,558	45,012
Taxation payable	-	825
Total current liabilities	51,633	59,088
Total liabilities	102,831	114,589
NET ASSETS	79,227	74,975

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

NEW ZEALAND BRANCH REGISTER, BANK AND ADVISERS

REGISTERED OFFICE, SUPPORT OFFICE, MARKETING & IMPORTS 78 Waterloo Rd, P O Box 8581 Hornby, Christchurch 8440 Phone : 03 343 0430, Fax : 03 343 0929	NELSON 30 Pascoe Street, P O Box 170 Nelson 7040 Phone : 03 548 5859, Fax : 03 546 4264 Manager : Jamie Russ
AUCKLAND REGION 801 Great South Rd, P O Box 12 370 Penrose, Auckland 1642 Phone : 09 270 7110, Fax : 09 270 7111 Manager : Kevin Munroe	CHRISTCHURCH 68 Waterloo Rd, P O Box 16 404 Christchurch 8441 Phone : 03 349 2070, Fax : 03 349 2069 Manager : Jeff Neumann
NATIONAL BANANA RIPENING 801 Great South Rd, P O Box 12 370 Penrose, Auckland 1642 Phone : 09 270 7110, Fax : 09 270 7111 Manager : Graeme Hirst	DUNEDIN Cnr Midland & Otaki Streets, P O Box 2056 Dunedin 9044 Phone : 03 455 4004, Fax : 03 455 6656 Manager : Wayne Hume
HAMILTON 24 Kaimiro Street, P O Box 675 Pukete Industrial Estate, Hamilton 3240 Phone : 07 849 2866, Fax : 07 849 2864 Manager : Brian Dale	INVERCARGILL 162 Mersey Street, P O Box 209 Invercargill 9840 Phone : 03 218 2919, Fax : 03 218 2882 Manager : Lynzy Francis
PALMERSTON NORTH 1 Mihaere Drive, P O Box 198 Palmerston North 4440 Phone : 06 357 8076, Fax : 06 357 5103 Manager : William Little	BANKERS Rabobank New Zealand Branch, (Primary facilities provider) Bank of New Zealand, Christchurch, (Transaction facilities – New Zealand)
WELLINGTON 34 Jamaica Drive, P O Box 51 044, Grenada North, Wellington 5249 Phone : 04 232 3499, Fax : 04 232 3477 Manager : Kerry Baird	AUDITORS – PARENT COMPANY AND GROUP KPMG, Chartered Accountants Christchurch
LEGAL ADVISERS Chapman Tripp, Barristers & Solicitors Christchurch and Wellington David Stock, Barrister & Solicitor Christchurch	SHARE REGISTRAR Computershare Registry Service Ltd Private Bag 92119, Auckland

INTERNATIONAL REGISTER

LAMANNA GROUP LAMANNA BANANAS PTY LTD AUSTRALIA REGISTERED OFFICE AND IMPORTS

103-107 Hyde Street
Footscray, Vic 3011, Australia
Phone : +613 9687 0044, Fax : +613 9689 5253
Chief Executive: Glen Thompson

AUSTRALIAN BANANA COMPANY PTY LTD

101 - 103 Upper Daradgee Road
Daradgee, QLD 4860, Australia
Phone: +617 4063 1600, Fax : +617 4063 3958
Operations Manager – Australian
Banana Company: Derek Pregl
National Farming and Innovations Manager: Robert Borsato

BRISBANE MARKET

Building C – Brisbane Markets
P O Box 48
Rocklea, QLD 4106, Australia
Phone : +617 3278 2844, Fax : +617 3278 2866
State Manager: Brendan Scheiwe
National Sourcing and Account Manager: Shane Quinn

BRISBANE WAREHOUSE RIPENING

401 Sherwood Road
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Phone : +617 3278 2832 , Fax : +617 3278 2389
Warehouse Manager: Craig Thomson

LAMANNA EXPORTS

401 Sherwood Road
Rocklea, QLD 4106
Australia
Phone : +617 3278 2832, Fax : +617 3278 2389
Manager : Tony Walsh

SYDNEY MARKET

Stand 1-4 E Shed, Store 135 B Shed
P O Box 323, Sydney Markets, NSW 2129, Australia
Phone: +612 9648 1267, Fax : +612 9648 0577
State Manager: Nick Drazic

SYDNEY WAREHOUSE RIPENING

12 Carter Street
Lidcombe, NSW 2141, Australia
Phone: +612 9648 1267 Fax : +612 9648 0577
Warehouse Manager: Ray Steele

MELBOURNE WAREHOUSE RIPENING

170-174 Cowper Street
Footscray, VIC 3011, Australia
Phone : +613 9687 0044 Fax : +613 9689 5253
State Manager-Banana Category: Angelo Taranto

MELBOURNE MARKET

Stand 13-21 West End,
542 Footscray Road
West Melbourne Vic 3003, Australia
Phone : +613 9687 0044, Fax : +613 9689 5253
State Manager: Robert Bolge

ADELAIDE

C31 Adelaide Produce Markets, Burma Road
Pooraka, SA 5095, Australia
Phone : +618 8349 5022, Fax : +618 8349 5789
State Manager: John McArthur

FRESH CHOICE (W.A.) PTY LTD

Market City, 280 Bannister Road
Canning Vale, Perth, WA 6155, Australia
Phone : +618 9455 2355, Fax : +618 9455 2371
General Manager: Mark Hobbs

MARKET GARDENERS (USA) Inc.

5001 E Commercentre Drive
Bakersfield, California
CA 93309-1687, USA
Phone: +1661 322 4044, Fax : +1661 322 4274
Manager: Doug Trask B.BA

BANKERS

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

LEGAL ADVISERS

Arnold Bloch Leibler, Melbourne

AUDITORS – LAMANNA BANANAS PTY LTD

Pitcher Partners, Chartered Accountants
Melbourne

