



Benefits of being a shareholder

Effective 1 April 2014

Please go to www.mgmarketing.co.nz
for branch and contact details



WHO ARE WE?

Market Gardeners Limited, which trades under the name MG Marketing ("MG"), commenced business in Wellington in 1923 as a Growers' Co-operative for the marketing of fresh fruit, vegetables and other produce. From modest beginnings MG has now expanded and has branches in Invercargill, Dunedin, Christchurch, Nelson, Wellington, Palmerston North, Hamilton and Auckland. In addition to the New Zealand business, MG has a subsidiary group of companies operating throughout Australia, namely the LaManna Group. As a co-operative MG can offer its grower shareholders certain benefits.

SHAREHOLDER'S BENEFITS

A grower who becomes a shareholder in MG is entitled to:

- Participate in any dividends and/or rebates on shares declared by the Board. Dividends and rebates are declared out of, and are dependent upon, the company's profits;
- Receive additional shares issued by capitalising any dividends or rebates payable on any class of shares. Whether dividends or rebates are capitalised (converted into further shares) is at the Board's discretion;
- Have a say in the direction and operations of the company by attending shareholder meetings;
- Accumulate a useful "retirement fund" through an increased shareholding.

Current practice is for:

- A dividend to be declared on "A" shares and for this to be paid in cash. Many shareholders have elected, under MG's dividend reinvestment plan, to receive further "A" shares instead of being paid in cash. This helps to increase a grower's shareholding and assists the company in its capital development;
- Rebates to be declared based on the level of consignment sales a grower shareholder has made through MG;
- Rebates to be capitalised into "C" shares. The capitalisation of a rebate is at the Board's discretion;
- "C" shares generally to be converted into "B" shares after 1 year. The conversion of shares is at the Board's discretion;
- "B" shares generally to be converted into "A" shares after 4 years. The conversion of shares is at the Board's discretion.

In addition to the "A", "B" and "C" shares discussed above MG also currently has one other class of shares on issue, "D" shares. These shares were issued in March 2014 to then existing shareholders - further "D" shares cannot be acquired at this time. "D" shares are subject to their own prospectus and attract a gross dividend of 6% or the dividend declared on "A" shares, whichever is the greater. It is important to note that the level of dividend/rebate declared is dependent upon MG's profitability.

SHAREHOLDERS' RIGHTS

A shareholder's rights are determined by the rights attached to the shares held by the shareholder. The holders of "A" shares have the right to:

- Vote for the appointment of directors, and on other resolutions put to the shareholders at Annual or Special meetings of shareholders;
- Receive such rebates, dividends and bonus issues of shares from MG's profits that are declared by the Board from time to time (as is discussed above);
- Attend shareholders' meetings and have a voice in discussing MG's business.

Shareholders may apply for additional "A" shares at any time. "B", "C" and "D" shares do not, except in limited circumstances, hold any voting rights.

SHARES CAN BE SURRENDERED

Paid up "A", "B" and "C" shares can be surrendered for their nominal value (\$1.00 each):

- When a shareholder has disposed of, or changed the use of, their land and assets so that the shareholder is not able to transact any business with MG. (Changing the use of the land would include its subdivision into housing sections, for example);
- When a shareholder has ceased to be a Producer and has not purchased or used Services from the Company for the previous five years ("Producer" and "Services" are defined in MG's constitution);



- Upon the death of a shareholder if the estate ceases to be a transacting shareholder;
- At the discretion of the Board in certain limited circumstances set out in MG's constitution. Current practice is for the Board to exercise this discretion when a shareholder attains the age of 65.

"D" shares are subject to specific restrictions in relation to their ability to be surrendered as detailed in the "D" share prospectus.

THE SURRENDER OF SHARES IS AT ALL TIMES DEPENDENT UPON MG CONTINUING TO MEET THE SOLVENCY TEST (AS DEFINED IN THE COMPANIES ACT 1993).

TAXATION

Under current taxation legislation:

- Dividends received by a shareholder are taxable in the hands of the shareholder. However, the taxation liability may be reduced or eliminated depending on the level of imputation credits that may be attached to the dividend. The level of imputation credits attached is at the Board's discretion and is dependent upon the availability of imputation credits. Current practice is for dividends to be fully imputed and therefore are, to the extent possible under the tax laws, tax paid to the shareholder;
- Rebates declared by MG, which are currently issued as "C" shares, are fully taxable in the hands of shareholders. Imputation credits are not able to be attached to rebates;
- The money received by a shareholder on the surrender of "A", "B" or "C" shares will only be assessable as income if the shares surrendered were originally issued as a non-taxable bonus issue. MG has not in the past traditionally declared non-taxable bonus issues.

SHAREHOLDING - HOW IT WORKS

- The prospective shareholder purchases "A" shares at their nominal value of \$1.00 each. The minimum shareholding for new shareholders is currently 1,000 "A" shares. The minimum shareholding may be varied by the Board. This requires a payment of \$1,000.
- A shareholder who holds a minimum holding of "A" shares is entitled to receive such rebates or dividends declared by the Board. Dividends and rebates are declared out of the company's profits. Current practice is for dividends to be declared on "A" shares (and "D"

shares as discussed above) only and for rebates to be declared based on the level of consignment sales a shareholder makes through MG. Traditionally, dividends are paid on "A" shares held at 30 June, subject to the shares not being surrendered prior to the Annual Meeting, and for rebates to be paid to shareholders who have consigned to MG prior to 30 June, who hold a minimum shareholding at 30 June, subject again to the shares not being surrendered prior to the Annual Meeting.

- Any rebates or dividends payable on any class of shares may be capitalised into further shares at the Board's discretion. Current practice is to only capitalise rebates into "C" shares and pay dividends on "A" shares in cash. It must be noted however that many shareholders elect to have their dividends capitalised into shares under the dividend reinvestment plan (a similar plan also operates for the "D" shares).
- The Board may reclassify any "C" shares into "B" shares or any other class of shares and "B" shares into "A" shares or any other class of shares. This is subject to the rights of that other class of shares. Current practice is for "C" shares to be reclassified into "B" shares every year and for "B" shares to be reclassified into "A" shares every four years.
- From time to time the Board may, at its discretion, issue bonus shares on "A", "B", "C" and "D" shares. The level of bonus issue will vary in quantum and as between each class of share.

It is therefore of benefit for consignment suppliers of produce to MG to be shareholders of MG.

APPLICATION FOR SHAREHOLDING

Applications for shares may be made by writing to the Company Secretary, at PO Box 8581, Christchurch, or by telephoning (03) 343 0430, or through any branch of MG, or a local Director.

Applications are assessed against criteria set by the Board from time to time.

Further information, in the form of an investment statement, registered prospectuses and application form, is available upon request to the company.