



MARKET GARDENERS LIMITED  
ANNUAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2012

---

## Table of contents

Financial highlights.....	2
Chairman’s review.....	3
Chief executive officer’s report.....	9
Financial statements.....	13
Statement of comprehensive income.....	14
Statement of changes in equity.....	15
Statement of financial position .....	17
Statement of cash flows .....	18
Notes to the financial statements.....	19
Audit report .....	46
Statutory information .....	47
Corporate governance statement.....	51

## Financial highlights

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

	<b>2012</b> \$'000	<b>2011</b> \$'000
<b>Shareholder distributions</b>		
• 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
<b>Total shareholder distributions in relation to the year ended 30 June</b>	<u>1,211</u>	<u>1,179</u>

## Chairman's review

*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.

## Chairman's review (continued)

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 two of this report 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 Report and financial statements, the Board provides 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](http://www.mgmarketing.co.nz)), or by requesting a copy from the company secretary (email: [dpryor@mgmarketing.co.nz](mailto: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.

## Chairman's review (continued)

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 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.

### **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.

## Chairman's review (continued)

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.

## 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 Ltd.

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,



## Chairman's review (continued)

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.

A handwritten signature in black ink, appearing to read 'B P Gargiulo', written in a cursive style.

Brian Gargiulo, MBE  
Chairman

17 September 2012

## Chief executive officer's report

*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 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 \$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.

## Chief executive officer's report (continued)

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.

### **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

## Chief executive officer's report (continued)

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.

### **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.

## Chief executive officer's report (continued)

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.

A handwritten signature in black ink, appearing to read 'Peter Hendry', with a long, sweeping underline.

Peter Hendry  
Chief Executive Officer

17 September 2012



MARKET GARDENERS LIMITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2012

The Directors are pleased to present the financial statements of Market Gardeners Limited for the year ended 30 June 2012.

For and on behalf of the Board of Directors:

B.D. Gargiulo, MBE  
Chairman  
17 September 2012

A.G. Franklin  
Director  
17 September 2012

## Statement of comprehensive income

For the year ended 30 June

	Note	Group		Parent Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue – sale of goods	5	266,789	277,462	103,186	111,094
Cost of sales		227,249	237,102	82,619	87,633
Gross profit		39,540	40,360	20,567	23,461
Other operating income	6	6,424	1,932	5,580	1,152
Administrative expenses	7	9,428	10,019	5,666	6,749
Other expenses		29,273	24,802	11,852	9,122
Results from operating activities		7,263	7,471	8,629	8,742
Finance income		467	404	2,306	2,362
Finance expense		3,616	4,454	2,378	3,223
Net finance costs		3,149	4,050	72	861
Profit before equity earnings and income tax		4,114	3,421	8,557	7,881
Share of profit of equity accounted investees	12	3,519	2,567	-	-
<b>Profit before income tax</b>		<b>7,633</b>	<b>5,988</b>	<b>8,557</b>	<b>7,881</b>
Income tax expense	9	1,186	1,872	956	1,687
<b>Profit for the year</b>		<b>6,447</b>	<b>4,116</b>	<b>7,601</b>	<b>6,194</b>
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations		(601)	2,144	-	-
Effective portion of changes in the fair value of cash flow hedges		(1,205)	(272)	(650)	(202)
Income tax on other comprehensive income	13	319	103	182	41
Other comprehensive income for the period, net of income tax		(1,487)	1,975	(468)	(161)
<b>Total comprehensive income for the year</b>		<b>4,960</b>	<b>6,091</b>	<b>7,133</b>	<b>6,033</b>
<b>Profit attributable to:</b>					
Owners of the company		6,400	4,114	7,601	6,194
Non-controlling interest		47	2	-	-
<b>Profit for the year</b>		<b>6,447</b>	<b>4,116</b>	<b>7,601</b>	<b>6,194</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the company		4,913	6,089	7,133	6,033
Non-controlling interest		47	2	-	-
<b>Total comprehensive income for the year</b>		<b>4,960</b>	<b>6,091</b>	<b>7,133</b>	<b>6,033</b>

The significant accounting policies and notes to the financial statements on pages 19 to 45 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	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2010	14,811	27,765	(306)	1,509	28,968	24,389	3,865	72,033
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	4,114	2	4,116
<b>Other comprehensive income</b>								
Net change in the fair value of cash flow hedges	-	-	(214)	-	(214)	-	-	(214)
Translation of foreign operations	-	-	-	2,189	2,189	-	-	2,189
<b>Total other comprehensive income</b>	-	-	(214)	2,189	1,975	-	-	1,975
<b>Total comprehensive income for the period</b>	-	-	(214)	2,189	1,975	4,114	2	6,091
<b>Transactions with owners, recorded directly in equity</b>								
Dividends	463	-	-	-	-	(902)	(64)	(503)
Shares issued	760	-	-	-	-	(750)	-	10
Shares surrendered	(274)	-	-	-	-	-	-	(274)
Acquisition of non-controlling interest	-	-	-	-	-	-	(2,382)	(2,382)
Balance at 30 June 2011	15,760	27,765	(520)	3,698	30,943	26,851	1,421	74,975
Balance at 1 July 2011	15,760	27,765	(520)	3,698	30,943	26,851	1,421	74,975
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	6,400	47	6,447
<b>Other comprehensive income</b>								
Net change in the fair value of cash flow hedges	-	-	(855)	-	(855)	-	-	(855)
Translation of foreign operations	-	-	-	(632)	(632)	-	-	(632)
Net change in fair value of land and buildings	-	(4,518)	-	-	(4,518)	4,518	-	-
<b>Total other comprehensive income</b>	-	(4,518)	(855)	(632)	(6,005)	4,518	-	(1,487)
<b>Total comprehensive income for the period</b>	-	(4,518)	(855)	(632)	(6,005)	10,918	47	4,960
<b>Transactions with owners, recorded directly in equity</b>								
Dividends	258	-	-	-	-	(490)	-	(232)
Shares issued	506	-	-	-	-	(500)	-	6
Shares surrendered	(482)	-	-	-	-	-	-	(482)
Balance at 30 June 2012	16,042	23,247	(1,375)	3,066	24,938	36,779	1,468	79,227

The significant accounting policies and notes to the financial statements on pages 19 to 45 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 2010	14,811	17,236	(538)	16,698	13,185	44,694
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	6,194	6,194
<b>Other comprehensive income</b>						
Net change in the fair value of cash flow hedges	-	-	(161)	(161)	-	(161)
<b>Total other comprehensive income</b>	-	-	(161)	(161)	-	(161)
<b>Total comprehensive income for the period</b>	-	-	(161)	(161)	6,194	6,033
<b>Transactions with owners, recorded directly in equity</b>						
Dividends	463	-	-	-	(901)	(438)
Shares issued	760	-	-	-	(750)	10
Shares surrendered	(274)	-	-	-	-	(274)
Balance at 30 June 2011	15,760	17,236	(699)	16,537	17,728	50,025
Balance at 1 July 2011	15,760	17,236	(699)	16,537	17,728	50,025
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	7,601	7,601
<b>Other comprehensive income</b>						
Net change in the fair value of cash flow hedges	-	-	(468)	(468)	-	(468)
Net change in the fair value of land and buildings	-	(4,518)	-	(4,518)	4,518	-
<b>Total other comprehensive income</b>	-	(4,518)	(468)	(4,986)	4,518	(468)
<b>Total comprehensive income for the period</b>	-	(4,518)	(468)	(4,986)	12,119	7,133
<b>Transactions with owners, recorded directly in equity</b>						
Dividends	258	-	-	-	(490)	(232)
Shares issued	506	-	-	-	(500)	6
Shares surrendered	(482)	-	-	-	-	(482)
Balance at 30 June 2012	16,042	12,718	(1,167)	11,551	28,857	56,450

The significant accounting policies and notes to the financial statements on pages 19 to 45 form part of and are to be read in conjunction with these financial statements.

## Statement of financial position

As at 30 June

	Note	Group		Parent Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>EQUITY</b>					
Share capital	17	16,042	15,760	16,042	15,760
Reserves		24,938	30,943	11,551	16,537
Retained earnings		36,779	26,851	28,857	17,728
<b>Total equity attributable to equity holders of the Parent Company</b>		<b>77,759</b>	<b>73,554</b>	<b>56,450</b>	<b>50,025</b>
Non-controlling interest		1,468	1,421	-	-
<b>Total equity</b>		<b>79,227</b>	<b>74,975</b>	<b>56,450</b>	<b>50,025</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	10	76,504	84,391	30,076	34,913
Intangible assets	11	35,562	36,418	436	637
Investments in equity accounted investees	12	9,398	8,395	1,330	201
Investments in subsidiaries		-	-	1,231	1,231
Trade and other receivables	15	9,371	11,647	9,371	11,400
Deferred tax assets	13	4,320	3,394	1,782	1,520
<b>Total non-current assets</b>		<b>135,155</b>	<b>144,245</b>	<b>44,226</b>	<b>49,902</b>
<b>CURRENT ASSETS</b>					
Inventories	14	4,288	6,158	2,624	3,338
Trade and other receivables	15	33,922	33,138	74,146	69,952
Cash and cash equivalents	16	6,670	4,753	2,623	2,937
Taxation receivable		279	-	196	-
Non-current assets held for sale		1,744	1,270	1,744	1,270
<b>Total current assets</b>		<b>46,903</b>	<b>45,319</b>	<b>81,333</b>	<b>77,497</b>
<b>Total assets</b>		<b>182,058</b>	<b>189,564</b>	<b>125,559</b>	<b>127,399</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and borrowings	18	35,350	36,842	34,524	35,980
Trade and other payables	19	2,024	1,393	1,721	1,074
Deferred tax liabilities	13	3,729	4,118	1,166	1,667
<b>Total non-current liabilities</b>		<b>41,103</b>	<b>42,353</b>	<b>37,411</b>	<b>38,721</b>
<b>CURRENT LIABILITIES</b>					
Loans and borrowings	18	17,170	26,399	1,150	7,300
Trade and other payables	19	44,558	45,012	30,548	30,624
Taxation payable		-	825	-	729
<b>Total current liabilities</b>		<b>61,728</b>	<b>72,236</b>	<b>31,698</b>	<b>38,653</b>
<b>Total liabilities</b>		<b>102,831</b>	<b>114,589</b>	<b>69,109</b>	<b>77,374</b>
<b>NET ASSETS</b>		<b>79,227</b>	<b>74,975</b>	<b>56,450</b>	<b>50,025</b>

The significant accounting policies and notes to the financial statements on pages 19 to 45 form part of and are to be read in conjunction with these financial statements.

## Statement of cash flows

For the year ended 30 June

Note	Group		Parent Company		
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
	270,288	277,696	108,174	114,953	
	2,679	652	-	-	
	453	425	278	272	
<b>Cash was applied to:</b>					
	(261,460)	(269,622)	(100,702)	(102,947)	
	(3,655)	(4,239)	(2,616)	(2,978)	
	(2,454)	(1,777)	(2,514)	(1,718)	
<b>Net cash from operating activities</b>	24	5,851	3,135	2,620	7,582
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
	11,973	519	10,317	17	
	-	1,000	-	-	
	1	-	1	-	
<b>Cash was applied to:</b>					
	(4,200)	(1,601)	(2,714)	(699)	
	(629)	-	(629)	-	
	-	(2,856)	-	-	
	(510)	(1,656)	(510)	(1,656)	
<b>Net cash from/(used in) investing activities</b>		6,635	(4,594)	6,465	(2,338)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
	6	10	6	10	
	5,807	4,111	5,807	1,500	
	1,466	1,068	1,233	679	
<b>Cash was applied to:</b>					
	(482)	(274)	(482)	(274)	
	(16,649)	(6,956)	(13,267)	(6,450)	
	(232)	(504)	(232)	(448)	
	(521)	(200)	(2,464)	(200)	
<b>Net cash (used in) financing activities</b>	17	(10,605)	(2,745)	(9,399)	(5,183)
<b>Net increase/(decrease) in cash and cash equivalents</b>		1,881	(4,204)	(314)	61
<b>Cash and cash equivalents at 1 July</b>		4,753	8,587	2,937	2,876
<b>Effect of exchange rate fluctuations on cash held</b>		36	370	-	-
<b>Cash and cash equivalents at 30 June</b>		6,670	4,753	2,623	2,937

The significant accounting policies and notes to the financial statements on pages 19 to 45 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 cooperative company domiciled in New Zealand, registered under the Companies Act 1993 and the Cooperative 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 2012 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 17 September 2012.

### (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 11 – valuation and recoverable amount of intangible assets;
- Note 13 – recognition of deferred tax assets; and
- Note 17 – cooperative 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 the 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 plus GST (if any) 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.



## Notes to the financial statements (continued)

### 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 are not yet effective for the year ended 30 June 2012 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:

- Amendments to NZ IAS 1: Presentation of Financial Statements – Presentation of Other Comprehensive Income requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments). The amended standard will be effective for the 2013 Group financial statements. Application of the amendment is not anticipated to have a material impact on the Groups financial statements.

## Notes to the financial statements (continued)

### 3. Significant accounting policies (continued)

- NZ IFRS 9 Financial Instruments (issued November 2009) 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 2016 Group financial statements.
- NZ IFRS 9 Financial Instruments (issued October 2010) adds the requirements related to classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives. The standard will be effective for the 2016 Group financial statements.
- NZ IFRS 10 Consolidated Financial Statements introduces a new approach to determining which investees should consolidate and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change. NZ IFRS 10 supersedes IAS 27(2008) and SIC-12 Consolidation – Special Purpose Entities. The standard will be effective for the 2014 Group financial statements.
- NZ IFRS 11 Joint Arrangements focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It: distinguishes joint arrangements between joint operations and joint ventures; always requires the equity method for jointly controlled entities that are now called joint ventures; and are stripped of the free choice of using the equity method or proportionate consolidation. NZ IFRS 11 supersedes IAS 31 and SIC-13 Jointly Controlled Entities – Non Monetary Contributions by Ventures. The standard will be effective for the 2014 Group financial statements.
- NZ IFRS 12 Disclosure of Interests in Other Entities contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows. The standard will be effective for the 2014 Group financial statements.
- NZ IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRS's with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRS's. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard will be effective for the 2014 Group financial statements.

#### (p) Comparative information

Certain comparative information has been reclassified in order to provide a more appropriate basis for comparison.

### 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 10.

#### (b) Derivatives

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

## Notes to the financial statements (continued)

### 5. 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 2012 gross sales under management for the Group were \$534,481,000 (2011: \$558,167,000) and for the Parent Company \$323,218,000 (2011: \$333,068,000).

6. Other operating income	Group		Parent Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Bad debts recovered	2	3	2	3
Net gain / (loss) on sale of property, plant and equipment	4,563	41	4,548	91
Rental income	1,859	1,888	1,030	1,058
Total other income	6,424	1,932	5,580	1,152

### 7. Administrative expenses

The following items of expenditure are included in administrative expenses:

Auditor's remuneration comprises:

For audit work:

- to Market Gardeners Limited and subsidiaries (KPMG)
- to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)

For other services:

- to Market Gardeners Limited and subsidiaries (KPMG)
- to Market Gardeners Limited (BDO)
- to LaManna Bananas Pty Limited and subsidiaries (Pitcher Partners)

Total auditor's remuneration

	64	64	64	64
	81	78	-	-
	2	2	2	2
	5	5	5	5
	101	36	-	-
	253	185	71	71

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, accounts preparation and taxation services.

### 8. Personnel expenses

Wages and salaries	37,532	37,384	18,694	20,172
Contributions to defined contribution superannuation plans	1,871	1,982	573	579
Increase/(decrease) in liability for long-service leave	(82)	34	3	21
Total personnel expenses	39,321	39,400	19,270	20,772

### 9. Income tax expense in the statement of comprehensive income

Current tax expense	2,232	2,742	1,400	1,485
Prior period adjustment to current tax	(50)	(92)	137	2
	2,182	2,650	1,537	1,487
Deferred tax - origination and reversal of temporary differences	(996)	(871)	(581)	113
Deferred tax - reduction in tax rate	-	93	-	87
Tax credit/(expense)	(996)	(778)	(581)	200
Total income tax expense	1,186	1,872	956	1,687

## Notes to the financial statements (continued)

9. Income tax expense in the statement of comprehensive income (continued)	Group		Parent Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit before tax	7,633	5,988	8,557	7,881
Income tax using the Parent Company's domestic tax rate	2,137	1,796	2,396	2,364
Add/(deduct) taxation effect of:				
Effect of tax rates in foreign jurisdictions	27	-	-	-
Difference in effective tax rate of equity accounted investees	(116)	567	-	-
Non-deductible expenses	1,074	150	670	77
Tax exempt income	(517)	(663)	(128)	(90)
Group loss offset	-	-	(462)	(777)
Current year losses for which no deferred tax asset was recognised	-	-	-	-
Under/(over) provided in prior periods	162	(71)	61	26
Deferred tax – reversal on sale of property	(1,581)	-	(1,581)	-
Deferred tax – reduction in tax rate	-	93	-	87
Total income tax expense	1,186	1,872	956	1,687

### Imputation credits

The imputation credits are available to shareholders of the Parent Company:

Through the Parent Company	5,993	4,116	5,993	4,116
Through subsidiaries	96	132	-	-
Imputation credits at 30 June	6,089	4,248	5,993	4,116

### 10. Property, plant and equipment

Group	Land and buildings \$'000	Motor Vehicles \$'000	Fixtures and fittings \$'000	Plant and equipment \$'000	Capital work in progress \$'000	Total \$'000
<b>Cost or valuation</b>						
Balance at 1 July 2010	73,567	2,420	3,633	18,660	401	98,681
Additions	1,049	202	107	424	23	1,805
Acquisitions through business combinations	1,479	-	-	160	-	1,639
Transfer to assets held for sale	(1,270)	-	-	-	-	(1,270)
Disposals	(162)	(302)	(38)	(491)	(187)	(1,180)
Reclassification	-	-	-	121	(121)	-
Effect of movements in exchange rates	805	136	56	693	-	1,690
Balance at 30 June 2011	75,468	2,456	3,758	19,567	116	101,365
Balance at 1 July 2011	75,468	2,456	3,758	19,567	116	101,365
Additions	171	32	294	1,283	2,416	4,196
Transfer to assets held for sale	(1,744)	-	-	-	-	(1,744)
Disposals	(6,121)	(255)	(250)	(366)	-	(6,992)
Reclassification	-	-	-	-	-	-
Effect of movements in exchange rates	(272)	(40)	(22)	(227)	-	(561)
Balance at 30 June 2012	67,502	2,193	3,780	20,257	2,532	96,264

## Notes to the financial statements (continued)

### 10. 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
<b>Accumulated depreciation</b>						
Balance at 1 July 2010	757	1,307	2,720	8,277	-	13,061
Depreciation for the year	1,714	223	467	1,481	-	3,885
Disposals	(93)	(207)	(35)	(163)	-	(498)
Effect of movements in exchange rates	48	74	30	374	-	526
Balance at 30 June 2011	2,426	1,397	3,182	9,969	-	16,974
Balance at 1 July 2011	2,426	1,397	3,182	9,969	-	16,974
Depreciation for the year	1,666	208	375	1,536	-	3,785
Disposals	(136)	(192)	(219)	(278)	-	(825)
Effect of movements in exchange rates	(14)	(22)	(16)	(122)	-	(174)
Balance at 30 June 2012	3,942	1,391	3,322	11,105	-	19,760
<b>Carrying amounts</b>						
At 1 July 2010	72,810	1,113	913	10,383	401	85,620
At 30 June 2011	73,042	1,059	576	9,598	116	84,391
At 1 July 2011	73,042	1,059	576	9,598	116	84,391
At 30 June 2012	63,560	802	458	9,152	2,532	76,504
<b>Parent Company</b>						
<b>Cost or valuation</b>						
Balance at 1 July 2010	31,025	312	2,472	7,926	401	42,136
Additions	145	-	64	394	23	626
Transfer to assets held for sale	(1,270)	-	-	-	-	(1,270)
Disposals	-	(27)	(38)	(26)	(187)	(278)
Reclassification	-	-	-	121	(121)	-
Balance at 30 June 2011	29,900	285	2,498	8,415	116	41,214
Balance at 1 July 2011	29,900	285	2,498	8,415	116	41,214
Additions	37	32	188	41	2,416	2,714
Transfer to assets held for sale	(1,744)	-	-	-	-	(1,744)
Disposals	(4,489)	(163)	(250)	(255)	-	(5,157)
Reclassification	-	-	-	-	-	-
Balance at 30 June 2012	23,704	154	2,436	8,201	2,532	37,027
<b>Accumulated depreciation</b>						
Balance at 1 July 2010	14	184	2,076	2,567	-	4,841
Depreciation for the year	478	25	202	823	-	1,528
Disposals	-	(13)	(35)	(20)	-	(68)
Balance at 30 June 2011	492	196	2,243	3,370	-	6,301
Balance at 1 July 2011	492	196	2,243	3,370	-	6,301
Depreciation for the year	420	19	165	678	-	1,282
Disposals	(119)	(122)	(219)	(172)	-	(632)
Balance at 30 June 2012	793	93	2,189	3,876	-	6,951

## Notes to the financial statements (continued)

### 10. 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
<b>Carrying amounts</b>						
At 1 July 2010	31,011	128	396	5,359	401	37,295
At 30 June 2011	29,408	89	255	5,045	116	34,913
At 1 July 2011	29,408	89	255	5,045	116	34,913
At 30 June 2012	22,911	61	247	4,325	2,532	30,076

#### Security

Property, plant and equipment forms part of and is security for bank loans and finance leases (refer to note 18).

#### 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 \$1,260,000 (2011: \$1,425,000).

#### 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 \$37,722,000 (2011: \$42,078,000) for the Group and \$9,354,000 (2011: \$11,071,000) for the Parent Company.

### 11. Intangible assets

Group	Goodwill \$'000	Brand \$'000	Trademarks \$'000	Total \$'000
<b>Cost</b>				
Balance at 1 July 2010	19,740	13,260	9	33,009
Acquisition through business combinations	1,217	-	-	1,217
Effect of movements in exchange rates	1,332	864	-	2,196
Balance at 30 June 2011	22,289	14,124	9	36,422
Balance at 1 July 2011	22,289	14,124	9	36,422
Goodwill reduction on unfulfilled contract	(200)	-	-	(200)
Effect of movements in exchange rates	(396)	(259)	-	(655)
Balance at 30 June 2012	21,693	13,865	9	35,567
<b>Accumulated amortisation and impairment losses</b>				
Balance at 1 July 2010	-	-	3	3
Amortisation for the year	-	-	1	1
Balance at 30 June 2011	-	-	4	4
Balance at 1 July 2011	-	-	4	4
Amortisation for the year	-	-	1	1
Balance at 30 June 2012	-	-	5	5
<b>Carrying amounts</b>				
At 1 July 2010	19,740	13,260	6	33,006
At 30 June 2011	22,289	14,124	5	36,418
At 1 July 2011	22,289	14,124	5	36,418
At 30 June 2012	21,693	13,865	4	35,562

## Notes to the financial statements (continued)

### 11. Intangible assets (continued)

Parent Company	Goodwill \$'000	Trademarks \$'000	Total \$'000
<b>Cost</b>			
Balance at 1 July 2010	632	9	641
Acquisitions through business combinations	-	-	-
Balance at 30 June 2011	632	9	641
Balance at 1 July 2011	632	9	641
Goodwill reduction on unfulfilled contract	(200)	-	(200)
Balance at 30 June 2012	432	9	441
<b>Accumulated amortisation and impairment losses</b>			
Balance at 1 July 2010	-	3	3
Amortisation for the year	-	1	1
Balance at 30 June 2011	-	4	4
Balance at 1 July 2011	-	4	4
Amortisation for the year	-	1	1
Balance at 30 June 2012	-	5	5
<b>Carrying amounts</b>			
At 1 July 2010	632	6	638
At 30 June 2011	632	5	637
At 1 July 2011	632	5	637
At 30 June 2012	432	4	436

With the exception of \$432,000 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 (CGU).

The recoverable amount of the Australian operation cash CGU is based on fair value less costs to sell. The fair value less costs to sell has been estimated using the methodology of capitalisation of maintainable earnings. The carrying amount of the CGU was determined to be lower than its recoverable amount and no impairment loss (2011:\$Nil) was recognised.

The key assumptions used in the calculation of recoverable amounts are a normalised maintainable EBITDA and an EBITDA multiple. These assumptions are a normalised maintainable EBITDA of AUD\$6.3million and a mid point EBITDA multiple of 5.0 times. Normalised maintainable EBITDA is determined based on the historical average EBITDA of the Australian CGU in financial year 2010 and 2011 adjusted for any one off or non-core business transactions.

EBITDA multiples observed in the market for comparable companies in the fresh produce, food and agribusiness sector and recent transactions that have occurred have been considered when EBITDA multiple is determined. Other factors considered when determining the EBITDA multiple include the nature and size of the Australian CGU, the stability and quality of earnings, potential growth rate and risks inherent in the business.

The estimated recoverable amount of the Australian CGU using the mid point EBITDA multiple is equal to its carrying amount. Using the high point EBITDA multiple (of the range observed for the relevant industry) of 5.5 times the recoverable amount of the Australian CGU would be \$4.5million above the carrying value.

### 12. Investments in equity accounted investees (associates)

The Group's share of profit in its equity accounted investees for the year was \$3,519,000 (2011: \$2,567,000).

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

#### 2011

Equity accounted investees in aggregate

	Total assets \$'000	Total liabilities \$'000	Revenues \$'000	Profit \$'000
Equity accounted investees in aggregate	36,346	28,420	110,728	3,929

#### 2012

Equity accounted investees in aggregate

Equity accounted investees in aggregate	41,918	31,122	116,172	6,654
---	--------	--------	---------	-------

## Notes to the financial statements (continued)

### 13. Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property, plant and equipment	-	-	(3,141)	(3,338)	(3,141)	(3,338)
Derivatives	550	317	(3)	(119)	547	198
Provisions	2,048	2,004	(585)	(661)	1,463	1,343
Losses carried forward	1,722	1,073	-	-	1,722	1,073
Tax assets/(liabilities)	4,320	3,394	(3,729)	(4,118)	591	(724)

Parent Company	Assets		Liabilities		Net	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property, plant and equipment	-	-	(578)	(961)	(578)	(961)
Derivatives	457	317	(3)	(45)	454	272
Provisions	1,325	1,203	(585)	(661)	740	542
Tax assets/(liabilities)	1,782	1,520	(1,166)	(1,667)	616	(147)

Movement in temporary differences during the year

Group	Balance 1 July 10 \$'000	Recognised in Profit and Loss \$'000	Recognised in equity \$'000	Balance 30 June 11 \$'000
Property, plant and equipment	(3,320)	(4)	(14)	(3,338)
Derivatives	140	-	58	198
Provisions	1,575	(291)	59	1,343
Losses carried forward	-	1,073	-	1,073
	(1,605)	778	103	(724)

Group	Balance 1 July 11 \$'000	Recognised in Profit and Loss \$'000	Recognised in equity \$'000	Balance 30 June 12 \$'000
Property, plant and equipment	(3,338)	193	4	(3,141)
Derivatives	198	-	349	547
Provisions	1,343	135	(15)	1,463
Losses carried forward	1,073	668	(19)	1,722
	(724)	996	319	591



## Notes to the financial statements (continued)

### 13. Deferred tax assets and liabilities (continued)

<b>Parent Company</b>	<b>Balance 1 July 10 \$'000</b>	<b>Recognised in Profit and Loss \$'000</b>	<b>Recognised in equity \$'000</b>	<b>Balance 30 June 11 \$'000</b>
Property, plant and equipment	(886)	(75)	-	(961)
Derivatives	231	-	41	272
Provisions	667	(125)	-	542
	12	(200)	41	(147)

<b>Parent Company</b>	<b>Balance 1 July 11 \$'000</b>	<b>Recognised in Profit and Loss \$'000</b>	<b>Recognised in equity \$'000</b>	<b>Balance 30 June 12 \$'000</b>
Property, plant and equipment	(961)	383	-	(578)
Derivatives	272	-	182	454
Provisions	542	198	-	740
	(147)	581	182	616

There are no unrecognised deferred tax assets and liabilities.

<b>14. Inventories</b>	<b>Group</b>		<b>Parent Company</b>	
	<b>2012 \$'000</b>	<b>2011 \$'000</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Inventory	4,288	6,158	2,624	3,338
Inventory subject to contract	2,260	684	2,260	684
Amount due to supplier	(2,260)	(684)	(2,260)	(684)
	4,288	6,158	2,624	3,338

In 2012 inventories recognised as cost of sales amounted to \$197,589,000 (2011: \$207,918,000) for the Group and \$68,934,000 (2011: \$73,528,000) for the Parent Company. In 2012 the Parent Company and Group write-down of inventories to net realisable value amounted to \$Nil (2011: \$Nil). In 2012 the Parent Company and Group inventories stated at net realisable value amounted to \$Nil (2011: \$Nil).

## Notes to the financial statements (continued)

### 15. Trade and other receivables

	Note	Group		Parent Company	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Non-current</b>					
Finance lease receivables		1,816	2,076	1,816	2,076
Derivatives		-	407	-	160
Prepayments and other receivables		10,702	10,311	10,702	10,311
Provision for prepayments and other receivables		(3,147)	(1,147)	(3,147)	(1,147)
Total non-current trade and other receivables		9,371	11,647	9,371	11,400
<b>Current</b>					
Trade receivables	20	26,492	26,066	15,614	14,668
Receivable from subsidiaries		-	-	53,540	51,605
Prepayments and other receivables		7,146	6,788	4,708	3,395
Finance lease receivable		272	283	272	283
Derivatives		12	1	12	1
Total current trade and other receivables		33,922	33,138	74,146	69,952
<b>Total trade and other receivables</b>		<b>42,293</b>	<b>44,785</b>	<b>83,517</b>	<b>81,352</b>

Receivables for the Group denominated in currencies other than the functional currency comprise \$10,790,000 (2011: \$11,286,000) of trade receivables denominated in Australian dollars and \$Nil (2011: \$18,000) 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 20.

### 16. Cash and cash equivalents

The effective interest rate on bank balances for the Group in 2012 was 5.80% (2011: 6.58%) and Parent Company in 2012 was 6.79% (2011: 6.94 %).

### 17. 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 2010	11,073	2,841	897	14,811
Shares issued	473	-	750	1,223
Shares transferred	687	210	(897)	-
Shares surrendered	(241)	(33)	-	(274)
Balance at 30 June 2011	11,992	3,018	750	15,760
Balance at 1 July 2011	11,992	3,018	750	15,760
Shares issued	264	-	500	764
Shares transferred	771	(21)	(750)	-
Shares surrendered	(457)	(25)	-	(482)
Balance at 30 June 2012	12,570	2,972	500	16,042

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 Cooperative 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).

## Notes to the financial statements (continued)

### 17. Capital and reserves (continued)

"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 Cooperative 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 18 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 2011 announcement of a \$250,000 taxable rebate (capitalised into "C" shares), a bonus issue of one for one on this rebate amounting to \$250,000 (capitalized into "C" shares) and a fully imputed taxable gross final dividend of 4.0 cents on all "A" and 8.0 cents on all "D" shares, is accounted for in the year ended 30 June 2012.

"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 Cooperative 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)

### 17. 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 (2012)

On 16 August 2012, a taxable rebate of \$250,000 was declared by the Directors for the year to 30 June 2012 (2011: \$250,000) 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 2012 Annual Meeting. The rebate will be accounted for in the period it is declared, namely the year ended 30 June 2013.

#### f) Bonus issue on supplier shareholder rebate (2012)

On 16 August 2012, the directors declared a one for one (1 for 1) bonus issue on the above "supplier shareholder rebate (2012)". The bonus issue will be accounted for in the period it is declared, namely the year ended 30 June 2013 (the bonus issue for the year ended 30 June 2011 was one for one (1 for 1)).

#### g) Final dividend

On 16 August 2012 the Directors declared a fully imputed taxable gross final dividend of 4 cents per "A" share and 8 cents per "D" share (2011: 4 cents per "A" share and 8 cents per "D" share). This final dividend is to be issued from retained earnings upon completion at the 2012 Annual Meeting. The final dividend will be accounted for in the period the dividend is actually declared, namely the 30 June 2013 financial statements. No interim dividend was declared in the year to 30 June 2012 (2011: \$Nil).

### 18. 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 20.

	Group		Parent Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Non-current liabilities</b>				
Secured bank loans	31,903	33,474	31,903	33,474
Finance lease liabilities	826	862	-	-
Redeemable "D" shares	2,621	2,506	2,621	2,506
	<b>35,350</b>	<b>36,842</b>	<b>34,524</b>	<b>35,980</b>
<b>Current liabilities</b>				
Current portion of secured bank loans	16,611	26,013	1,150	7,300
Current portion of finance lease liabilities	559	386	-	-
	<b>17,170</b>	<b>26,399</b>	<b>1,150</b>	<b>7,300</b>
Total loans and borrowings	<b>52,520</b>	<b>63,241</b>	<b>35,674</b>	<b>43,280</b>

The bank loans are secured over land and buildings with a carrying amount of \$63,560,000 (2011: \$73,042,000) (see note 10) and non-current assets held for sale \$1,744,000 (2011: \$1,270,000).

As at 30 June 2012 the Group has classified its New Zealand Rabobank borrowings in accordance with the contractual arrangements whereby a portion of the debt is classified as current debt and the balance as non current debt. In addition, notwithstanding the contractual arrangements with Rabobank, as a result of an Australian interpretation of Australian equivalents to IFRS, as at 30 June 2012, all Australian Rabobank borrowings amounting to NZ\$10,095,000 (2011: NZ\$13,148,000) are classified as current. In addition to these financial statements the Board has prepared an Annual Review for distribution to its shareholders. The Annual Review (2012 and 2011) has been prepared on the basis that this debt is term debt.

## Notes to the financial statements (continued)

### 18. Loans and borrowings (continued)

"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. 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>19. Trade and other payables</b>				
<b>Non-current</b>				
Derivatives	1,596	951	1,596	951
Employee benefits	428	442	125	123
Total non-current trade and other payables	2,024	1,393	1,721	1,074
<b>Current</b>				
Trade payables	39,288	39,716	27,540	27,376
Derivatives	345	181	37	181
Employee benefits	4,925	5,115	2,971	3,067
Total current trade and other payables	44,558	45,012	30,548	30,624
Total trade and other payables	46,582	46,405	32,269	31,698

Payables denominated in currencies other than the functional currency comprise \$14,940,000 (2011: \$15,482,000) of trade payables denominated in Australian dollars and \$1,205,000 (2011: \$2,371,000) of trade payables denominated in US dollars.

### 20. 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.

## Notes to the financial statements (continued)

### 20. Financial instruments (continued)

#### 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.

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

	Group		Parent Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Trade receivables</b>				
Not past due	25,955	25,189	15,885	14,899
Past due 1-30 days	872	830	167	145
Past due 31-60 days	138	289	23	33
Past due 61-90 days	93	217	14	24
Past due greater than 91 days	422	544	55	56
Total trade receivables (gross)	27,480	27,069	16,144	15,157
Provision for doubtful debts	(988)	(1,003)	(530)	(489)
Total trade receivables (net)	26,492	26,066	15,614	14,668
<b>Provision for doubtful debts</b>				
Opening provision	1,003	939	489	455
Bad debts written off	(432)	(53)	(82)	(28)
Increase in provision	417	117	123	62
Closing provision	988	1,003	530	489

#### 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.

	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
<b>Group 2012</b>							
Non-derivative financial instruments							
Loans and borrowings	52,520	55,807	4,557	12,241	37,086	1,923	-
Trade and other payables	44,641	44,641	41,797	2,416	80	208	140
Total financial liabilities	97,161	100,448	46,354	14,657	37,166	2,131	140
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	1,929	3,533	332	307	1,235	1,659	-
<b>Group 2011</b>							
Non-derivative financial instruments							
Loans and borrowings	63,241	69,443	4,710	24,817	5,354	34,562	-
Trade and other payables	45,273	45,273	42,345	2,486	91	210	141
Total financial liabilities	108,514	114,716	47,055	27,303	5,445	34,772	141
Derivative financial instruments							
Gross settled derivatives							
Outflow / (inflow)	724	2,399	474	197	939	789	-

## Notes to the financial statements (continued)

### 20. Financial instruments (continued)

	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
<b>Parent Company 2012</b>							
Non-derivative financial instruments							
Loans and borrowings	35,674	37,819	1,038	888	35,893	-	-
Trade and other payables	30,636	30,636	29,072	1,439	5	56	64
Total financial liabilities	66,310	68,455	30,110	2,327	35,898	56	64
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	1,621	3,163	315	290	899	1,659	-
<b>Parent Company 2011</b>							
Non-derivative financial instruments							
Loans and borrowings	43,280	47,741	1,122	8,336	4,406	33,877	-
Trade and other payables	30,566	30,566	28,981	1,462	11	51	61
Total financial liabilities	73,846	78,307	30,103	9,798	4,417	33,928	61
Derivative financial instruments							
Gross settled derivatives outflow/ (inflow)	971	2,868	516	239	1,269	844	-

### Foreign currency exchange risk

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

	Group		Parent Company	
	USD \$'000	AUD \$'000	USD \$'000	AUD \$'000
<b>2012</b>				
<b>Trading foreign currency risk</b>				
Due within 12 months				
Bank	282	3,204	53	261
Trade receivables	405	8,444	-	-
Trade payables	(1,546)	(9,923)	(1,174)	(877)
Net balance sheet exposure before hedging activity	(859)	1,725	(1,121)	(616)
<b>Forward exchange contracts</b>				
Notional amounts of foreign exchange contracts	1,174	877	1,174	877
Net unhedged exposure	315	2,602	53	261
<b>2011</b>				
<b>Trading foreign currency risk</b>				
Due within 12 months				
Bank	144	1,546	4	282
Trade receivables	990	8,670	-	-
Trade payables	(3,096)	(8,565)	(2,242)	(623)
Net balance sheet exposure before hedging activity	(1,962)	1,651	(2,238)	(341)
<b>Forward exchange contracts</b>				
Notional amounts of foreign exchange contracts	2,242	623	2,242	623
Net unhedged exposure	280	2,274	4	282

## Notes to the financial statements (continued)

### 20. 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:

	2012 AUD \$'000	2011 AUD \$'000
<b>Investment foreign currency risk</b>		
Net investment (including intangible assets that arise on consolidation) in Australian operations	32,760	32,406
<b>Foreign currency denominated borrowings</b>		
Secured bank borrowings	(11,350)	(11,350)
Net unhedged exposure	<u>21,410</u>	<u>21,056</u>

### Interest rate risk - repricing analysis

2012 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
<b>Fixed rate instruments</b>							
Finance lease receivable		2,088	136	136	272	816	728
Finance lease liabilities		(1,385)	(298)	(260)	(324)	(503)	-
Total fixed rate instruments		<u>703</u>	<u>(162)</u>	<u>(124)</u>	<u>(52)</u>	<u>313</u>	<u>728</u>
<b>Variable rate instruments and related derivatives</b>							
Cash and cash equivalents		6,670	6,670	-	-	-	-
Secured bank loans		(48,514)	(48,514)	-	-	-	-
"D" shares	18	(2,621)	(2,621)	-	-	-	-
Effect of interest rate swaps		-	47,159	-	(21,934)	(25,225)	-
Total variable rate instruments and related derivatives		<u>(44,465)</u>	<u>2,694</u>	<u>-</u>	<u>(21,934)</u>	<u>(25,225)</u>	<u>-</u>
<b>Parent Company</b>							
<b>Fixed rate instruments</b>							
Finance lease receivable		2,088	136	136	272	816	728
Total fixed rate instruments		<u>2,088</u>	<u>136</u>	<u>136</u>	<u>272</u>	<u>816</u>	<u>728</u>
<b>Variable rate instruments and related derivatives</b>							
Cash and cash equivalents		2,623	2,623	-	-	-	-
Secured bank loans		(33,053)	(33,053)	-	-	-	-
"D" shares	18	(2,621)	(2,621)	-	-	-	-
Effect of interest rate swaps		-	31,825	-	(6,600)	(25,225)	-
Total variable rate instruments and related derivatives		<u>(33,051)</u>	<u>(1,226)</u>	<u>-</u>	<u>(6,600)</u>	<u>(25,225)</u>	<u>-</u>



## Notes to the financial statements (continued)

### 20. Financial instruments (continued)

#### Interest rate risk - repricing analysis

	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
<b>2011 Group</b>							
Fixed rate instruments							
Finance lease receivable		2,359	141	142	283	849	944
Finance lease liabilities		(1,248)	(210)	(196)	(333)	(509)	-
Total fixed rate instruments		1,111	(69)	(54)	(50)	340	944
Variable rate instruments and related derivatives							
Cash and cash equivalents		4,753	4,753	-	-	-	-
Secured bank loans		(59,487)	(59,487)	-	-	-	-
"D" shares	18	(2,506)	(2,506)	-	-	-	-
Effect of interest rate swaps		-	43,392	-	-	(43,392)	-
Total variable rate instruments and related derivatives		(57,240)	(13,848)	-	-	(43,392)	-
<b>Parent Company</b>							
Fixed rate instruments							
Finance lease receivable		2,359	141	142	283	849	944
Total fixed rate instruments		2,359	141	142	283	849	944
Variable rate instruments and related derivatives							
Cash and cash equivalents		2,937	2,937	-	-	-	-
Secured bank loans		(40,774)	(40,774)	-	-	-	-
"D" shares	18	(2,506)	(2,506)	-	-	-	-
Effect of interest rate swaps		-	30,375	-	-	(30,375)	-
Total variable rate instruments and related derivatives		(40,343)	(9,968)	-	-	(30,375)	-

#### Capital management

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

The Board recognises the need for and at all times looks to maintain a strong capital base whilst applying cooperative 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 cooperative.

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 2012 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 \$13,000 (2011: \$110,000). Interest rate swaps have been taken into account in this calculation.

## Notes to the financial statements (continued)

### 20. 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 \$10,000 for the year ended 30 June 2012 (2011: \$8,000). 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 five years following the maturity of the related loans and have fixed swap interest rates ranging from 3.18 percent to 5.92 percent (2011: 4.40 percent to 6.64 percent). At 30 June 2012, the Group had interest rate swaps with a notional contract amount of \$47,159,000 (2011: \$48,392,000). The Group classifies interest rate swaps as cash flow hedges.

The net fair value of swaps at 30 June 2012 was \$1,904,000 payable (2011: \$642,000 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 2012 was \$25,000 payable (2011: \$82,000 receivable) comprising assets of \$12,000 (2011: \$1,000) and liabilities of \$37,000 (2011: \$83,000).

##### 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 2012 was \$Nil (2011: \$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
<b>Group</b>						
2012						
Total assets	12	47,863	-	2,088	49,963	49,963
Total liabilities	1,941	-	-	97,161	99,102	99,102
2011						
Total assets	408	46,771	-	2,359	49,538	49,538
Total liabilities	1,132	-	-	108,514	109,646	109,646
<b>Parent</b>						
2012						
Total assets	12	84,040	-	2,088	86,140	86,140
Total liabilities	1,633	-	-	66,310	67,943	67,943
2011						
Total assets	161	81,770	-	2,359	84,290	84,290
Total liabilities	1,132	-	-	73,846	74,978	74,978

##### Fair value hierarchy

The fair value hierarchy levels are defined as set out below. The Group's financial instruments above are all categorised 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)

### 21. Operating leases

Leases as lessee	Group		Parent	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Non-cancellable operating lease rentals are payable as follows:				
Less than one year	4,315	4,062	2,011	1,564
Between one and five years	4,721	4,352	4,347	1,976
More than five years	110	161	110	161
	<u>9,146</u>	<u>8,575</u>	<u>6,468</u>	<u>3,701</u>

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 10 years and plant and equipment leases are for periods of between 1 and 5 years.

During the year ended 30 June 2012 \$3,744,000 (2011: \$4,667,000) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases for the Group and \$1,927,000 (2011: \$1,838,000) 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	1,515	1,355	970	838
Between one and five years	804	454	804	444
More than five years	46	-	46	-
	<u>2,365</u>	<u>1,809</u>	<u>1,820</u>	<u>1,282</u>

### 22. Capital commitments

Capital commitments as at 30 June	<u>2,647</u>	<u>546</u>	<u>2,368</u>	<u>-</u>
-----------------------------------	--------------	------------	--------------	----------

As at June 2012 the Group had capital commitments of \$2,647,000 of which \$2,368,000 was for the new Support Office building in Christchurch and \$279,000 for leasehold improvements in Auckland (30 June 2011: \$546,000 for the cool chaining and fit out of a newly leased warehouse in Adelaide ). The Parent Company had capital commitments of \$2,368,000 for the new Support Office building in Christchurch (30 June 2011: \$Nil).

### 23. Contingencies

The Group and Parent Company had the following contingencies.

Trade indemnities and guarantees issued \$1,900,000 (2011: \$1,901,000).

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)

24. Reconciliation of the profit for the period with the net cash from operating activities	Group		Parent Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the year	6,447	4,116	7,601	6,194
Adjustments for:				
Advance to subsidiaries, equity accounted investees and other parties	186	(212)	1,741	1,535
Amortisation of intangible assets	1	1	1	1
Payable on purchase of investment	(500)	(2,382)	(500)	-
Depreciation	3,785	3,885	1,282	1,528
Goodwill reduction on unfulfilled contract	200	-	200	-
Change in derivatives recognised in hedging reserve	(1,204)	(258)	(650)	(202)
Increase in deferred tax on reserves	319	103	182	41
(Increase)/decrease in future taxation benefit	(1,314)	(881)	(763)	158
Equity accounted earnings of equity accounted investees	(9)	(888)	-	-
Unrealised foreign currency translation of subsidiaries	(88)	222	-	-
Receivable on sale of assets	27	-	27	-
(Gain) on sale of non-current assets	(4,563)	(41)	(4,548)	(91)
Bank loan transferred to Parent Co from Subsidiary acquired	-	-	-	1,750
Effect of movement in foreign exchange rate on investing / financing activities	-	-	(277)	908
Bonus issue and dividend on "D" shares capitalised	130	121	130	121
	3,417	3,786	4,426	11,943
Impact of changes in working capital items:				
Change in inventories	1,870	31	714	978
Change in trade and other receivables	1,492	(1,333)	(2,166)	(4,087)
Change in taxation receivable / payable	(1,104)	(153)	(925)	(208)
Change in trade and other payables	176	804	571	(1,044)
	2,434	(651)	(1,806)	(4,361)
Net cash from operating activities	5,851	3,135	2,620	7,582

### 25. 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 cooperatives 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.

#### *Transactions with subsidiaries*

Sales of goods and services	-	-	4,472	4,292
Purchases of goods and services	-	-	5,495	7,988
Closing advances/receivables	-	-	53,540	51,605
Closing loans/payables	-	-	657	997

#### *Transactions with associates*

Sales of goods and services	3,643	2,577	520	477
Purchases of goods and services	23,505	19,566	16,140	16,720
Closing advances/receivables	10,970	10,443	10,511	9,075
Closing loans/payables	1,262	488	751	321

## Notes to the financial statements (continued)

### 25. Related parties (continued)

During the year G.D.W. Gargiulo & Son Ltd (a company owned by Mr Gargiulo, MBE (Chairman) and associated parties) provided labour to Market Gardeners Ltd of \$44,468 (2011 : \$10,820).

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 8. In addition, the Parent Company leased premises and motor vehicles on an operating lease basis from the superannuation fund. These lease payments represented \$167,000 and \$752,000 of the Parent Company lease costs respectively (2011: \$167,000 and \$752,000). 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 P.S. Hendry; 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:

	2012 \$'000	2011 \$'000
Directors fees and remuneration	1,379	1,124
Short-term employee benefits	2,041	1,988

### 26. Group entities

Significant subsidiaries	Country of incorporation	2012 %	2011 %	Balance date	Principal activity
Hansons Lane International Holdings Ltd	New Zealand	100	100	30 June	Investment Holding
Blackbyre Horticulture Ltd	New Zealand	100	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	100	30 June	Property Holding
Market Gardeners (USA) Inc.	USA	100	100	30 June	Produce Sourcing and Exporting
LaManna Bananas Pty Ltd	Australia	96	96	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	50	30 June	Flower Wholesale
Te Mata Exports 2012 Ltd	New Zealand	50	-	31 December	Produce Exporting
J. S. Ewers Ltd	New Zealand	-	-	31 March	Produce Grower
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 Group is presumed to have significant influence over J.S. Ewers Limited due to the management agreement in place that allows the Group to exert significant influence over the decisions made by the Company.

## Notes to the financial statements (continued)

### 26. 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 96% (2011: 96%) owned subsidiary company, all of its subsidiaries (being the other Australian incorporated subsidiaries listed above) are effectively 96% (2011: 96%) 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 48% (2011: 48%) owned by the Group.

### 27. Subsequent events

There were no reportable events subsequent to 30 June 2012 (30 June 2011: on 12 August 2011 a contract to sell the Parent Company's property at 106 Hansons Lane, Christchurch, went unconditional. This transaction is accounted for in the 30 June 2012 financial statements).



## **Independent Auditor's Report**

### **To the Shareholders of Market Gardeners Limited**

#### **Report on the Company and Group Financial Statements**

We have audited the accompanying financial statements of Market Gardeners Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 13 to 45. The financial statements comprise the statements of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

#### ***Directors' Responsibility for the Company and Group Financial Statements***

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the company and group.

#### ***Opinion***

In our opinion the financial statements on pages 13 to 45:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 30 June 2012 and of the financial performance and cash flows of the company and the group for the year then ended.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Market Gardeners Limited as far as appears from our examination of those records.

17 September 2012

Wellington

## Statutory information

### 1. Directors' fees & remuneration

<b>Parent Company</b>	<b>* Directors' fees</b>	<b>* Special project and other fees</b>	<b>Other benefits</b>
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:			
J.R. Clarke	55,000	3,000	1,073
L. Crozier (appointed 31 May 2012)	4,584	-	90
F.P. Di Leva (Deputy Chairman)	68,750	18,500	1,073
A.G. Fenton	55,000	12,750	1,073
A.G. Franklin	55,000	2,750	1,073
B.D. Gargiulo, MBE. (Chairman)	111,000	89,500	1,073
B.A. Goodman (retired 31 May 2012)	50,407	**134,750	985
B.R. Irvine	55,000	11,775	1,073
T.M. Treacy (appointed 1 December 2011)	32,083	1,500	806
	<b>486,824</b>	<b>274,525</b>	<b>8,319</b>

<b>Subsidiary Company</b>			
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	* 70,308	* 46,120	-
B.D. Gargiulo, MBE. (Chairman)	* 121,442	* 80,769	-
P. Holberton	70,308	12,648	-
B.R. Irvine	* 70,308	* 30,832	-
T.M. Treacy	* 62,001	* 44,349	-
	<b>394,367</b>	<b>214,718</b>	<b>-</b>

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, Irvine and Treacy 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.

\*\* Includes retirement allowance.

### 2. Auditors' remuneration

The amounts payable to the auditors of the Parent Company and subsidiaries during the year are detailed in note 7 of the attached financial statements to 30 June 2012.

### 3. Cooperative Companies Act 1996 Declaration

In compliance with clause 10 of the Cooperative Companies Act 1996 the Board of Directors of Market Gardeners Limited resolved on 16 August 2012 that, in their opinion, the Parent Company had been a cooperative company throughout the period 1 July 2011 to 30 June 2012. 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 cooperative 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	24	200,000 to 209,999	3
110,000 to 119,999	11	210,000 to 219,999	2
120,000 to 129,999	3	230,000 to 239,999	1
130,000 to 139,999	4	240,000 to 249,999	2
140,000 to 149,999	7	270,000 to 279,999	1
150,000 to 159,999	5	280,000 to 289,999	1
160,000 to 169,999	4	330,000 to 339,999	1
170,000 to 179,999	3	360,000 to 369,999	1
180,000 to 189,999	1	420,000 to 429,999	1
190,000 to 199,999	3	470,000 to 479,999	1

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

The remuneration of 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 cooperative 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 25 of the attached financial statements to 30 June 2012.

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
<b>As directors of the Parent Company, Market Gardeners Ltd</b>		
T.M. Treacy	Director and shareholder	Ballina Lodge Ltd
L.T. Crozier	Director and shareholder	Lynchris Farming Ltd (which is a shareholder in Market Gardeners Ltd)
	Director and shareholder	Kirwen Holdings Ltd
	Director and shareholder	Brookside Holdings Ltd
	Director and shareholder	Ascot Park Ltd
	Director and shareholder	Fresh Vegetable Packers Ltd
	Director	Mountain View Ltd

## Statutory information (continued)

### 5. Interests register (continued)

Director	Nature of Interest	Company / Entity
<b>As directors of the subsidiary company, LaManna Bananas Pty Ltd</b>		
Nil	Nil	Nil
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 their appointments as a Directors of Market Gardeners Ltd Messrs T.M. Treacy and L.T. Crozier 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 2012				30 June 2011			
	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
J.R. Clarke	488,280	197,655	32,440	-	405,148	222,368	42,909	-
Held by a company of which he is a shareholder and director	1,615	-	-	-	1,556	-	-	-
L. Crozier	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	5,000	2,469	1,206	-	1,000	1,308	1,161	-
F.P. Di Leva	77,543	45	2	263,624	74,620	97	15	244,874
A.G. Fenton	-	-	-	-	-	-	-	-
Held by a trust in which he is a trustee and beneficiary	9,902	16	4	10,769	9,895	17	6	10,769
A.G. Franklin	75,257	7,278	2,412	155,072	71,067	6,333	2,415	144,043
B.D. Gargiulo, MBE. (Chairman)	351,443	219	14	15,504	338,484	-	219	14,402
Messrs Gargiulo, Irvine and Di Leva as Directors of Mainland Tomatoes Ltd (100% subsidiary company of Market Gardeners Ltd)	50,528	66,680	-	-	25,993	91,215	-	-
T.M. Treacy	-	-	-	-	-	-	-	-
Held by a company of which he is a shareholder and director	5,657	-	-	77,534	5,449	-	-	72,020

## Statutory information (continued)

### 5. Interests register (continued)

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

### (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

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

### 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 (2011: \$10,000), the Group \$13,000 (2011: \$15,000).

### 8. Directors of subsidiaries

As at 30 June 2012:

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, Southland Produce Markets Ltd, Mainland Tomatoes Ltd.

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

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

Messrs B.D. Gargiulo (MBE), G. Thompson and T.M. Treacy were the directors of Verona Fruit Pty Ltd and Fruitology Pty Ltd. Mr G. Thompson was appointed to replace Mr B.J. Treacy who resigned on 16 March 2012.

Messrs B.D. Gargiulo (MBE), T.M. Treacy and G. Thompson were the directors of LaManna Bananas (Adelaide) Pty Ltd and Carbis Bananas Pty Ltd. Mr G. Thompson was appointed to replace Mr A. Schirripa who resigned on 30 April 2012.

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 G. Thompson 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. Mr G. Thompson was appointed to replace Mr B.J. Treacy who resigned on 16 March 2012.

## 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 Cooperative 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 5 shareholder appointed Directors (Messrs Gargiulo, Di Leva, Clarke, Fenton and Franklin), 1 Director appointed Director (Mr Crozier filled a casual vacancy upon Mr Goodman's retirement on 31 May 2012) and 2 Special Directors (Mr Irvine and Mr Treacy). 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 cooperatives, MG has frequent transactions with its grower directors (sales to, agency sales for and purchases from Directors or their businesses / companies). These transactions are entered into in the normal course of business. 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 Bananas Pty Ltd (LaManna), a 96% subsidiary, has non-controlling interest shareholders, the independent director on the LaManna board, Philip Holberton, has been nominated to specifically represent those shareholders interests in addition to normal Director duties and responsibilities.

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 11 times during the year (11 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 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.

## Corporate governance statement (continued)

### **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, Internal auditor and the Company's external auditors, KPMG, as required.

As in the past, the focus of this Committee was on the accuracy of external financial reporting and 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 continues to develop the internal audit function – to date the LaManna Group has been subject to limited internal audit reviews which are undertaken on a targeted basis.

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 to three yearly basis. The recommendations of the external advisor are, if required and after consideration by the Remuneration Committee and full Board, submitted as a resolution to shareholders at the Company's annual meeting. No change is being sought in the current year.

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 continuing to develop its own internal audit function. 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, Deputy Chairman (Chairman of this committee) and one other director (Mr A.G. Fenton). 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.