PGG Wrightson

For the year ended 30 June 2017

Annual Report

Helping grow the country

CONTENTS

CALENDAR DATES

Annual shareholders' meeting
31 October 2017

Half-year earnings announcement
27 February 2018

Year-end earnings announcement
14 August 2018

Front cover: Double Hill Station in the Rakaia Gorge, July 2017.

Financial Performance HIGHLIGHTS

Operating EBITDA of

$64.5 m

Net Profit after tax increased to

$46.3 m

Earnings per share (EPS) increased to

6.1 ¢

per share

Fully imputed dividends of

3.75 ¢

per share for the year

2017

South America Seed and Grain bounced back from the effects of severe flooding in April 2016 to deliver an increase on last year's Operating EBITDA.

PGW's Operating Revenue for the financial year was **NZ$1.133 billion.**

Go-Beef and *Go-Lamb*

products continue to grow strongly. During the year 187,964 lambs and 33,983 cattle entered the scheme.

Marlborough Area Livestock Manager Peter Barnes inspects Woodbank Angus calves in the Clarence Valley with George Murray.

SNAPSHOT

Livestock delivers a **record Operating EBITDA** on the back of strong international demand for New Zealand beef and lamb.

In January 2017 the Real Estate team sold a kiwifruit property in the Bay of Plenty for $40 million.

Since 2015 we have realised **$43 million** in cash from our property divestment programme (net book value of $29 million).

Retail extends its market share and makes profitability gains.

Chairman and Chief Executive Officer's **REPORT**

Guanglin (Alan) Lai
CHAIRMAN

Mark Dewdney
CHIEF EXECUTIVE OFFICER

- **PGW delivered a strong result with Operating EBITDA of $64.5 million and net profit after tax of $46.3 million.**
- **Shareholders will receive a final dividend of 2 cents per share, which will be paid on 4 October 2017, making a total of 3.75 cents per share fully imputed for the financial year.**

Our guidance at the start of FY2017 was that it would be more challenging than FY2016 as we expected lower commodity prices to lead to reduced farmer spending. Further, what we could not foresee were the very wet conditions in New Zealand over the final quarter. Together, these factors brought our full year results towards the mid-point of our guidance range. This is a very positive result which the business can be proud of and further demonstrates the strength and stability of PGW.

We are an agricultural and horticultural business that is always exposed to the impacts of climatic conditions on the sector and this year was no exception. Prior to autumn 2017 we were tracking ahead of our forecasts and defying the effects of general market conditions. Severe weather events (including two sub-tropical cyclones) in April 2017 across New Zealand negatively influenced our final quarter earnings. The very high rainfall made crops difficult to harvest, and paddocks challenging to work. For our New Zealand Seed business, autumn demand for our seed products was back given that many farmers were unable to complete their re-grassing and autumn pasture renewal plans. Our New Zealand Seed business, despite exceeding budget overall, was also affected by cautious spending from the dairy sector. For Grain, lower harvest yields have reduced earnings from our processing and drying facilities.

A good performer in Seed and Grain during 2017 was South America, which bounced back with a lift on last year's Operating Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). This result is particularly pleasing as it was achieved despite low commodity prices and difficult financial circumstances for many of our customers following a tough year in FY2016. In Australia, a mild summer in the key dairy regions of Victoria contributed in part to reduced demand for pasture seed given low farmer confidence in dairy prices.

	2017 $M	2016 $M
REVENUE	**1,133.0**	1,181.6
GROSS PROFIT	**328.6**	326.8
OPERATING EBITDA	**64.5**	70.2
NET PROFIT AFTER TAX	**46.3**	43.8
NET CASH FLOW FROM OPERATING ACTIVITIES	**20.5**	35.2

Jack Murray walks his Matariki Hereford bulls to the yards for their onfarm sale in June 2017.

Group delivered a

STRONG RESULT

> "The health, safety and wellbeing of our people and those we interact with as a part of our business remains a key priority at PGW."
>
> Alan Lai, Chairman

In a diversified business like PGW, when one business is facing difficult market conditions, another can be performing well. Livestock delivered a record Operating EBITDA as strong international demand for protein and lower stock numbers have combined to push up livestock prices. Drought conditions which have previously impacted stock numbers in a number of regions throughout New Zealand have lifted and most parts of the country reported good pasture growth, which aided stock finishing.

Retail performed extremely well. With spring being the key trading period for our Rural Supplies business, this business was less affected by the autumn rains across New Zealand. All Retail business areas (Rural Supplies, Fruitfed Supplies and Agritrade) contributed to the excellent result, and it is particularly pleasing to see Retail continue to extend its market share and profitability gains in a highly-competitive market. In particular, our horticulture business continues to go from strength to strength.

However, for the Retail and Water group this strong performance by the Retail business was offset by reduced revenues and earnings from the construction part of the Water business. This was due to a continued reduction in demand for irrigation projects. During the year we restructured our Water business and we expect that these internal changes, and a lift in confidence in the dairy sector, will see an improvement in Water's performance in the coming year.

The performance of our Wool procurement and brokering business has been impacted by the collapse of the global crossbred wool price over the past 15 months, resulting in much lower volumes of crossbred wool being sold. At this point it is unclear when the crossbred wool market will recover. However our Wool export business increased its profitability over the same period.

In terms of performance of other businesses within Agency of which Livestock and Wool form part, our Real Estate and Insurance referral businesses each performed well and broadly in line with the corresponding period last year.

Net cash flow from operating activities reduced $14.7 million to $20.5 million with FY2017 including a Group Defined Benefit Superannuation Plan contribution of $7.6 million. We spent $19.9 million on capital expenditure and investments, realised $26.8 million from the sale of non-strategic assets and declared dividends of $29.2 million. Net interest-bearing debt increased marginally by $1.7 million to $128.2 million which reflects our continued focus on cash management.

As we have consistently mentioned previously, our people are key to our continued robust performance. Their commitment and passion for agriculture and for the company ensures that we perform strongly in all market conditions. We are very proud to say that the levels of morale and staff engagement at PGW remain high relative to our peers.

Market conditions

We advised this time last year of tougher market conditions ahead. In particular, confidence in the dairy sector was subdued. The whole milk powder price was still very low, having just traded at US$2,265 per tonne. With New Zealand's forecast milk pay-out at NZ$4.25/kgMS at the time, many dairy farmers were preparing for their third successive season of below breakeven returns. Confidence was high in beef and in horticulture, but the crossbred wool market had already

begun its fall. Grain prices were low and areas planted were forecast to shrink. It was expected that these factors would combine to lead to a cautious approach to spending by our farming customers.

As our financial year unfolded commodity prices strengthened, feed conditions were generally good and confidence started to lift (with crossbred wool being the exception), however this did not translate to higher spending from our customers. As is generally the case, farmers set their budgets for the season ahead and have limited capacity to increase them during the course of the production season. Consequently, cautious spending continued despite of strengthening commodity pricing.

Our track record over the past four to five years demonstrates that we manage the inherent sector volatility well and the diversity within our business ensures that PGW is more resilient through the cycles in agriculture.

As we enter our 2018 financial year market conditions are improving. The weather impact on autumn planting has affected many New Zealand farmers and the implications of this both on the supply of livestock and crop production will be a key factor in the year ahead. In South America we have seen a positive recovery this year, but the long-term effects of the April 2016 flooding on farmer confidence, and their demand for inputs, is likely to remain a constraint in the near term. Weather across New Zealand, Australia and Uruguay will continue to be a key driver as it always is in farming.

It is pleasing to see signs of improving confidence in a number of key farming sectors, and the early indications for our 2018 financial year are looking encouraging. Rabobank's rural confidence survey released in June 2017 saw net rural confidence in New Zealand at its highest level since the survey commenced in 2003. With a buoyant horticultural sector, impressive global beef market, and an improved farm-gate milk price forecast for the 2018 season, we see some positive indicators to underpin that optimism.

While early days, we expect that the improved sector confidence will lead to higher earnings for PGW in FY2018. However, net profit after tax should reduce to a more normalised level as we will not have gains from the divestment of properties.

Our people

As at June 2017 PGW employed 2,451 people. Our annual employee engagement survey demonstrated consistency with previous years indicating PGW's strength as an industry leader in this space. We believe that strong employee engagement and enablement is a key feature of every successful business. It builds a high performing culture whilst positively impacting on customer engagement, in turn leading to business growth and increases in profitability. We are proud to continue our investment in the training and development of our people whilst also ensuring our people systems and processes are fit for purpose.

The ongoing introduction of a suite of people systems ensures our people have relevant information at their fingertips. This assists them in making good decisions for their teams and themselves in all aspects of their human resources, from health and safety management and incident reporting, to managing leave and performance reviews.

In developing our workforce and succession planning initiatives to support the delivery of our strategy and changing business requirements, we have invested in a number of programmes. In 2016 an 18 month trainee programme was implemented in the Livestock business aimed at introducing those with a passion for the agri-sector into a career within our Livestock business. Under the guidance and support of our Senior Livestock Representatives, trainees develop their sales and technical knowledge through a structured programme designed to provide a generalist understanding and ability alongside an NZQA Accredited programme. So far 10 trainees have been placed in permanent Livestock Agent roles and a similar programme is being introduced in the Retail and Water business.

Another positive initiative has been the Get Ahead Programme which is aimed at encouraging secondary school students to consider a career in the agricultural sector. To highlight the diversity of employment opportunities, representatives from our Retail, Livestock and Water businesses ran interactive events which accessed more than 1,000 high school students across New Zealand. Along with other organisations within the agri-sector we believe this programme provides an excellent opportunity for our current employees to meet and encourage the next generation.

Health and Safety

The health, safety and wellbeing of our people and those we interact with as a part of our business remains a key priority at PGW.

Although we have observed a reduction in the number of lost time injuries sustained, our employees continue to be exposed to risks in performing their duties. We are committed to improving

our safety performance which will come from developing a learning culture, one that better understands the risks in its operations and works tirelessly to prevent harm.

To assist us in achieving this goal, a Group Health, Safety and Capability Manager was appointed in February 2017. As part of this role's responsibility a revised Health, Safety and Wellbeing Strategy was prepared, and is in the process of being delivered across the Group. In addition, as part of this revised Strategy, in the year ahead the business is implementing a safety leadership and engagement programme to assist in strengthening our health and safety culture.

Operating segments

The Group reorganised its operating structure during the period and now has three primary operating segments: Agency group, Retail and Water group and Seed and Grain group.

Balance sheet

Our balance sheet remains strong.

Our property divestment programme, which began in 2015, is largely complete. So far we have realised $43 million from the programme by selling (and in some cases leasing back) property that had a net book value of $29 million. As a result our property lease expense has increased by $3 million over the last two financial years. While the increasing lease expense has created a short-term headwind on EBITDA growth for us, strategically this is the right thing to do. By redeploying this capital back into the growth parts of our business, a platform for earnings growth over the medium to long term has been created. This capital has been invested into a new seed logistics centre in Uruguay, into Agrocentro, which is our retail-focussed joint venture in Uruguay and Paraguay, and a number of other smaller acquisitions and initiatives.

We have also strategically invested in our working capital in targeted areas. For instance, we launched our *Go* range of livestock products in November 2015. The *Go* Products are a supply chain product for beef cattle and lambs owned by PGW. The *Go* range of products have proven popular with farmers and have grown from a zero base in November 2015 to an asset balance of $32 million as at 30 June 2017.

Over the 2017 financial year our Net interest-bearing debt has grown modestly by $1.7 million to $128.2 million. However, if you remove the effect of the growth in the *Go* assets our remaining debt has reduced $19 million over the period to $95.9 million.

Net profit after tax

The Company achieved net profit after tax (NPAT) of $46.3 million which was approximately $2.5 million higher than last year. It should be noted that the FY2016 NPAT has been realigned upwards. This follows the reclassification of a portion of the Defined Benefit Superannuation Plan expense to reserves. While the effect on NPAT for the 2016 year was $4.2 million the effect on Total Comprehensive Income is nil, and the cumulative effect on NPAT since the 2014 year is only $73,000.

Earnings per share (EPS) increased to 6.1 cents per share (EPS is the proportion of a company's after tax earnings attributed to each share on issue).

Like FY2016, FY2017's NPAT benefited from a number of gains on sale from our property divestment programme. This is largely complete now so we are expecting a more normalised NPAT in the coming year.

Cash flow

Net cash flow from operating activities reduced $14.7 million to $20.5 million with FY2017 including a Group Defined Benefit Superannuation Plan contribution of $7.6 million. We spent $19.9 million on capital expenditure and investments, realised $26.8 million from the sale of non-strategic assets and declared dividends of $29.2 million. Net interest-bearing debt increased marginally by $1.7 million to $128.2 million which reflects our continued focus on cash management.

> "Throughout the year I have observed our people working alongside their customers, as I spend time at our businesses in New Zealand, Australia and South America. I see them helping our customers improve the productivity of their farming and horticultural operations through their technical expertise and industry experience. This is especially satisfying as it has been our strategic focus for a number of years and is something we strive for across the business."
>
> Mark Dewdney, Chief Executive Officer

Dividends

The Board has resolved to declare a fully imputed final dividend of 2 cents per share. This takes the total dividends declared for the 2017 financial year to 3.75 cents per share, fully imputed.

When considering the dividend, the Board balanced our strong financial result and the potential for further earnings growth in the future, against the opportunities for potential investments within the agricultural sector. The Board also noted that the current dividend continues the consistent and steady dividend stream of recent years that places PGW among the leading stocks for yield on the New Zealand Stock Exchange.

Governance and Executive Team changes

The PGG Wrightson Limited Board remained stable throughout the year, with no changes to membership up to 30 June 2017. However in September, WK announced his intention to retire as a Director effective 16 October 2017.

In June 2017 it was announced that Mark Dewdney had given notice of his intention to resign as Chief Executive Officer before the end of the calendar year to pursue other interests. The Board wishes to acknowledge that in his time as Chief Executive Officer Mark has been instrumental in stabilising the business and overseeing a period of growth, improved profitability and investment in building platforms for future growth. He has also provided strategic direction and overseen the strengthening of PGW's organisational culture.

PGW has an experienced and stable management team in place and the Board has advised that it will consider potential internal and external candidates in the process of recruiting a Chief Executive.

General Manager of Wool, Cedric Bayly has given notice of his intention to retire on 31 October 2017. Cedric has devoted the majority of his career to the Wool industry, including the last six years as General Manager of PGW Wool. In this time he has played an instrumental role in bringing the Wool business back into the core of the wider PGW offering. PGW staff, wool growers and the Board extend their gratitude to Cedric for his contribution to the company and the Wool business and wish him well in his retirement.

Acknowledgements

This year's strong result is an achievement that PGW's dedicated, hard-working and passionate people can share with our stakeholders. As a business we cannot continue to achieve year-on-year growth in tough market conditions without the support of our loyal customers and supply partners and the collective efforts of our dedicated staff.

On behalf of the Board and management team, we extend our thanks to the 2,451 outstanding individuals who make up the PGW team, along with our customers and suppliers.

Alan Lai
Chairman

Mark Dewdney
Chief Executive Officer

BOARD OF DIRECTORS

ABOVE LEFT TO RIGHT:
GUANGLIN (ALAN) LAI
TREVOR BURT
BRUCE IRVINE

BELOW LEFT TO RIGHT:
JOHN NICHOL
LIM SIANG (RONALD) SEAH
WAH KWONG (WK) TSANG
KEAN SENG U

GUANGLIN (ALAN) LAI

Bachelor of Business (Accounting), M.Fin, FCPA

Chairman

Alan Lai was appointed as Chairman of PGG Wrightson Limited on 22 October 2013 and has been a Director since 30 December 2009. Alan has served as the Chairman of Agria Corporation's Board of Directors since June 2007 and is a member of Agria's Remuneration Committee. Alan is the sole Director of Brothers Capital Limited, which is Agria's largest shareholder. Alan is the Chairman of the Board of Directors, Chairman of the Nomination Committee and a member of the Remuneration Committee of Softpower International Limited (previously China Pipe Group), a Hong Kong listed company. Softpower International Limited is a leading provider to the construction and infrastructure sector offering a wide range of pipe related product and services in Hong Kong and Macau. His wholly-owned investment vehicle, Singapore Zhongxin Investment Co Limited, is the largest controlling shareholder of Softpower International Limited. Alan holds a Masters degree in Finance from The Chinese University of Hong Kong, a Bachelor's degree in Accounting from Monash University, Melbourne and is a Fellow certified public accountant in Australia. Alan is a Fellow of Monash University and also a member of the Global Advisory Council of the Faculty of Business and Economics at Monash University. Alan is the Vice Chairman of Shenzhen General Chamber of Commerce in China and Vice Chairman of China Chamber of Commerce in New Zealand.

TREVOR BURT

B.Sc

Deputy Chairman

Trevor Burt joined the PGG Wrightson Limited Board on 11 December 2012, and was appointed as Deputy Chairman on 11 August 2014. Trevor has had extensive international experience in the industrial gas industry, joining BOC Gases New Zealand in 1986 and retiring from the Executive Board of Linde AG in 2007 (Linde AG acquired BOC in 2006). During his time with BOC, he served as Managing Director China, Managing Director North Asia and later president for North America. As an executive Board member for Linde AG his accountabilities included overall responsibility for Asia-Pacific operations. In addition to chairing Ngai Tahu Holdings Corporation Limited and Lyttelton Port Company Limited, Trevor is also a director on a number of other well-known New Zealand businesses including Silver Fern Farms Limited, Landpower Holdings Limited, Mainpower New Zealand Limited and Market Gardeners Limited. He holds a Bachelor's degree in Science from Canterbury University, and has completed postgraduate studies in marketing and public relations.

BRUCE IRVINE

B.Com, LLB, FCA, AF Inst D

Independent Director

Bruce Irvine was appointed to the PGG Wrightson Limited Board on 24 June 2009 and is Chairman of the Audit Committee. Bruce was Managing Partner at Deloitte Christchurch from 1995 to 2007 before his retirement in May 2008. He now acts as an independent director on various boards including: Heartland Bank Limited and subsidiaries, House of Travel Holdings Limited, Godfrey Hirst NZ Limited and subsidiaries, Market Gardeners Limited and subsidiaries, Rakon Limited and subsidiaries, Scenic Hotels Limited and Skope Industries Limited.

JOHN NICHOL

CA

Independent Director

John Nichol was appointed to the PGG Wrightson Limited Board on 22 October 2013. John has been Managing Director of Optica Life Accessories Limited for the past 13 years. Prior to that he held a number of executive roles within the banking and finance sector and for 10 years was Managing Director of the investment company, Broadway Industries Limited.

John is a Director of Watson & Son Limited and he has been a director of a number of businesses within the primary sector including Fortex Group Limited, The New Zealand Salmon Company Limited, Alpine Dairy Products Limited, Craigpine Timber Limited, the New Zealand Dairy Board and The New Zealand Merino Company Limited. He has also been a director of a number of significant other New Zealand businesses including New Zealand Post Limited and State Insurance Limited.

LIM SIANG (RONALD) SEAH

B.Soc.Sc (Hons in Economics)

Independent Director

Ronald Seah was appointed to the PGG Wrightson Limited Board on 4 December 2012. Ronald is a Singapore Citizen with a background in banking and fund management. Over a 26 year period between 1980 and 2005, he had held various senior positions within the AIG Group in Singapore, initially as AIA Singapore's Vice-President and Chief Investment Officer where he was responsible for managing the investment portfolio of AIA Singapore and later as AIG Global Investment Corporation (Singapore) Ltd's Vice President of Direct Investments. Between 2001 and 2005, Ronald was the Chairman of the Board of AIG Global Investment Corporation (Singapore) Ltd. From 1978 to 1980, Ronald managed the investment portfolio of Post Office Savings Bank as Deputy Head of the Investment and Credit Department. Prior to that, he worked at Singapore Nomura Merchant Bank as an Assistant Manager where he was responsible for the sale of bonds and securities and offshore (ACU) loan administration for the Bank. Between 2002 and 2003, Ronald served on the panel of experts of the Commercial Affairs Department of Singapore.

Ronald currently serves as independent director on the board of a number of listed companies in Singapore, namely Global Investment Limited, Yanlord Land Group Ltd; and Telechoice International Ltd. He is also a director of M&C REIT Management Limited and M&C Business Trust Management Limited. Ronald is Chairman of Nucleus Connect Pte Ltd, a fibre broadband company in Singapore.

Ronald graduated with a Bachelor of Arts and Social Sciences (Second Class Honours –Upper) in Economics from the then University of Singapore in 1975.

WAH KWONG (WK) TSANG

BBA, HKICPA, FCCA, CICPA

WK Tsang was reappointed to the Board of PGG Wrightson Limited and its Audit Committee on 15 November 2014 after previously serving on the Board from November 2011 to December 2012. WK is a former partner of the Hong Kong and China firm of PricewaterhouseCoopers and has over 30 years of professional experience in auditing listed and unlisted companies and providing support for initial public offerings and acquisition transactions. He is an Independent Director of Agria Corporation and the Chairman of its Audit Committee, Chairman of its Compensation Committee and a member of its Nomination Committee. Currently, WK is also an Independent Non-Executive Director of a number of companies listed on the Hong Kong Stock Exchange, including China Animation Characters Company Limited, China Merchant Direct Investments Limited, Ping An Securities Group (Holdings) Limited, Sihuan Pharmaceutical Holdings Group Ltd and TK Group (Holdings) Limited. WK was an Independent Non-executive Director of PanAsialum Holdings Company Limited from January 2013 to January 2016. He is a Fellow Member of the Hong Kong Institute of Certified Public Accountants, a Member of Chinese Institute of Certified Public Accountants and a Fellow Member of Association of Chartered Certified Accountants, UK. WK has announced his intention to retire as a director of PGW effective 16 October 2017.

KEAN SENG U

LLB (Hons), B.Ec

Kean Seng U was appointed to the PGG Wrightson Limited Board on 4 December 2012. Kean Seng is Head of Corporate and Legal Affairs for Agria Corporation, a role he has held since December 2008. Kean Seng previously practiced as a partner at Singaporean law firm, Shooklin & Bok LLP, focused on East Asia, and he led a corporate finance team in Allen & Overy Shooklin & Bok, JLV, an international law venture partnership with London based Allen & Overy LLP. Kean Seng sits as an independent and non-executive director of several public listed corporations. He received a Bachelor of Laws (Honours) degree from Monash University Australia. He is a Barrister and Solicitor, Supreme Court of Victoria, Australia; Advocate and Solicitor, Supreme Court of Singapore and Solicitor of England and Wales. In addition to his extensive legal knowledge, Kean Seng is also a qualified economist, having completed his degree majoring in Economics and Accounting, B.Ec at Monash University, Australia.

JOHN FULTON

John Fulton is an Alternate Director for Wah Kwong Tsang.

EXECUTIVE TEAM

LEFT TO RIGHT:
MARK DEWDNEY
JULIAN DALY
DAVID GREEN

LEFT TO RIGHT:
CEDRIC BAYLY
GRANT EDWARDS
STEPHEN GUERIN

MARK DEWDNEY

Chief Executive Officer

Mark was appointed as PGG Wrightson Limited's Chief Executive Officer in July 2013. Previously he was Chief Executive of Livestock Improvement Corporation Limited from 2006 to 2013, responsible for implementing a new strategic plan focused on innovation from investment in research and technology, and providing integrated solutions for customers in New Zealand and internationally. Prior to that Mark was Regional Managing Director of Fonterra Ingredients Asia following an extensive sales and marketing career in the New Zealand dairy industry. Mark also has ownership interests in dairy farms in both New Zealand and Australia and is a director of Waikato based, The Tatua Co-Operative Dairy Company Limited.

Mark has resigned as Chief Executive Officer with the final day of his employment yet to be determined.

CEDRIC BAYLY

General Manager Wool

Cedric is responsible for all aspects of the Wool business including procurement, logistics, sales and wool export. He was appointed as General Manager PGG Wrightson Wool in August 2011. Previously, he was the National Manager of Elders Primary Wool Limited and for nine years was General Manager Wool at Williams and Kettle Limited. Cedric has over 40 years experience in the Wool Industry.

Cedric has announced his retirement as General Manager Wool with his final day being 31 October 2017.

JULIAN DALY

General Manager Strategy and Corporate Affairs

Julian is responsible for Group Strategy including Digital Strategy, Legal, Corporate Communications and Brand, and Internal Audit and Risk functions for PGG Wrightson Limited. He is also Company Secretary and previously held the role of General Manager of PGG Wrightson Real Estate Limited. Julian has broad operational involvement across the business and is Chairman of the Credit Committee and Risk Committee, Director of a number of Group subsidiaries and a Director of the PGG Wrightson Employee Benefits Plan Trustee Limited. He is a former General Counsel of DB Breweries Limited and has previously worked for law firms in the Middle East and New Zealand.

GRANT EDWARDS

General Manager Insurance and Financial Services

Grant is General Manager of Insurance and Financial Services which was a new position created in August 2016 and encompasses leading the growth of our insurance and finance product offerings alongside associated key relationships with Aon and Heartland Bank. Grant holds a Bachelor of Agriculture Science from Lincoln University and began his career with Reid Farmers Limited within their Livestock Division. He has held positions as Pyne Gould Guinness Limited Wool Manager and recently General Manager Regions and Otago Regional Manager with PGG Wrightson Limited. He has also worked in rural banking and finance sectors, and holds his Real Estate papers. Grant will take up the role of General Manager Wool from 2 October 2017, following the retirement of Cedric Bayly.

DAVID GREEN

General Manager New Zealand Seeds

David is General Manager New Zealand Seeds, a position he has held since 2009. He is responsible for all facets of the New Zealand Seed business. David graduated from Lincoln University in 1990 with a B.Com (Ag) degree and since then has worked in many roles for PGG Wrightson Seeds Limited and its predecessor companies. David is a former executive member of NZGSTA and a current executive member for the NZPBRA and Is the NZPBRA representative on the newly created Seed Industry Research Centre Governance Board. He is a Director of R&D companies Grasslands Innovation Limited and Forage Innovations Limited.

STEPHEN GUERIN

Group General Manager Retail and Water

Stephen is responsible for all aspects of the Retail and Water group business which includes Rural Supplies, Agritrade, Fruitfed Supplies and Water. He has worked for PGG Wrightson Limited and its predecessor companies for 29 years. He holds a Bachelor in Business Studies (Accounting) from Massey University. Stephen is a Director of several Group subsidiaries and a Director of the PGG Wrightson Employee Benefits Plan Trustee Limited. Oversight of the Water business was added to Stephen's responsibilities from August 2016.



LEFT TO RIGHT:
JOHN MCKENZIE
PETER NEWBOLD
RACHEL SHEARER



LEFT TO RIGHT:
PETER MOORE
PETER SCOTT
BRENT SYCAMORE

JOHN MCKENZIE

Group General Manager Seed and Grain

John is responsible for all aspects of the Seed and Grain business both domestically and off-shore for PGG Wrightson Limited and its subsidiaries. He started his career as a Farm Consultant in Mid-Canterbury and was a founder of the specialist proprietary seed company Agricom Limited in 1985 which was purchased by Pyne Gould Guinness Limited in July 2005. At that time he led the merger of Agricom Limited, PGG Wrightson Seeds Limited and Wrightson Seeds Limited. John is Chairman of PGG Wrightson's R&D companies Grasslands Innovation Limited and Forage Innovations Limited. He also has farming interests in Canterbury in arable and dairy.

PETER MOORE

General Manager Livestock

Peter is responsible for PGG Wrightson Limited's Livestock division and joined the company in August 2014. Prior to joining the business he headed up Fonterra's international farming ventures business from 2008 until 2013, responsible for developing and implementing the strategy to selectively invest in milk pools outside of New Zealand and Australia. His major focus was the development of the scale farms in China plus dairy development in Latin America and Asia. Prior to this Peter worked in Fonterra's risk management team and before joining Fonterra in 2005 he managed AgResearch farms across New Zealand. Peter grew up on the family hill country sheep and beef farm in the Waikato and spent a number of years managing this in partnership with his family.

PETER NEWBOLD

General Manager Real Estate

Peter is the General Manager of PGG Wrightson Real Estate Limited, a role he has held since September 2013. Peter was previously General Manager of New Zealand Sotheby's International Realty. Peter was previously employed by Wrightson Limited from 1995-2005 during which time he held a range of roles including Marketing Manager and Business Development Manager. Prior to this, he had an extensive career in retail ownership management and franchising.

PETER SCOTT

Chief Financial Officer

Peter was appointed as PGG Wrightson Limited's Chief Financial Officer in March 2015 and leads the finance function. Peter started his career at Fletcher Challenge and has broad multinational experience spending five years in Scandinavia where he was the Vice President of Accounting and Tax for Norske Skog, a large global newsprint and magazine paper producer. He relocated to Australia in 2005 and was appointed to the lead finance role for the Australasian region for Norske Skog. In 2008 Peter joined Gloucester Coal Limited, an ASX listed mining company as the Chief Financial Officer. In 2010 he joined the majority shareholder Noble Group, a leader in managing the supply chain of agriculture, energy, metals and mining resources, headquartered in Hong Kong and listed in Singapore. He was the Chief Financial Officer for Noble Group in Australia.

RACHEL SHEARER

General Manager Human Resources

Rachel was appointed PGG Wrightson Limited's General Manager Human Resources in April 2016 to lead our Human Resources, Learning and Development, Payroll and Health and Safety teams. In this role she holds ownership of the PGW People Strategy with the foundations of this being performance, leadership and culture. Previously Rachel was GM Human Resources of Solid Energy New Zealand Limited. She also has multinational experience across a broad spectrum of industries having worked within human resources and executive recruitment in Australia, England, the United States and her hometown of Christchurch.

BRENT SYCAMORE

General Manager Grain

Brent has held the position of General Manager Grain since 2006. He joined Wrightson Limited in 2001 and held various management roles in New Zealand and Australia prior to the formation of PGG Wrightson Limited. Prior to the Wrightson/PGG Wrightson roles Brent held positions with BP Limited, Pyne Gould Guinness Limited and Ernst & Young.

THE YEAR IN REVIEW

The Group reorganised its operating structure during the period and now has three operating segments; Agency group, Retail and Water group and Seed and Grain group.

PGG Wrightson Technical Field Representative Mark Bulwer inspects a maize crop near Te Awamutu with Lindy Bennett in February 2017.


JOHN AUSTIN
PTRAC

The newly formed Agency group comprises the Livestock, Wool, Real Estate and Insurance/Finance Commissions businesses.

PGG Wrightson National Dairy Manager Paul Edwards and his team look for bids at the onfarm sale for Matai Trust Farm in Southland in May 2017.

$M	**2017**	2016
Revenue	**197.1**	228.2
Operating EBITDA	**18.0**	18.2

The year in review
AGENCY

A large reduction in Wool revenue led to a 14% drop in revenues for this group, with Operating EBITDA down marginally (1%) compared with the previous year's result.

Livestock

The Livestock business, which is the largest unit within Agency, delivered an outstanding result with a record Operating EBITDA as sustained international demand for New Zealand protein and lower stock numbers have combined to push up livestock prices.

Livestock is principally an agency business, with revenue predominantly reflecting commissions earned on the trading of livestock in New Zealand. Consequently key drivers of business performance are the volume and value of livestock traded.

While stock tallies were down 2 percent on last year, good levels of feed across New Zealand contributed further to the tight supply conditions in sheep and beef markets. Sheep and cattle prices were higher than last year, with the store market driven by strong commodity prices.

In addition, the recovery in the dairy sector over the year led to a better dairy herd sales season than the previous year. In contrast, following on from last year's disappointing result, the live export business continued to operate in tough conditions.

Underpinning this strong trading activity is the development and implementation of a supply chain strategy that has had a positive impact on this year's results. This includes impressive growth with the *Go* range of livestock products, which contributed positively to Livestock's earnings growth.

We have also strategically invested in our working capital in targeted areas. For instance, we launched our *Go* range of livestock products in November 2015. The *Go* products are a supply chain product for beef cattle and lambs owned by PGW. The *Go* range of products have proven popular with farmers and have grown from a zero base in November 2015 to an asset balance of $32 million as at 30 June 2017.

The saleyards rationalisation project continues with the closure of a number of yards that has resulted in higher throughput at yards such as Feilding, Temuka and Canterbury Park. Technology development continues and plans are in place to update our Livestock Trading Platform in FY2018.

In addition, the structure of the national network of teams was reviewed during the year and an amalgamation of livestock districts has been implemented which allows for a more streamlined operation.

Real Estate

Our Real Estate business delivered a good result, similar to FY2016. The business saw a resurgence in rural property sales, particularly in the regions of Southland, Otago, Waikato and the Bay of Plenty. This growth on last year was aided by good sales in the lifestyle, residential and horticultural markets.

Gross margin was challenged early on in the year but improved during the final quarter. Operating EBITDA was slightly back on last year due to slow farm sales in the first half of the year.

We had a number of significant sales during FY2016, with the highlight being a Kiwifruit property in the Bay of Plenty which sold for $40 million. Another highlight for the business was the opportunity to act for both Landcorp and Solid Energy in the divestment of some rural assets with good outcomes being achieved.

In the year ahead the business is investing in key locations including a new office in the Bay of Plenty and improvement of some existing South Island premises. In addition we will be increasing our team of sales agents.

Wool

The performance of our Wool brokering and procurement business has been significantly impacted by the collapse of the global crossbred wool price, which has halved over the past 15 months. This has resulted in reduced volumes of crossbred wool being sold (compared to last year) and the formation of a New Zealand grower stockpile.

In contrast, our Wool export business has increased its profitability.

Fine Wool is currently sitting at the top of the price range as processors and retailers have strong demand from the leisure wear and active wear sectors. This has seen our Merino and mid-micron wool types in demand and prices lifting 30 percent over the past year. We offer a range of contracts to growers as these wools are highly sought in markets such as Japan, USA, China, Norway and Italy.

Insurance and Finance Commissions

Our Insurance and Finance businesses earn commissions from legacy businesses sold to Aon Insurance and Heartland Bank. We have placed increased emphasis on improving these working relationships and exploring opportunities to grow both partnerships through referrals for new business.

The year in review

RETAIL AND WATER

PGG Wrightson Technical Field Representative David White and North Canterbury farmer Dave McKenzie discuss animal health options with Technical Manager (Animal Production) Andrew Dowling in April 2017.

$M	2017	2016
Revenue	562.2	550.1
Operating EBITDA	18.3	20.2

The Retail and Water business, which comprises Rural Supplies, Fruitfed Supplies, Agritrade and Water achieved Operating EBITDA of $18.3 million.

Retail and Water Highlights

Retail performed extremely well. With spring being the key trading period for our Rural Supplies business, this business was less affected by the autumn rains across New Zealand. All Retail business areas (Rural Supplies, Fruitfed Supplies and Agritrade) contributed to the excellent result, and it is particularly pleasing to see Retail continue to extend its market share and profitability gains in a highly-competitive market. In particular, our horticulture business continues to go from strength to strength.

However, for the Retail and Water group this strong performance by the Retail business was offset by reduced revenues and earnings from the construction part of the Water business. This was due to a continued reduction in demand for irrigation projects. During the year we restructured our Water business and we expect that these internal changes, and a lift in confidence in the dairy sector, will see an improvement in Water's performance in the coming year.

This group continues to focus on the future with investment in store upgrades, an ongoing programme to update technology support for staff, investment in digital channels to market, and working with a range of Māori landowner groups to establish PGW as their preferred partner.

Rural Supplies

The Rural Supplies business has a core foundation around 'owning' the agronomy categories of agchem, seed and grain and fertiliser.

This year saw further growth in these key categories and in market share despite the challenging conditions for our sheep and dairy customers. We also saw significant growth in the animal health area of our business on the back of an improved range of products and increased management focus.

A key contributor to this growth was our team providing the best product and technical advice, at the right time, to our customers. This sits alongside the science of the research that supports our product range and the technical expertise of our people understanding that science.

Fruitfed Supplies

The Fruitfed business continued to perform strongly with revenue up on last year.

This horticulture business tracked up against last year with the New Zealand horticultural sector continuing to prosper with favourable market conditions providing higher returns than the period prior to 2014.

As a consequence most sectors are experiencing further growth from capital developments with the greatest effects in grapes, kiwifruit, apples and avocados. There are also major developments planned in undercover crops over the next couple of years while vegetables and small fruits such as berries remain viable.

Agritrade

At the heart of the Agritrade business strategy is a clear focus on delivering customer value through innovation, integrated product solutions and specialised advice delivered by our customer focussed sales teams. The business continued its growth year-on-year with revenue up on the same period last year.

This strong result was achieved through the existing range as well as product acquisition and providing distribution services for some seeking alternative ways of getting product to market. This was a pleasing result given last year was boosted by sales of time capsules into one of the worst facial eczema seasons. The margins show an increase year-on-year.

Water

PGG Wrightson Water joined the Retail management structure in August 2016. The focus this year for the Retail and Water management team was to reset the business structure and processes for the next few years.

Water revenue was down on last year by 30 percent. This was largely due to the continued slowing of irrigation development on farms across New Zealand. This has had a major impact on the amount of work that is being transacted in the market place. As projected incomes have seen improvement in recent months we expect demand to improve and we need to ensure we have the business in a position to capture the opportunities that will arise.

$M	2017	2016
Revenue	372.7	401.2
Operating EBITDA	37.0	41.9

PGG Wrightson Seeds Arable Representative Alice Keir inspects a wheat crop in November 2016 with Stephen Wright of Mountain View Farm near Darfield.

The year in review
SEED AND GRAIN

Seed and Grain group revenue decreased 7%, while Operating EBITDA was down 11.5% to $37 million for the 2017 financial year.

Weather is always a key factor in the performance of our Seed and Grain business and FY2017 was no exception. Our New Zealand Seed and Grain business was affected by severe weather conditions during April 2017. For our Seed business, autumn demand for our seed products was reduced as many farmers were simply unable to complete their re-grassing and autumn pasture renewal plans. For Grain, much lower harvest yields have reduced earnings from our processing and drying facilities.

South America bounced back with a lift on last year's Operating EBITDA. This result is particularly pleasing as it was achieved despite low commodity prices and difficult financial circumstances for many of our South American customers following a tough year in FY2016.

In Australia, a mild summer in the key dairy regions of Victoria and low confidence in dairy prices reduced demand for pasture seed.

New Zealand

New Zealand Seed and Grain posted a solid result in challenging conditions. The key spring sales period was characterised by a cautious spend from the dairy sector. This saw New Zealand Seed and Grain enter the second half of the financial year ahead of budget but behind 2016's impressive result. The autumn sales period was dominated by the very wet April that led to reduced demand, particularly in the North Island.

We saw the release of limited volumes of our Raphano® brassica product. This is a very exciting concept which is showing significant advantages in water use efficiency, carrying capacity and grazing flexibility. We are limited by seed availability and have already seen demand that will outstrip supply for the 2018 year.

We continue to invest significantly in a number of key demonstration and Research farms around New Zealand. We are a sponsor in the newly created Southern Dairy Hub, the Ashley Dene

Research farm run by Lincoln University and a Founding Partner in the Owl Farm Demo farm in Cambridge.

Our Turf business continues to maintain market share with strong sales across all categories. We achieved our production targets for the year which enabled a satisfactory flow of product to the market during the autumn processing season.

Corson Maize Seed hybrids continue to perform well for growers and in independent industry trials and as a consequence market share increased in FY2017. Wheat cultivars Discovery, Starfire and Ignite performed strongly in commercial crops, in Foundation for Arable Research trials and received good market support from growers and food and feed manufacturers.

Australia

In Australia, a mild wet summer that allowed pastures to carry over to autumn, coupled with depressed dairy prices, led to poor sales of high value forage grasses to the southern dairy regions.

Export sales of pulses and lucerne were also back on previous years due to depressed international markets. In contrast, forage seed sales to the sheep and beef market segments performed strongly on the strength of good commodity prices and favourable seasonal conditions.

Two exciting new products were widely tested in preparation for their launch next year, Mainstar brassica and Ascend annual ryegrass. The results look great and are a credit to our innovation research team.

Major improvements in our supply chain were achieved through relocation to larger more efficient warehouses at Brisbane and Melbourne, and the upgrade of seed processing capability at Keith and Mareeba. Health and safety improvements in our facilities continues to better protect our people.

Turf experienced good sales growth in both volume and margins on its revegetation products. Boxed lawn seed sales to the retail sector also saw good growth.

The newly acquired cereal development company Grainsearch (purchased in July 2016) was integrated into our research and development team and already has two promising malt barley varieties under development.

South America

South America achieved their FY2017 budget expectations.

In South America we saw a positive recovery over the year, but the long-term effects of the April 2016 flooding on farmer confidence, and their demand for inputs, is likely to remain a constraint in the near-term.

Commodity prices (milk, meat and grains) remained low compared with historical averages. Milk and meat prices have improved in the last quarter of the year and are showing a trend towards profitability.

Banking conditions in Uruguay are challenging with the banking sector showing a risk adverse profile by reducing facility limits to agricultural borrowers. In addition, local currency appreciation led to increasing cost pressures in the US dollar denominated economies.

Overall the growth opportunities within the region remain attractive over the medium term and we expect a further rebound in earnings over the 2018 financial year.

Agency

DOUBLE HILL STATION IS LOOKING TO THE FUTURE

Tim and Anna Hutchinson's Double Hill Station, a picturesque 3,000 hectare farm, is located in the Rakaia Gorge.

The Station runs Perendale ewes (using Perendale and Suffolk sires), Angus and Angus Hereford cross cattle, along with a beef finishing operation and dairy grazing.

Since purchasing the farm from family in 2004, Tim and Anna Hutchinson have approached their successful farming operation with the future in mind.

Tim Hutchinson said, "In 2016 we celebrated this property being in our family (Ensor's and Hutchinson's) for 100 years. That's very special to us. We are the fourth generation to run this farm and we have a strong sense of responsibility to keep it going for the next one. It's getting harder and harder to farm high country so we need to take calculated risks and seize opportunities when we can."

Tim and Anna have made productivity gains year-on-year since taking over the running of the farm. One initiative which they have undertaken is a significant pasture redevelopment project which will be completed in 2019.

Tim said, "The 750 hectare development will offer a high-value feed platform (Lucerne-mix and pure Red Clover stands) to drive farm production. It will allow us to produce and move more

PGG Wrightson Senior Livestock Agent John Farrell inspects the Double Hill Station breeding ewes in July 2017, just prior to lambing, with Tim Hutchinson.

kilos of meat off the farm. This increase in a high-production land area will also allow us to increase our flock of breeding ewes."

Another initiative they implemented in 2012 was the move to an on-farm lamb sale. The Station held its sixth annual lamb sale in late January this year, which offered about 8,000 prime and forward store lambs (approximately 70 percent of the lambs born on the Station each year).

Tim Hutchinson explains. "We moved to an on-farm lamb sale six years ago because it works better for us when the lambs are off the farm in one day. The day after the sale, we can refocus and set up for the year ahead.

"We put 12 months of work into our annual lamb sale so it's a big deal for us. There's a lot of preparation leading up to the sale as we want to present the best lambs on the day. It starts with the selection of sires which is critical to producing the best lambs. We are building up our flock of breeding ewes, and each year we hold back the best of the Perendale ewe lambs as replacement breeding stock. We implement an animal health plan throughout the year, including a drenching programme for the lambs leading up to the sale.

"Then closer to sale we muster the ewes and lambs for weaning. I do most of the mustering with the helicopter as we have a lot of ground to cover. Then it's up to John and his team to do the yard-work," said Tim.

PGG Wrightson Senior Livestock Agent and Auctioneer John Farrell has been working alongside the Hutchinson family since 1998. Firstly with Tim's parents Ben and Elisabeth, and more recently (since 2004) with Tim and Anna.

John Farrell said, "I work with Tim on his livestock programme throughout the year to ensure he gets the best outcome for his stock. Tim puts his trust in PGG Wrightson to market his stock and get him a strong result. Their on-farm lamb sale is one of the biggest individual farm sales in Canterbury, so it always attracts a lot of interest from buyers. The lambs do well in this country and we have no problem finding buyers for them as they have great shifting ability.

"A couple of days before the sale I bring a team of Livestock Agents from Mid Canterbury to wean and prepare the lambs for sale. And we run the sale on the day.

"Their sale on 26 January this year went well. There was a full clearance of nearly 8,000 lambs on offer. Across the total yarding the sale average was up $11 per head above last year. Of the lambs on offer approximately 3,000 were at a killable level, with the remaining 5,000 lambs sold as stores, to a number of buyers throughout Mid Canterbury," John said.

Tim adds, "While I still get a bit nervous on sale day, we have had a long-standing relationship with John looking after our stock and I trust him to do a good job. We are looking to increase the number of lambs being offered at the sale to up to 10,000 in the next four to five years (with up to 80 percent of those being at a killable level and the remaining lambs being kept on to be finished), so it's important to us to work with a team that knows what they're doing."

PGG Wrightson Livestock team add value

PGG Wrightson Senior Livestock Agent and Auctioneer John Farrell joined the company in 1998 servicing the Methven and the Rakaia Gorge areas (which includes Double Hill Station). John began his livestock service career in the late 1980's working around the South Island including the Marlborough, Southland, Otago and Canterbury regions.

John is a member of the Mid Canterbury Livestock team, one of the regional teams located throughout New Zealand (which has a network of over 250 livestock agents).

John said, "After nearly 20 years in the company looking after the same area you get to know your clients and their livestock programmes very well. The more we understand their business, the more value we can add. While I am Tim and Anna's main point of contact for PGG Wrightson Livestock, I have a network of colleagues who I work with to get the best outcome for all of my clients.

"Tim and Anna run a very good operation and they are well-respected in the farming community. We really appreciate the loyalty that they have shown our company for a number of generations and we look forward to our partnership continuing for many years to come."

PGG Wrightson Technical Specialist (Soil Science) Stephanie Sloan has been in the role for four years. Stephanie works alongside locally-based PGG Wrightson Technical Field Representatives (TFR) and their clients throughout the North Island. Stephanie, along with the local TFR undertakes on-farm visits to offer farmers advice to assist them in producing the highest yield crops best suited to their specific farming operation. One of the clients Stephanie works with is Waitatapia Station.

Retail and Water

WAITATAPIA STATION PRODUCES HIGH-YIELD PRODUCTION CROPS

Waitatapia Station in the Rangitikei District near Palmerston North is a fifth generation farm with four separate blocks totalling an area of 2,500 hectares.

The Station was originally bought by the Dalrymple family in 1883. Currently run by brothers Roger and Hew, it is an arable and drystock farming operation; Hew runs the forestry and arable side and Roger manages the stock operation. Their children, the fifth generation, are now working alongside them on the Station.

The Station has annual finishing numbers of 35,000 lambs and 4,000 steers along with 9,000 pre-isolation heifers, so it is important that their production crops perform at a high level.

For the last two years PGG Wrightson Technical Specialist (Soil Science) Stephanie Sloan has been working alongside Roger at Waitatapia Station with his crop management and agronomy programme.

Roger Dalrymple said, "We work with Stephanie throughout the year, from the planning through to the harvesting stage. We harvest in May and review soon afterwards for the year ahead, then sow in late October. Then once the seed is in the ground, Stephanie's technical advice, including a tailored agronomy (spray and fertiliser management) programme, is implemented by our team.

Stephanie Sloan said, "Roger sows in free draining sandy soil, so developing a customised agronomy programme to meet the specific needs of this soil type is essential to ensure they achieve maximum crop yields at harvest time. We have also implemented a soil and herbage testing programme that has been put in place over the past few years for their production crops.

Roger adds, "Fodder beet grows well here. We make decisions based on yield and it is cheaper to produce dry matter with forage crops than it is winter grazed pasture.

"By working with Stephanie and reviewing and then adjusting our crop choice and agronomy programme every year, we have made yield increases and increased bulb weight year-on-year. We produce a silage mix which we feed to our feedlot cattle from May through to October.

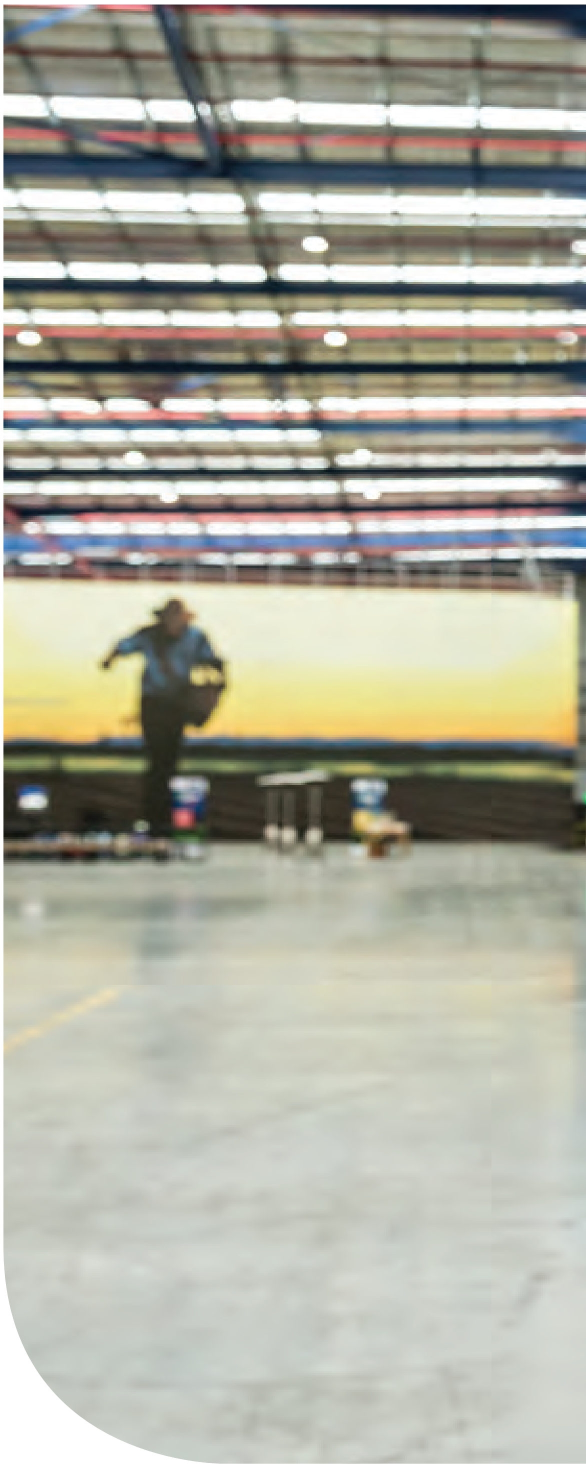
"Not only has our yield increased year-on-year but the numbers stack up too. We have produced up to 32 tonne/ha DM (bulb only) this year with about 15 percent tops. The experts say that production crops, like fodder beet, should cost $2,500 to $3,000 per hectare. This year it cost us $2,600 per hectare – so we are pretty happy with that result. We harvested about 80 hectares in fodder beet and are looking to increase that area next year.

"We have a big finishing operation here and because we are buying in weaners at a high price currently we need to have an efficient feed production programme so we still make a few dollars at the other end when they get to R2s," Roger said.

Stephanie concludes, "Waitatapia Station is a highly diverse operation across their four blocks, so there is always the opportunity to try something new, whether it be an upcoming forage variety or an agronomy option. The knowledge gained from these initiatives contributes to both research and development from a PGG Wrightson perspective, and gives us the opportunity to share this with our customers throughout New Zealand."

PGG Wrightson's Technical Specialist (Soil Science) Stephanie Sloan inspects a paddock of fodder beet with Roger Dalrymple in late June 2017 prior to harvesting for silage.

PGG Wrightson Seeds General Manager Australia John Stewart with National Supply Chain Manager Quintin McCall inside the new warehouse facility at Truganina, Victoria which opened in December 2016.



Seed and Grain

AUSTRALIA SUPPLY CHAIN IMPROVEMENTS YIELD RESULTS

The PGG Wrightson Australian Seeds business, which was established in 1938, is a proprietary seed company operating across the country. Its activities cover all aspects of the seed market, from research and development through to product supply, distribution and technical on-farm supply.

The operation, which employs 120 staff, includes a highly respected research and development programme which is based in Ballarat, Victoria. The team evaluates products developed in New Zealand and develops products unique to the Australian market and conditions (both temperate and sub-tropical). In addition, some products (due to their suitability to the conditions of those countries) are released into South America and New Zealand.

Since 2006, the business has undertaken an active acquisition programme including six key strategic businesses (identified due to their key geographic location or for their ability to extend the product offering).

While the business continues to identify acquisition opportunities, during the last two years it has focused on a review of its supply chain to allow it to better operate in a highly competitive market.

Investment by the company over the last two years has resulted in significant gains in supply chain efficiency and enhanced customer service delivery.

This process is mostly complete, with a few remaining initiatives to implement. The most recent investment was in a purpose-built warehouse and office complex in Melbourne, which opened in December 2016, incorporating best-in-class logistics and processing equipment.

PGG Wrightson Seeds General Manager Australia John Stewart said, "we now have fewer, larger facilities operating more efficiently. We have less internal transfers, more efficient freight routes, and improved infrastructure.

"Australia is a highly competitive market and having the best products and the best people needs to be supported by the most efficient supply chain.

"Our supply chain is well positioned for the future needs of the business including growth expectations and the service needs of an increasingly customised market," said John.

The business has consolidated its logistic facilities from 13 to nine sites. Inefficient processes, including double handling of product through distribution centres, have been eliminated.

Phase one of the supply chain review, which focused on the footprint, is all but complete. Now the business is focusing on warehouse management systems to streamline processes and to incorporate technology to enhance efficient operation. One of the key initiatives is a new CRM system, which is currently being rolled out across the business.

John concludes, "Australia is a big country, so having an efficient supply

chain is critical to our operational efficiency both now and in the future. We operate across all states so our production base is literally spread across the continent. From origin to destination we are spread far and wide.

"Having an efficient and effective supply chain is about keeping both ourselves and our customers competitive. An efficient supply chain, which delivers high quality seed to farmers and allows them to remain globally competitive, is what we want to achieve," said John.

"Australia is a highly competitive market and having the best products and the best people needs to be supported by the most efficient supply chain."

John Stewart
PGW Seeds General Manager Australia

Update on our
STRATEGY

The current PGW Group strategy was launched to the business in 2014 and we undertook a comprehensive review in 2016. The strategy is structured around three core themes; Improve, Grow and Game-changers. The strategy and the themes have been embraced across the business by our people at both the business and Group level.

A number of projects are at various stages of implementation or assessment. Progress on some of the key projects for 2017 include:

Improve

Our highly-competitive, volatile sector demands continuous improvement to stay ahead.

Organisation restructure

The Company undertook a restructure of the business in late 2016. As part of that Group-wide restructure, the Water team joined the highly-successful Retail team to form the Retail and Water group. The focus since then has been on bedding in the new structure to unlock the synergies that will come from a more coordinated sales approach.

Property divestment programme/Capital reallocation

Our property divestment programme began in 2015 and is largely complete. By realising non-strategic assets and redeploying this capital back into the growth parts of our business we have created a platform for earnings growth over the medium to long term that will provide great benefit to the Company.

'One-PGW'

'One-PGW' is a key tenet of the Improve theme. This approach aims to put the customer at the centre of everything we do as an organisation. It asks our people to work together within and across the organisational structure to deliver the best experience for the customer. Throughout the year the business has continued to demonstrate this approach through interaction with other business units to meet and exceed customer expectations.

Babich Awatere Vineyard in Marlborough.

Grow

With volatility comes opportunity – we need to stay nimble to invest in that opportunity.

Digital focus

Over the year we increased our focus on digital technology initiatives across the Company. One example of this is the Retail and Water group's Retail Business System Transformation Project (Project RoBuSt).

With Project RoBuST, our aim is to develop an integrated omni-channel presence that delivers a superior and uniform customer experience across all devices, channels and touchpoints. Currently our digital presence, across an ever-growing list of devices, is limited and must be expanded to meet the needs of our connected customers. Whether it is from a desktop, a mobile or a tablet, there is now a customer expectation that access to information, products and services should be online and available any time. The first step in this process is the replacement of our current point of sale and inventory management system, which will underpin future development. This project is currently in the design phase with rollout due to be completed by spring 2018.

Game-changers

The world is changing – we must anticipate future customer needs and adapt our offering accordingly.

The pace of change within agribusiness is accelerating. New and emerging technologies are enabling new business models to disrupt traditional ways of doing business within agriculture. At PGW we are committed to embracing the opportunities this change brings in order to stay at the forefront of the agriculture sector.

***Go* products**

We launched our *Go* range of livestock products in November 2015. The *Go* products are a supply chain product for beef cattle and lambs owned by PGW. The *Go* range of products have proven popular with farmers and have grown from a zero base in November 2015 to an asset balance of $32 million as at 30 June 2017.

Agri Optics

Acquisition of key strategic assets continued with PGG Wrightson Seeds Limited purchasing a 51% share in Agri Optics New Zealand Limited in October 2016. This acquisition enhances PGW's presence in the precision agriculture space, and further demonstrates PGW's intent to continue to bring to market products, tools and services that increase on-farm productivity and sustainability. This investment will deepen the knowledge and experience within our business in respect of the new technologies that are developing and being implemented in the agri-sector. Accordingly this investment has good strategic fit with PGW's desire to continue to evolve and develop our technical offering and expertise.

PGG Wrightson
IN THE COMMUNITY

PGW has a proud history of supporting rural communities. Our staff and customers live and work in these communities and we are committed to making a positive contribution.

Throughout New Zealand, PGW supports a range of community and industry events including A&P shows, dog trials, horticulture sector events, shearing competitions, field days and equestrian events.

IHC Calf and Rural Scheme

PGW has been working alongside IHC for 30 years to deliver the IHC Calf and Rural Scheme. The Scheme provides funds which allow IHC to deliver services to people with intellectual disabilities and their families by facilitating donations from farmers throughout New Zealand. Last year, across New Zealand, during calf season 3,363 farmers donated calves and $1.4 million was raised. To date through this Scheme, PGW have helped IHC raise more than $30 million.

$30.0 m

raised to date

IHC Calf & Rural Scheme now in its 33rd year

Cash for Communities

The 'Cash for Communities' programme is a partnership between PGW and Ballance Agri-Nutrients which has raised over $455,000 to date for rural communities throughout New Zealand.

Funds are raised by PGW who donate $1 for every tonne of qualifying Ballance Agri-Nutrients fertiliser purchased by customers who have registered for the programme. The seventh season of the programme ran in spring 2016 and with the assistance of over 600 farmers who registered nationwide, over $31,000 was raised for community organisations.

One of the recipients of this year's programme was the Dunsandel Community Centre in Canterbury (pictured left).

Supporting the Horticulture Sector

Fruitfed Supplies, PGW's specialist horticulture business has a long association with programmes that recognise innovation, emerging leaders and excellence in the industry – including Young Horticulturalist of the Year and the Air New Zealand Wine Awards.

Young Horticulturalist of the Year

The award aims to inspire and acknowledge the talents of young people employed in the horticultural industry. The competitions embrace all aspects of the industry with finalists drawn from arboriculture, fruit growing, grape growing, nursery, vegetable growing, landscaping, cut flowers, floristry and turf sectors.

$455,000

raised over five years

Cash for Communities partnership between PGW and Ballance Agri-Nurients

The Grand Final of the Young Horticulturalist of the Year, features seven sector winners including 'Young Viticulturist of the Year' and Young Grower of the Year' (both of which are supported by Fruitfed Supplies).

Air New Zealand Wine Awards

The Air New Zealand Wine Awards are New Zealand's premier wine competition, recognising excellence in winemaking. Fruitfed Supplies is proud to sponsor the Syrah varietal category, a wine variety for which New Zealand has an excellent and growing international reputation.

Supporting Wool and Livestock industry events, A&P Shows and Regional Field Days

Golden Shears

PGW is proud to support Golden Shears, the world's premier shearing and wool handling championship, which is held every year in Masterton. The three-day event encompasses novice, junior, intermediate, senior and open shearing competitions along with wool handling and wool pressing events at a range of levels (2017 winner Rowland Smith pictured above).

As part of the Golden Shears sponsorship, PGW is naming rights sponsor of the National Shearing Circuit which celebrates excellence in the skill of shearing. Considered to be the 'iron man' of shearing events in New Zealand, the National Shearing Circuit requires shearers to prove their prowess

across a variety of sheep breeds and wool types. The Circuit takes place at five events throughout New Zealand, with participants earning points at each round. The final, featuring six shearers, is held at the Golden Shears in Masterton.

A&P Shows, regional field days and NZ National Agricultural Fieldays

Agricultural and pastoral shows (A&P), regional field days and the NZ National Agricultural Fieldays at Mystery Creek in June (pictured below) are events which are an intrinsic part of the fabric of rural New Zealand.

PGW is very proud to be involved in these events, which bring the local rural community together and provide us the opportunity to thank our customers for their ongoing support and to showcase the latest in farming technology and product innovation.

Supporting Māori Excellence in Farming

The Ahuwhenua Trophy BNZ Māori Excellence in Farming Award, which PGW is proud to support, has a prestigious history dating back to 1932. The competition is held annually, alternating between dairy and sheep and beef. The 2017 competition focused on Māori Sheep and Beef farming. The presentation of the Ahuwhenua Trophy in May comes at the end of more than six months of assessing the applications. In 2017, the winners of this award were Omapere Rangihamama Trust farm near Kaikohe. Omapere is a 902 hectare mixed sheep and beef property which is in the process of transitioning into a mainly bull beef rearing operation (pictured above).

Beef Expo

PGW supports the Tru-Test Beef Expo which is held in Feilding in May. This annual event features the best of a number of breeds from throughout New Zealand. The Expo's activities includes the PGG Wrightson National Hereford sale (pictured above).

Steak of Origin

PGW is proud to support this prestigious annual event, which celebrates the best of New Zealand beef producers, offering people an insight to how genetics can improve eating quality, increase retail beef yield, or improve maternal traits.

Sustainability

PGW is committed to protecting our natural environment for future generations.

This means balancing issues of environmental, social, cultural and economic sustainability to make a valuable contribution to the future of our country, our communities and the rural business sectors we operate in.

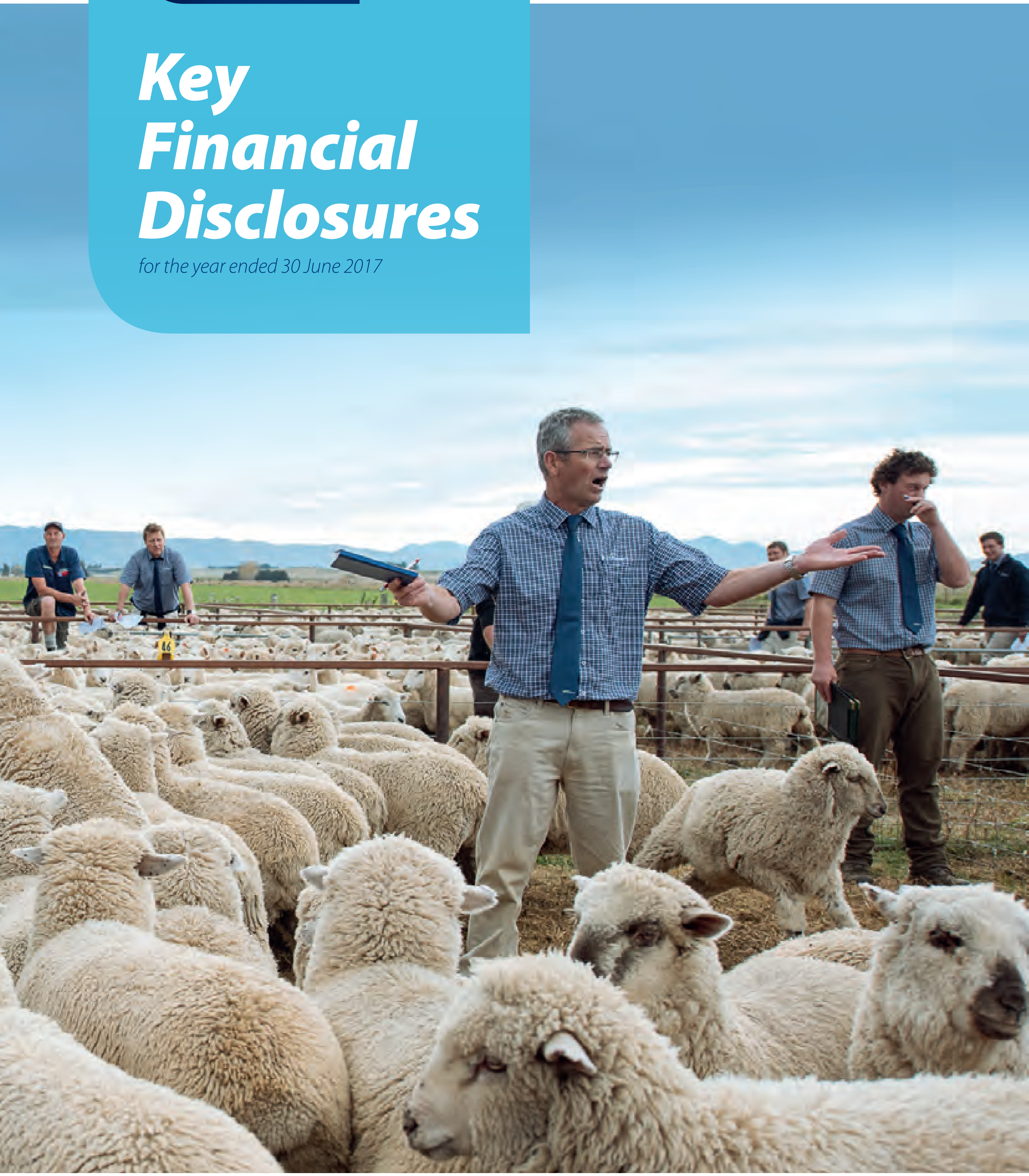
We ensure that the way we conduct our business minimises the impact we have, as do the products and services we offer to our farming customers, helping them in their sustainability goals.

Many of our activities, including those listed below, are designed to meet the demand for more sustainable farming practices:

- Research and Development - Investment in R&D to improve resource use efficiency of seed forage cultivars and of farming generally.
- Technology - development of crop monitoring systems in horticulture to enable more efficient and effective management of pests and disease, and variable rate irrigation systems which allow for improvements in the overall quantity of water applied. This assists in reducing nutrient run-off and leaching issues associated with over-watering, freeing up water to enhance the productivity of a greater land area and reducing the overall energy costs associated with pumping water.
- Use of technology to improve the efficiency of business communications, business processes and supply chains.
- Reduction of energy use and emissions with our vehicle fleet, transport operations, grain and seed processing, and building operations, being our key users of energy. Where possible more energy efficient technologies are employed, reducing our overall energy footprint and related greenhouse gas emissions. Vehicle efficiency is used as a key criteria in selecting our vehicle fleet and as processing operations and buildings are upgraded, more energy efficient technologies are incorporated.
- Advice - Good stewardship also requires that farmers undertake crop rotation and PGW works closely with our farmer customers to ensure appropriate practices are in place on-farm.

Key Financial Disclosures

for the year ended 30 June 2017



PGG WRIGHTSON LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2017

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 30 June 2017 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all of the relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Directors are pleased to present the financial statements for PGG Wrightson Limited and its controlled entities (together the "Group") set out on pages 35 to 80 for the year ended 30 June 2017.

The financial statements contained on pages 35 to 80 have been authorised for issue on 7 August 2017.

For and on behalf of the Board.

Alan Lai
Chairman

Bruce Irvine
Director and Audit Committee Chairman

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

	NOTE	2017 $000	2016 $000
Continuing operations			
Operating revenue	1	1,132,963	1,181,624
Cost of sales	2	(804,317)	(854,871)
Gross profit		328,646	326,753
Other income		388	725
Employee benefits expense		(160,851)	(156,148)
Research and development		(4,542)	(4,515)
Other operating expenses	3	(99,268)	(96,390)
Equity accounted earnings of investees	5	126	(244)
Operating EBITDA		**64,499**	**70,181**
Non-operating items		9,521	4,151
Fair value adjustments	6	(420)	(232)
Depreciation and amortisation expense		(10,733)	(9,170)
EBIT		**62,867**	**64,930**
Net interest and finance costs	7	(6,158)	(10,474)
Profit from continuing operations before income taxes		56,709	54,456
Income tax expense	8	(10,428)	(10,466)
Profit from continuing operations		46,281	43,990
Discontinued operations			
Profit from discontinued operations (net of income taxes)		30	(211)
Net profit after tax		**46,311**	**43,779**
Profit attributable to:			
Shareholders of the Company		45,607	43,024
Non-controlling interest		704	755
Net profit after tax		**46,311**	**43,779**
Earnings per share			
Basic earnings per share (New Zealand Dollars)	9	0.061	0.058
Continuing operations			
Basic earnings per share (New Zealand Dollars)		0.061	0.058

The accompanying notes form an integral part of these financial statements.

PGG WRIGHTSON LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	NOTE	2017 $000	2016 $000
Net profit after tax		**46,311**	**43,779**
Other comprehensive income/(loss) for the period			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments		240	5,433
Remeasurements of defined benefit liability	20	3,121	(10,666)
Deferred tax on remeasurements of defined benefit liability	8	(2,389)	2,987
		972	(2,246)
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(1,169)	(8,513)
Effective portion of changes in fair value of cash flow hedges		(2,039)	3,888
Income/deferred tax on changes in fair value of cash flow hedges	8	571	(1,088)
		(2,637)	(5,713)
Other comprehensive income/(loss) for the period, net of income tax		(1,665)	(7,959)
Total comprehensive income for the period		**44,646**	**35,820**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		43,579	35,580
Non-controlling interest		1,067	240
Total comprehensive income for the period		**44,646**	**35,820**

The accompanying notes form an integral part of these financial statements.

SEGMENT REPORT

For the year ended / as at 30 June 2017

(a) Operating Segments

The Group reorganised its operating structure during the period and now has three primary operating segments: Agency, Retail and Water and Seed and Grain which are the Group's strategic divisions. Agency and Retail and Water operate within New Zealand. Seed and Grain primarily operates within New Zealand with additional operations in Australia and South America. Comparative segmental information has been restated in respect of the change in operating structure.

The three operating segments offer different products and services, and are managed separately because they require different skills, technology and marketing strategies. There is also a Group General Manager for each segment. Within each segment, further business unit analysis may be provided to management where there are significant differences in the nature of activities. The Chief Executive Officer or Chairman of the Board reviews internal management reports on each strategic business unit on at least a monthly basis.

- ***Agency.*** Includes Rural Livestock trading activities, Export Livestock, Wool, Insurance, Real Estate and Finance Commission.
- ***Retail and Water.*** Includes the Rural Supplies and Fruitfed retail operations, PGG Wrightson Water, AgNZ (Consulting), Agritrade and ancillary sales support, supply chain and marketing functions.
- ***Seed and Grain.*** Includes Australasia Seed (New Zealand and Australian manufacturing and distribution of forage seed and turf), Grain (sale of cereal seed and grain trading), South America (various related activities in the developing seeds markets including the sale of pasture and crop seed and farm inputs, together with operations in the areas of livestock, real estate and irrigation), and other Seed and Grain (research and development, international, production and corporate seeds).
- ***Other.*** Other non-segmented amounts relate to certain Group Corporate activities including Finance, Treasury, HR and other support services including Corporate Property Services and include adjustments for discontinued operations (PGW Rural Capital Limited) and consolidation/elimination adjustments.

Assets allocated to each business unit combine to form total assets for the Agency, Retail and Water and Seed and Grain business segments. Certain other assets are held at a Corporate level including those for the Corporate functions noted above.

"Other" cost allocation

The group has undergone a review of certain corporate costs that have previously been recorded outside of the operating segments. The review has resulted in the Group adopting an allocation methodology during the period which allocates certain corporate costs where they can be directly attributed to the operating segment or attributed based on the use of the following methods:

- IT hardware, support, licence and other costs attributed on a per user basis.
- Property costs allocated, where not directly attributable, on a property space utilisation basis.
- Business operations costs (Accounts Payable, Accounts Receivable, Credit Services, Call Centre) allocated based on FTE usage by each operating segment, transactional volumes or for Credit allocated based on the operating segment to which overdue accounts relate to.

In addition, a reorganisation of the Finance and HR functions resulted in centralisation of each operating segment's finance and HR teams into each operating segment. The Group Finance, Risk and Assurance, Treasury, HR, Credit and the Executive Team functions continue to be reported outside of the operating segments.

Other costs including non-operating items, fair value adjustments, net interest and finance costs, income tax expense as well as the reporting of discontinued operations are not fully allocated by the Group. Accordingly, these items have not been allocated across the operating segments.

(b) Geographical Segment Information

The Group operates predominantly in New Zealand with some operations in Australia and South America.

The Australian and South American business units facilitate the export sales and services of New Zealand operations in addition to their own seed trading operations. Inter-segment pricing is determined on an arm's length basis.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of operations, and segment assets are based on the geographical location of the assets.

	2017 $000	2016 $000
Revenue derived from outside the Group		
New Zealand	954,330	978,066
Australia	79,161	86,011
South America	99,472	117,547
Total revenue derived from outside the Group	**1,132,963**	**1,181,624**
Non-current assets excluding financial instruments and deferred tax		
New Zealand	85,756	91,816
Australia	14,638	12,373
South America	47,131	46,001
Total non-current assets excluding financial instruments and deferred tax	**147,525**	**150,190**

PGG WRIGHTSON LIMITED

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2017

(c) Operating Segment Information

	AGENCY		RETAIL AND WATER		SEED AND GRAIN		OTHER		TOTAL	
	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000
Total segment revenue	197,098	228,236	562,162	550,064	428,711	453,168	1,040	2,075	1,189,012	1,233,544
Intersegment revenue	–	–	–	–	(56,049)	(51,920)	–	–	(56,049)	(51,920)
Total external operating revenues	197,098	228,236	562,162	550,064	372,663	401,248	1,040	2,075	1,132,963	1,181,624
Operating EBITDA	**17,996**	**18,181**	**18,295**	**20,178**	**37,045**	**41,862**	**(8,836)**	**(10,041)**	**64,499**	**70,181**
Non–operating items	3,275	(3,171)	(12)	25	7,604	(418)	(1,347)	7,716	9,521	4,151
Fair value adjustments	26	458	–	–	(324)	(19)	(121)	(670)	(420)	(232)
Depreciation and amortisation expense	(1,130)	(1,257)	(1,737)	(1,489)	(5,517)	(4,397)	(2,349)	(2,027)	(10,733)	(9,170)
EBIT	20,167	14,211	16,546	18,714	38,807	37,027	(12,654)	(5,022)	62,866	64,930
Net interest and finance costs	472	(395)	272	(1,304)	(4,127)	(3,845)	(2,774)	(4,931)	(6,158)	(10,474)
Profit/(loss) from continuing operations before income taxes	20,639	13,815	16,819	17,411	34,680	33,182	(15,428)	(9,953)	56,709	54,456
Income tax (expense) / income	(4,171)	(6,013)	(5,253)	(8,203)	(7,513)	(10,262)	6,509	14,013	(10,428)	(10,466)
Profit/(loss) from continuing operations	16,468	7,802	11,566	9,208	27,166	22,920	(8,918)	4,060	46,281	43,990
Discontinued operations	–	–	–	–	–	–	30	(211)	30	(211)
Net profit after tax	**16,468**	**7,802**	**11,566**	**9,208**	**27,166**	**22,920**	**(8,888)**	**3,849**	**46,311**	**43,779**
Segment assets	145,410	126,566	137,081	139,670	367,753	365,106	27,704	32,262	677,949	663,603
Investment in equity accounted investees	–	–	–	–	20,892	16,322	81	1,678	20,973	18,000
Assets held for sale	37	56	500	764	–	–	2,690	4,794	3,227	5,613
Total segment assets	145,447	126,621	137,581	140,434	388,645	381,428	30,475	38,733	702,148	687,216
Segment liabilities	(71,296)	(72,844)	(72,117)	(77,573)	(187,209)	(184,747)	(81,816)	(77,753)	**(412,437)**	**(412,917)**
Capital expenditure	1,743	1,445	5,238	4,772	11,901	36,772	1,901	833	20,783	43,821

The accompanying notes form an integral part of these financial statements.

PGG WRIGHTSON LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	NOTE	2017 $000	2016 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		1,201,273	1,242,386
Dividends received		10	6
Interest received		3,318	2,038
		1,204,601	1,244,430
Cash was applied to:			
Payments to suppliers and employees		(1,159,853)	(1,188,736)
Lump sum contributions to defined benefit plans (ESCT inclusive)		(7,551)	-
Interest paid		(6,321)	(6,579)
Income tax paid		(10,408)	(13,903)
		(1,184,133)	(1,209,218)
Net cash flow from operating activities		**20,468**	**35,212**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		22,352	19,898
Net decrease in finance receivables		–	1,079
Net proceeds from sale of investments		4,424	9,692
		26,776	30,669
Cash was applied to:			
Purchase of property, plant and equipment		(12,803)	(30,750)
Purchase of intangibles		(4,307)	(2,176)
Net cash paid for purchase of investments		(2,773)	(10,895)
		(19,883)	(43,821)
Net cash flow from investing activities		**6,893**	**(13,152)**
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft		3,715	7,035
		3,715	7,035
Cash was applied to:			
Dividends paid to shareholders		(28,588)	(28,602)
Dividends paid to minority interests		(646)	(205)
		(29,234)	(28,807)
Net cash flow from financing activities		**(25,519)**	**(21,772)**
Net increase/(decrease) in cash held		1,842	288
Opening cash		7,561	7,273
Cash and cash equivalents	10	**9,403**	**7,561**

The accompanying notes form an integral part of these financial statements.

RECONCILIATION OF PROFIT AFTER TAX WITH NET CASH FLOW FROM OPERATING ACTIVITIES

For the year ended 30 June 2017

	2017 $000	2016 $000
Net profit after tax	46,311	43,779
Add/(deduct) non-cash/non-operating items:		
Depreciation, amortisation and impairment	10,733	9,170
Fair value adjustments	420	232
Net (profit)/loss on sale of assets/investments	(9,630)	(5,321)
Bad debts written off (net)	1,244	1,483
Change in deferred taxation	(811)	(2,001)
Earnings from equity accounted investees	(126)	244
Discontinued operations	(30)	211
Defined benefit expense	649	408
Effect of foreign exchange movements	(197)	(6,131)
Earn-out provision reassessment	(2,373)	–
Pension contributions (operating cash) not expensed through profit and loss	(7,551)	–
Other non-cash/non-operating items	1,339	4,003
	39,978	46,077
Add/(deduct) movement in working capital items:		
Change in working capital due to sale/purchase of businesses	(3,378)	(583)
Change in inventories and biological assets	(11,208)	3,990
Change in trade debtors and prepayments	(12,364)	(15,290)
Change in trade creditors, provisions and accruals	5,856	10,620
Change in income tax payable/receivable	2,156	(970)
Change in other current assets/liabilities	(572)	(8,632)
	(19,510)	(10,866)
Net cash flow from operating activities	**20,468**	**35,212**

The accompanying notes form an integral part of these financial statements

PGG WRIGHTSON LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTE	2017 $000	2016 $000
ASSETS			
Current			
Cash and cash equivalents	10	9,403	7,561
Short-term derivative assets	11	3,528	3,743
Trade and other receivables	13	230,022	238,308
Go livestock receivables	12	32,371	12,178
Assets classified as held for sale		3,227	5,613
Biological assets		1,553	843
Inventories	14	253,600	244,074
Other investments	16	3,441	6,691
Total current assets		537,145	519,011
Non-current			
Long-term derivative assets	11	427	1,516
Biological assets		58	108
Deferred tax asset	8	15,145	14,334
Investments in equity accounted investees	5	20,973	18,000
Other investments	16	1,906	2,165
Intangible assets	17	9,129	7,079
Property, plant and equipment	18	117,365	125,003
Total non-current assets		165,003	168,205
Total assets		**702,148**	**687,216**
LIABILITIES			
Current			
Debt due within one year	10	26,719	36,623
Short-term derivative liabilities	11	991	1,438
Accounts payable and accruals	19	248,290	239,696
Income tax payable		4,115	2,392
Defined benefit liability	20	942	2,642
Total current liabilities		281,057	282,791
Non-current			
Long-term debt	10	110,925	97,511
Long-term derivative liabilities	11	661	940
Other long-term provisions	19	4,909	8,588
Defined benefit liability	20	14,885	23,087
Total non-current liabilities		131,380	130,126
Total liabilities		**412,437**	**412,917**
EQUITY			
Share capital	31	606,324	606,324
Reserves	31	(2,956)	1,960
Retained earnings	31	(316,121)	(336,028)
Total equity attributable to shareholders of the Company		287,247	272,256
Non-controlling interest		2,464	2,043
Total equity		**289,711**	**274,299**
Total liabilities and equity		**702,148**	**687,216**

The accompanying notes form an integral part of these financial statements.

Additional Financial Disclosures

including Notes to the Financial Statements for the year ended 30 June 2017

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1 OPERATING REVENUE

	CONTINUING OPERATIONS 2017 $000	2016 $000
Sales	994,024	1,031,645
Commissions	108,205	105,536
Construction contract revenue	27,627	42,478
Interest revenue on *Go* livestock product receivables	1,674	300
Interest revenue on finance receivables	–	–
Debtor interest charges	1,433	1,665
Total operating revenue	**1,132,963**	**1,181,624**

Income Recognition Accounting Policies

Recognition of Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sales Revenue

Sales revenue comprises the sale value of transactions where the Group acts as a principal and the commission for transactions where the Group acts as an 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.

Construction Contracts

The revenue on work-in-progress is recognised when it can be estimated reliably. The percentage of completion method is used to determine the appropriate amount to recognise in each year. The full amount of any anticipated loss, including that relating to work on the contract, is recognised as soon as it is foreseen.

Management estimate the percentage of completion stage on construction contracts to determine the appropriate revenue to be recognised for each project. The percentage of completion is estimated based on detailed information on the status of projects.

Interest and Similar Income and Expense

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

The Group recognises interest revenue, management fees, and establishment fees on an accruals basis when the services are rendered using the effective interest rate method.

Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transactions. Fees or components of the fees that are linked to certain performance are recognised after fulfilling the corresponding criteria.

2 COST OF SALES

	NOTE	2017 $000	2016 $000
Cost of Sales includes the following items by nature:			
Depreciation and amortisation		1,068	1,294
Employee benefits including commissions		37,097	35,110
Inventories, finished goods, work in progress, raw materials and consumables	14	755,142	794,665
Other		11,010	23,802
		804,317	**854,871**

3 OTHER OPERATING EXPENSES

	2017 $000	2016 $000
Other operating expenses includes the following items:		
Audit of annual financial statements of the Company - KPMG	267	240
Audit of annual financial statements of the subsidiaries and associates - KPMG	118	115
Other non-audit services provided by KPMG		
– Tax consulting	4	–
– Trust account audit of PGG Wrightson Real Estate Limited	11	11
– Review of charging group consolidation for bank syndicate	2	2
– Review of Agriculture New Zealand Limited for reporting to New Zealand Qualifications Authority	–	1
– Quality assurance - IT project	44	–
Directors' fees	770	770
Donations	3	5
Doubtful debts - (decrease)/increase in provision for doubtful debts	286	515
Net doubtful debts - bad debts written off/recovered	958	742
Marketing	8,261	8,849
Motor vehicle costs	7,306	6,860
Rental and operating lease costs	28,951	25,951
Other expenses	52,287	52,329
	99,268	**96,390**

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

4 ACQUISITION OF EQUITY ACCOUNTED INVESTEE

Agri Optics New Zealand Limited

On 11 October 2016 the Group acquired a 51% investment in Agri Optics New Zealand Limited. This jointly controlled entity is accounted for using the equity method and is included in the Group's Seed and Grain business segment. The acquisition involved an upfront payment and an earn out component determined over the next two years based on the financial performance of the business. The initial investment recorded for the investee was $0.83 million which includes management's estimate of the fair value of the earn out. Agri Optics New Zealand Limited is a Canterbury based precision agriculture business.

Basis of Consolidation Accounting Policies

Associates and Jointly Controlled Entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method. 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 starts.

Where the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) 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.

5 EQUITY ACCOUNTED INVESTEES

Earnings from equity accounted investees

30 June 2017

	CURRENT ASSETS $000	NON-CURRENT ASSETS $000	TOTAL ASSETS $000	CURRENT LIABILITIES $000	NON-CURRENT LIABILITIES $000	TOTAL LIABILITIES $000
51% Forage Innovations Limited	1,166	–	1,166	(837)	–	(837)
50% Agimol Corporation S.A.	51,277	10,991	62,268	(53,519)	–	(53,519)
51% Agri Optics New Zealand Limited	8	139	147	(93)	(191)	(284)
50% Canterbury Sale Yards (1996) Limited	193	6	199	(37)	–	(37)
50% Fertimas S.A.	8,886	–	8,886	(6,649)	–	(6,649)
	61,530	11,136	72,666	(61,135)	(191)	(61,326)

	REVENUES $000	EXPENSES $000	PROFIT / (LOSS) AFTER TAX $000	PGW SHARE $000
51% Forage Innovations Limited	1,504	(1,585)	(81)	(42)
50% Agimol Corporation S.A.	85,575	(85,193)	382	190
51% Agri Optics New Zealand Limited	177	(277)	(100)	(51)
50% Canterbury Sale Yards (1996) Limited	530	(588)	(58)	(29)
50% Fertimas S.A.	20,722	(20,606)	116	58
	108,508	(108,249)	259	**126**

5 EQUITY ACCOUNTED INVESTEES (CONTINUED)

Earnings from equity accounted investees (continued)

30 June 2016

	CURRENT ASSETS $000	NON-CURRENT ASSETS $000	TOTAL ASSETS $000	CURRENT LIABILITIES $000	NON-CURRENT LIABILITIES $000	TOTAL LIABILITIES $000
51% Forage Innovations Limited	1,173	–	1,173	(783)	–	(783)
50% Agimol Corporation S.A.	51,163	5,998	57,161	(53,459)	–	(53,459)
50% Canterbury Sale Yards (1996) Limited	193	8	201	(26)	–	(26)
50% Fertimas S.A.	11,936	–	11,936	(9,741)	–	(9,741)
	64,465	6,006	70,471	(64,009)	-	(64,009)

	REVENUES $000	EXPENSES $000	PROFIT / (LOSS) AFTER TAX $000	PGW SHARE $000
51% Forage Innovations Limited	1,403	(1,523)	(120)	(60)
50% Agimol Corporation S.A.	67,802	(67,562)	240	120
50% Canterbury Sale Yards (1996) Limited	544	(490)	54	27
50% Fertimas S.A.	27,812	(28,474)	(662)	(331)
	97,561	(98,049)	(488)	**(244)**

Movement in carrying value of equity accounted investees

	2017 $000	2016 $000
Opening balance	18,000	1,849
Investment in Agri Optics New Zealand	834	–
Additional investment in Agimol Corporation S.A. (Agrocentro Uruguay)	2,063	16,375
Currency translation	(50)	20
Share of profit/(loss)	126	(244)
Dividends received	–	–
Closing balance	**20,973**	**18,000**

Goodwill of $13.24 million is included in the carrying value of Agimol Corporation S.A.

The carrying value of the investment in Agimol Corporation S.A. (Agrocentro Uruguay), has been assessed for impairment in conjunction with the review of the earn-out provision (refer Note 19). The assessment was based on the present value of forecast EBITDA and other cash flows over a five year period with a 4 per cent terminal growth rate. This assessment supported the carrying value of the investment.

6 FAIR VALUE ADJUSTMENTS

	2017 $000	2016 $000
Assets held for sale	(121)	(670)
Biological assets	28	552
Investments	(327)	(114)
	(420)	**(232)**

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

7 INTEREST – FINANCE INCOME AND EXPENSE

	2017 $000	2016 $000
Finance income contains the following item:		
Other interest income	211	73
Finance income	211	73
Interest funding contains the following items:		
Interest on loans and overdrafts	(5,747)	(6,304)
Net interest on interest rate derivatives	(367)	(282)
Fair value change on interest rate derivatives	392	(846)
Effective interest on expected earnout payments	(27)	(809)
Effective interest on defined pension ESCT payments	(122)	–
Other interest expense	(108)	(3)
Bank facility fees	(772)	(845)
Interest funding expense	(6,751)	(9,089)
Foreign exchange contains the following items:		
Net gain/(loss) on foreign denominated items	(924)	(3,717)
Fair value change on foreign exchange derivatives	1,306	2,259
Foreign exchange income/(expense)	382	(1,458)
Net interest and finance costs	**(6,158)**	**(10,474)**

8 INCOME TAXES

	2017 $000	2016 $000
Current tax expense		
Current year	(11,331)	(14,085)
Adjustments for prior years	(1,725)	3,517
	(13,056)	(10,568)
Deferred tax expense		
Origination and reversal of temporary differences	915	(548)
Recognition of previously unrecognised tax losses	–	296
Adjustments for prior years	1,714	354
	2,629	102
Income tax (expense)/income	**(10,428)**	**(10,466)**
Profit/(loss) for the year	46,311	43,779
Income tax (expense)/income	(10,428)	(10,466)
Tax on discontinued operations	(4)	82
Profit/(loss) excluding income tax	**56,743**	**54,163**

	2017 %	2017 $000	2016 %	2016 $000
Income tax using the Company's domestic tax rate	28.0%	(15,888)	28.0%	(15,166)
Effect of tax rates in foreign jurisdictions	–1.6%	933	–1.8%	983
Non–deductible expenses	–3.3%	1,872	4.0%	(2,178)
Tax effect of discontinued operations	0.0%	(4)	–0.2%	82
Tax exempt income	–5.1%	2,881	–3.0%	1,646
Under/(over) provided in prior years	0.0%	(11)	–7.1%	3,871
Recognition of previously unrecognised tax losses	0.0%	–	–0.5%	296
Current year tax losses not recognised	0.4%	(210)	0.0%	–
	18.4%	**(10,428)**	**19.3%**	**(10,466)**

Income tax recognised directly in equity

	2017 $000	2016 $000
Income/deferred tax on changes in fair value of cash flow hedges	571	(1,088)
Deferred tax on movement of actuarial gains/losses on employee benefit plans	(2,389)	2,987
Total income tax recognised directly in equity	**(1,818)**	**1,899**

The Group has $0.32 million imputation credits as at 30 June 2017 (2016: $1.12 million). This balance includes the third provisional tax instalment made on 28 July 2017 in respect of the year ended 30 June 2017.

Refer to Accounting Policies – page 50.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

8 INCOME TAXES (CONTINUED)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2017 $000	ASSETS 2016 $000	LIABILITIES 2017 $000	LIABILITIES 2016 $000	NET 2017 $000	NET 2016 $000
Group						
Property, plant and equipment	–	–	(518)	(2,335)	(518)	(2,335)
Intangible assets	–	–	(455)	(435)	(455)	(435)
Employee benefits	9,635	12,356	–	–	9,635	12,356
Provisions	4,676	4,636	(97)	(1,609)	4,579	3,027
Other items	1,904	1,721	–	–	1,904	1,721
Tax asset/(liability)	**16,215**	**18,713**	**(1,070)**	**(4,379)**	**15,145**	**14,334**

Movement in deferred tax on temporary differences during the year

	BALANCE 1 JUL 2015 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2016 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2017 $000
Group							
Property, plant and equipment	(5,216)	2,881	–	(2,335)	1,817	–	(518)
Intangible assets	(725)	290	–	(435)	(20)	–	(455)
Employee benefits	9,662	(293)	2,987	12,356	(332)	(2,389)	9,635
Provisions	7,656	(3,541)	–	4,115	981	–	5,096
Other items	956	765	(1,088)	633	183	571	1,387
	12,333	102	1,899	14,334	2,629	(1,818)	15,145

Unrecognised tax losses / Unrecognised temporary differences

At 30 June 2017 the Group has $6.37 million of unrecognised deferred tax assets relating to unrecognised losses (2016: $6.31 million) and $2.39 million of unrecognised deferred tax assets relating to unrecognised temporary differences (2016: $2.32 million). These unrecognised deferred tax assets relate to the Australian subsidiaries of the Group.

Income Tax Accounting Policies

Income tax expense comprises current and deferred taxation and is recognised in profit or loss except to the extent that it relates to items recognised directly in Other Comprehensive Income or Equity, in which case it is recognised directly in Other Comprehensive Income or equity. 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 with respect to previous periods.

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 not recognised for:

- the initial recognition of goodwill
- differences relating to subsidiaries, associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

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 substantially enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be recognised.

9 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 was based on the profit/(loss) attributable to ordinary shareholders of $46,311,000 (2016:$43,779,000) by the weighted average number of shares, 754,848,774 (2016: 754,848,774) on issue. There are no dilutive shares or options (2016: Nil).

	2017 000	2016 000
Number of shares		
Weighted average number of ordinary shares	754,849	754,849
Number of ordinary shares	**754,849**	**754,849**

	2017 $000	2016 $000
Net Tangible Assets		
Total assets	702,149	687,216
Total liabilities	(412,437)	(412,917)
less intangible assets	(9,129)	(7,079)
less deferred tax	(15,145)	(14,334)
	265,438	**252,886**

	2017 $	2016 $
Net tangible assets per share	0.352	0.335
Earnings per share	0.061	0.058

Earnings per Share Accounting Policies

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the number of shares outstanding to include the effects of all potential dilutive shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

10 CASH AND FINANCING FACILITIES

	2017 $000	2016 $000
Cash and cash equivalents	9,403	7,561
Current financing facilities	(26,719)	(36,623)
Term financing facilities	(110,925)	(97,511)
Net interest bearing debt	**(128,241)**	**(126,573)**
Go range of livestock product receivables	32,371	12,178
Net interest-bearing debt less *Go* livestock receivables	**(95,870)**	**(114,395)**

The Company has a syndicated facility agreement which provides bank facilities of up to $176.00 million. The agreement contains various financial covenants and restrictions that are standard for facilities of this nature, including maximum permissible ratios for debt leverage and operating leverage. The Company has granted a general security deed and mortgage over all its wholly-owned New Zealand and Australian assets to a security trust. These assets include the shares held in South American subsidiaries and equity accounted investees. ANZ Bank New Zealand Limited acts as security trustee for the banking syndicate (ANZ Bank New Zealand Limited, Bank of New Zealand and Westpac New Zealand Limited).

The Company's bank syndicate facilities include:

- A term debt facility of $116.00 million maturing on 1 August 2018.
- A working capital facility of up to $60.00 million maturing on 1 August 2018.

The syndicated facility agreement also allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company syndicated facility. The additional facilities are guaranteed by the security trust. These facilities amounted to $19.40 million as at 30 June 2017 including:

- Overdraft facilities of $9.55 million.
- Guarantee and trade finance facilities of $6.68 million.
- Finance lease facilities of $3.17 million.

The syndicated facilities fund the general corporate activities of the group, the seasonal fluctuations in working capital, and the *Go* range of livestock product receivables.

In addition, two of the Group's wholly-owned Uruguayan subsidiaries (Wrightson Pas S.A. and Agrosan S.A.) jointly and severally are obligors to a bank club financing structure. The bank club facilities contain various financial covenants and restrictions that are standard for facilities of this nature. The club facilities are denominated in USD, secured by a mortgage over the Uruguayan logistics centre and provide:

- An amortising logistics centre facility of $12.79 million (USD 9.37 million) maturing on 17 September 2022.
- A committed facility of $16.37 million (USD 12 million) maturing on 17 September 2018.

Separate to the club facility, the Group's South American operations have various unsecured financing facilities that amounted to $15.53 million (USD 11.34 million) as at 30 June 2017.

11 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 $000	2016 $000
Derivative assets held for risk management		
Current	3,528	3,743
Non-current	427	1,516
	3,955	5,259
Derivative liabilities held for risk management		
Current	(991)	(1,438)
Non-current	(661)	(940)
	(1,652)	(2,378)
Net derivatives held for risk management	**2,303**	**2,881**

Derivatives held for risk management

The Group uses interest rate swaps and options to hedge its exposure to changes in the market rates of variable and fixed interest rates. The Group also uses forward foreign exchange contracts, spot foreign exchange contracts and foreign exchange options to manage its exposure to foreign currency fluctuations.

Derivative Financial Instruments Accounting Policies

The Group uses derivative financial instruments to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. In accordance with Treasury policy, the Group does not hold or issue derivative 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 re-measurement to fair value is recognised immediately in profit or loss.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

12 *GO* LIVESTOCK PRODUCT RECEIVABLES

The Group holds receivables in respect of its *Go* range of livestock products. Launched in November 2015, the *Go* range allow farmers to defer payment for the purchase of livestock. The counterparty to the *Go* product is fully exposed to the risks and rewards of ownership. To mitigate credit risk the Group retains title to the livestock until sale. Fee income received in respect of the *Go* range of livestock receivables are recognised by the Group as interest income over the respective contract period. Interest income on the *Go* range of livestock receivables is included within operating revenue (see Note 1 Operating Revenue) of the Agency operating segment.

	2017 $000	2016 $000
Go livestock receivables - less than one year	32,371	12,178
Go livestock receivables - greater than one year	–	–
Less provision for doubtful debts - *Go* range of livestock receivables	–	–
	32,371	**12,178**

The status of the *Go* range of livestock receivables at the reporting date is as follows:

	NOT IMPAIRED 2017 $000	IMPAIRED 2017 $000	NOT IMPAIRED 2016 $000	IMPAIRED 2016 $000
Not past due - *Go* range of livestock receivables	32,371	–	12,178	–
Past due 0 – 90 days	–	–	–	–
Past due 91 – 365 days	–	–	–	–
Impairment	–	–	–	–
	32,371	**–**	**12,178**	**–**

13 TRADE AND OTHER RECEIVABLES

	2017 $000	2016 $000
Accounts receivable	193,233	204,956
Trade receivables due from related parties	18,877	17,007
Less provision for doubtful debts	(6,358)	(6,072)
Net accounts receivable	205,752	215,891
Other receivables and prepayments	24,270	22,417
	230,022	**238,308**
Analysis of movements in provision for doubtful debts		
Balance at beginning of year	(6,072)	(5,557)
Movement in provision	(286)	(515)
Balance at end of year	**(6,358)**	**(6,072)**

The Group has transacted with its related party Agimol Corporation S.A. and its subsidiaries during the period ended 30 June 2017. The aggregate value of transactions during the period between the Group and Agimol Corporation S.A. and its subsidiaries amounted to $28.03 million (2016: between the date of acquisition and the year ended 30 June 2016 amounted to $29.35 million). The outstanding balance as at 30 June 2017 was $18.88 million (2016: $17.01 million). No provision is held in respect of the outstanding balance (2016: Nil).

The aging status of the accounts receivable at the reporting date is as follows:

	TOTAL DEBTORS 2017 $000	PROVISION 2017 $000	TOTAL DEBTORS 2016 $000	PROVISION 2016 $000
Not past due	163,641	–	197,086	–
Past due 1 – 30 days	24,855	(18)	13,695	(245)
Past due 31 – 60 days	8,332	(17)	2,550	(2)
Past due 61 – 90 days	964	(28)	6,601	(3,854)
Past due 90 plus days	14,318	(6,295)	2,031	(1,971)
	212,110	**(6,358)**	**221,963**	**(6,072)**

Trade and Other Receivables Accounting Policies

Determination of Fair Values

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Impairment of Trade Receivables

Trade receivables are considered past due when they have been operated outside of the normal key trade terms. When forming a view management considers the counterparty's ability to pay, the level of security and the risk of loss.

Accounts receivables include accrued interest. Specific provisions are maintained to cover identified doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

14 INVENTORY

	2017 $000	2016 $000
Merchandise/finished goods	258,536	248,543
Work in progress	761	48
Less provision for inventory write down	(5,697)	(4,517)
	253,600	**244,074**

During the year ended 30 June 2017, finished goods, work in progress, raw materials and consumables included in cost of sales in the Statement of Profit or Loss amounted to $755.14 million (2016: $794.67 million) (see Note 2).

During the year ended 30 June 2017 inventories written down to net realisable value amounted to $1.94 million (2016: $4.43 million). The write-downs are included in cost of sales in the Statement of Profit or Loss. Consideration is given to factors such as age, germination levels and quality when assessing the net realisable value of seeds inventory.

Inventories Accounting Policies

Finished Goods

Raw materials and finished goods are stated at the lower of cost or net realisable value. Cost is determined on a weighted average cost basis, and, in the case of manufactured goods, includes direct materials, labour and production overheads.

Wholesale Seeds

Wholesale seeds inventory is stated at the lower of cost or net realisable value and comprises costs of purchase and other direct costs incurred to bring the inventory to its present location and condition.

15 GROUP ENTITIES

SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	DIRECT PARENT	OWNERSHIP INTEREST 2017 %	2016 %
PGG Wrightson Seeds Holdings Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW Rural Capital Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Employee Benefits Plan Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Real Estate Limited	New Zealand	PGG Wrightson Limited	100%	100%
Agriculture New Zealand Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW Corporate Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
AgriServices South America Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW AgriServices Australia Pty Limited	Australia	PGG Wrightson Limited	100%	100%
PGG Wrightson Investments Limited	New Zealand	PGG Wrightson Limited	100%	100%
Bloch & Behrens Wool (NZ) Limited	New Zealand	PGG Wrightson Limited	100%	100%
NZ Agritrade Limited	New Zealand	PGG Wrightson Limited	100%	100%
Ag Property Holdings Limited	New Zealand	PGG Wrightson Investments Limited	100%	100%
PGG Wrightson Seeds New Zealand Limited	New Zealand	PGG Wrightson Seeds Holdings Limited	100%	100%
PGG Wrightson Seeds South America Holdings Limited	New Zealand	PGG Wrightson Seeds Holdings Limited	100%	100%
PGG Wrightson Seeds Australia Holdings Pty Limited	Australia	PGG Wrightson Seeds Holdings Limited	100%	100%
Grasslands Innovation Limited	New Zealand	PGG Wrightson Seeds Holdings Limited	70%	70%
PGG Wrightson Seeds Limited	New Zealand	PGG Wrightson Seeds New Zealand Limited	100%	100%
PGG Wrightson Consortia Research Limited	New Zealand	PGG Wrightson Seeds Limited	100%	100%
Agricom Limited	New Zealand	PGG Wrightson Seeds Limited	100%	100%
Wrightson Seeds Limited	New Zealand	PGG Wrightson Seeds Limited	100%	100%
PGG Wrightson Employee Benefits Plan Limited	New Zealand	PGG Wrightson Employee Benefits Plan Trustee Limited	100%	100%
PGG Wrightson Seeds (Australia) Pty Limited	Australia	PGG Wrightson Seeds Australia Holdings Pty Limited	100%	100%
PGW AgriTech South America S.A.	Uruguay	PGG Wrightson Seeds South America Holdings Limited	100%	100%
Wrightson Pas S.A.	Uruguay	PGG Wrightson Seeds South America Holdings Limited	100%	100%
Juzay S.A.	Uruguay	PGW AgriTech South America S.A.	100%	100%
Agrosan S.A.	Uruguay	PGW AgriTech South America S.A.	100%	100%
PGG Wrightson Seeds Argentina S.A. *(previously Alfalfares S.A.)*	Argentina	PGW AgriTech South America S.A.	100%	100%
PGW Sementes Ltda *(previously NZ Ruralco Participacoes Ltda)*	Brazil	PGW AgriTech South America S.A.	100%	100%
Hunker S.A.	Uruguay	Juzay S.A.	100%	100%
Lanelle S.A.	Uruguay	Juzay S.A.	100%	100%
Afinlux S.A.	Uruguay	Juzay S.A.	51%	51%
Kroslyn S.A. Limited	Uruguay	Agrosan S.A.	100%	100%
Escritorio Romualdo Rodriguez Ltda	Uruguay	Afinlux S.A.	51%	51%

Acquisition of Business

On 15 July 2016 the Group acquired the assets and business of Grainsearch Pty Limited. Grainsearch facilitates research for new varieties of cereal seeds and is based in Victoria, Australia. The acquisition involved an upfront payment and an earn-out component paid over a period of up to eight years. Management has estimated the fair value of the earn-out in determining the total consideration for the acquisition as $0.72 million. The business is included in the Group's Seed and Grain business segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

16 OTHER INVESTMENTS

	2017 $000	2016 $000
Current investments		
BioPacificVentures	30	3,170
Advances to equity accounted investees	3,411	3,521
	3,441	**6,691**
Non-current investments		
Sundry other investments	1,906	2,165
	1,906	**2,165**

Investment in BioPacificVentures

In 2005 the Group committed $14.00 million to an international fund established for investment in food and agriculture life sciences. The investment in BioPacificVentures had a total lifespan of 12 years and matured in March 2017. The investors agreed to continue with the fund manager in facilitating the wind down of the remaining investments held.

At 30 June 2017 $13.95 million has been drawn on the committed level of investment (30 June 2016: $13.95 million). A fair value gain of $0.24 million was recorded in the Statement of Other Comprehensive Income in the period to 30 June 2017 (2016: a fair value gain of $5.43 million). In addition the Group received a capital return of $3.58 million in respect of its BioPacificVentures investment in the period to 30 June 2017 (30 June 2016: $9.68 million).

Advances to equity accounted investees

This advance is a loan to the South American investee entity, Fertimas S. A. This loan matures in September 2017. Interest is payable on the balance and no provision for doubtful debts was recorded against the loan as at 30 June 2017 (2016: nil).

Sundry other investments including saleyards

Sundry other investments including saleyards, which do not have a market price in an active market and whose fair value can not be reliably determined, are carried at cost.

Other Investments Accounting Policies

Determination of Fair Values

The fair value of financial assets at fair value through Profit or Loss and available-for-sale financial assets is determined by reference to the market price, unless other objective reliable evidence suggests a different value. Other investments where no active market exists are held at historical cost.

17 INTANGIBLE ASSETS

	SOFTWARE $000	TRADEMARKS, PATENTS & RIGHTS $000	TOTAL $000
Cost			
Balance at 1 July 2015	20,641	1,047	21,688
Additions	1,576	574	2,150
Added as part of a business combination/amalgamation	–	467	467
Disposals and reclassifications	–	–	–
Effect of movement in exchange rates	(66)	–	(66)
Balance at 30 June 2016	**22,151**	**2,088**	**24,239**
Balance at 1 July 2016	22,151	2,088	24,239
Additions	4,154	160	4,314
Added as part of a business combination/amalgamation	–	682	682
Disposals and reclassifications	(7,720)	–	(7,720)
Effect of movement in exchange rates	(5)	–	(5)
Balance at 30 June 2017	**18,580**	**2,930**	**21,510**
Amortisation and impairment losses			
Balance at 1 July 2015	14,430	598	15,028
Amortisation for the year	2,011	145	2,156
Disposals and reclassifications	–	–	–
Effect of movement in exchange rates	(25)	1	(24)
Balance at 30 June 2016	**16,416**	**744**	**17,160**
Balance at 1 July 2016	16,416	744	17,160
Amortisation for the year	2,451	490	2,941
Disposals and reclassifications	(7,720)	–	(7,720)
Effect of movement in exchange rates	(1)	1	–
Balance at 30 June 2017	**11,146**	**1,235**	**12,381**
Carrying amounts			
At 1 July 2015	**6,211**	**449**	**6,660**
At 30 June 2016	**5,735**	**1,344**	**7,079**
At 1 July 2016	**5,735**	**1,344**	**7,079**
At 30 June 2017	**7,434**	**1,695**	**9,129**

Intangible Assets Accounting Policies

Software

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life between 3 and 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Rights

Manufacturing and production rights are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life between 3 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

Determination of Fair Values

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Impairment

The carrying amounts of the Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. For intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date. An impairment loss is recognised in the Profit or Loss if the carrying amount of an asset exceeds the recoverable amount.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

18 PROPERTY, PLANT AND EQUIPMENT

	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORKS PROJECT* $000	TOTAL $000
Cost					
Balance at 1 July 2015	28,404	46,495	97,846	9,902	182,647
Additions	–	20,040	16,267	(5,557)	30,750
Added as part of a business combination/amalgamation	–	–	221	–	221
Disposals and transfers to other asset classes	(6,416)	(12,829)	(3,145)	–	(22,390)
Effect of movements in exchange rates	(153)	(1,020)	(1,777)	–	(2,950)
Balance at 30 June 2016	**21,835**	**52,686**	**109,412**	**4,345**	**188,278**
Balance at 1 July 2016	21,835	52,686	109,412	4,345	188,278
Additions	125	2,100	10,966	(336)	12,855
Added as part of a business combination/amalgamation	–	–	–	–	–
Disposals and transfers to other asset classes	(1,504)	(11,589)	(3,261)	(5)	(16,359)
Effect of movements in exchange rates	(84)	(637)	(416)	(1)	(1,138)
Balance at 30 June 2017	**20,372**	**42,560**	**116,701**	**4,003**	**183,636**
Depreciation and impairment losses					
Balance at 1 July 2015	–	5,372	53,118	–	58,490
Depreciation for the year	–	1,000	6,014	–	7,014
Depreciation recovered to COGS	–	–	1,294	–	1,294
Disposals and transfers to other asset classes	–	(562)	(1,944)	–	(2,506)
Effect of movements in exchange rates	–	(100)	(917)	–	(1,017)
Balance at 30 June 2016	**–**	**5,710**	**57,565**	**–**	**63,275**
Balance at 1 July 2016	–	5,710	57,565	–	63,275
Depreciation for the year	–	1,132	6,660	–	7,792
Depreciation recovered to COGS	–	–	1,068	–	1,068
Disposals and transfers to other asset classes	–	(1,188)	(4,373)	–	(5,561)
Effect of movements in exchange rates	–	(112)	(191)	–	(303)
Balance at 30 June 2017	**–**	**5,542**	**60,729**	**–**	**66,271**
Carrying amounts					
At 1 July 2015	**28,404**	**41,123**	**44,728**	**9,902**	**124,157**
At 30 June 2016	**21,835**	**46,976**	**51,847**	**4,345**	**125,003**
At 1 July 2016	**21,835**	**46,976**	**51,847**	**4,345**	**125,003**
At 30 June 2017	**20,372**	**37,018**	**55,972**	**4,003**	**117,365**

* Capital works projects are recorded net of transfers to other asset classes.

Capital gains on the sale of property, plant and equipment of $8.74 million were recognised in non-operating items in the current period (2016: $4.99 million).

Refer to Accounting Policies – page 61.

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, Plant & Equipment Accounting Policies

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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 day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed as they are incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, buildings, plant and equipment. Leased assets 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 between 2 and 40 years for plant and equipment and 50 years for buildings. Depreciation methods, useful lives and residual values are reassessed at reporting date.

Determination of Fair Values

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which the 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. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Impairment

The carrying amounts of the Group's property, plant & equipment assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds the recoverable amount.

19 TRADE AND OTHER PAYABLES

	2017 $000	2016 $000
Trade creditors	132,668	136,685
Trade payables due to related parties	5,002	4,727
Loyalty reward programme	1,318	1,358
Deposits received in advance	3,589	2,584
Accruals and other liabilities	87,676	81,948
Employee entitlements	22,946	20,982
	253,199	**248,284**
Payable within 12 months	248,290	239,696
Payable beyond 12 months	4,909	8,588
	253,199	**248,284**

Agrocentro Uruguay earn-out provision

The initial investment recorded for this equity accounted investee company in 2016 included a provision for expected future earn-out payments. This provision is included within accruals and other liabilities. This provision has been re-assessed at 30 June 2017 resulting in a reduction in the provision held . The reduction of $2.37 million, has been recorded through the Profit and Loss in non-operating items.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

20 DEFINED BENEFIT ASSET / LIABILITY

	2017 $000	2016 $000
Present value of funded obligations	(71,106)	(73,417)
Fair value of plan assets	58,835	52,702
Net defined benefit asset / (liability)	(12,271)	(20,715)
ESCT on committed contributions - short-term	(942)	(2,642)
ESCT on committed contributions - long-term	(2,614)	(2,372)
Total defined benefit asset / (liability)	**(15,827)**	**(25,729)**

The Group makes contributions to two defined benefit plans that provide a range of superannuation and insurance benefits for employees and former employees. During the period the assets and liabilities of the Wrightson Retirement Plan were transferred to the PGG Wrightson Employee Benefits Plan. This resulted in the Wrightson Retirement Plan having no liability as at 31 December 2016. The remaining defined benefit plan is not open to new members The plan's retired employees are entitled to receive an annual pension payment payable on their life and in some cases on the life of a surviving spouse.

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2017	2016	2017	2016
Group / Company Plan assets consist of:				
Equities	64%	79%	0%	79%
Fixed interest	28%	19%	0%	19%
Cash	8%	2%	0%	2%
	100%	**100%**	**0%**	**100%**

Plan assets included exposure to the Company's ordinary shares of Nil (2016: $1.66 million).

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2017	2016	2017	2016
Actuarial Assumptions:				
Principal actuarial assumptions at the reporting date (expressed as weighted averages):				
Discount rate used (10 year New Zealand Government Bond rate)	2.97%	2.34%	0.00%	2.34%
Inflation	2.00%	2.00%	0.00%	2.00%
Future salary increases	3.00%	3.00%	0.00%	3.00%
Future pension increases	2.00%	2.00%	0.00%	2.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2017	2016	2017	2016
Longevity at age 65 for current pensioners				
Males	21	21	–	21
Females	24	24	–	24
Longevity at age 65 for current members aged 45				
Males	24	24	–	24
Females	28	27	–	27

As at 30 June 2017 the weighted average duration of the defined benefit obligation was 8.5 years for the PGG Wrightson Employment Benefits Plan (2016: 7.7 years for the PGG Wrightson Employment Benefits Plan and 10.1 years for the Wrightson Retirement Plan).

Refer to Accounting Policies – page 65.

20 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

Sensitivity analysis

The sensitivity of the defined benefit obligation (DBO) to changes in the weighted principal assumption is:

	2017 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2017 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000	2016 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2016 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000
Change in assumption				
Discount rate (0.50% movement)	1,635	(1,778)	2,039	(2,202)
Salary growth rate (0.50% movement)	(284)	284	(457)	392
Pension growth rate (0.25% movement)	(711)	640	(824)	816
Life expectancy (1 year movement)	(1,493)	1,493	(1,052)	1,126

	2017 $000	2016 $000	2015 $000	2014 $000	2013 $000
Historical information					
Present value of the defined benefit obligation	(71,106)	(73,417)	(72,153)	(68,330)	(72,765)
Fair value of plan assets	58,835	52,702	57,498	54,802	51,946
(Deficit) / surplus in the plan	**(12,271)**	**(20,715)**	**(14,655)**	**(13,528)**	**(20,819)**

The Group expects to pay $3.02 million in contributions to defined benefit plans in 2018 (2017: $9.51 million). Member contributions are expected to be $0.92 million (2017: $0.97 million).

Refer to Accounting Policies – page 65.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

20 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

	2017 $000	2016 $000
Movement in the liability for defined benefit obligations:		
Liability for defined benefit obligations at 1 July	73,417	72,153
Benefits paid by the plan	(6,010)	(3,482)
Current service costs	989	1,083
Interest costs	1,579	2,592
Member contributions	1,199	1,254
Actuarial (gains)/losses recognised in Other Comprehensive Income arising from:		
(Gains)/losses from change in financial assumptions	(2,197)	4,820
Experience (gains)/losses	2,129	(5,003)
Liability for defined benefit obligations at 30 June	**71,106**	**73,417**
Movement in plan assets:		
Fair value of plan assets at 1 July	52,702	57,498
Contributions paid into the plan	5,920	1,204
Member contributions	1,199	1,254
Benefits paid by the plan	(6,010)	(3,482)
Current service costs and interest	1,199	2,063
Actuarial gains/(losses) recognised in equity:		
Expected return on plan assets	3,825	(5,835)
Fair value of plan assets at 30 June	**58,835**	**52,702**
Expense recognised in profit or loss:		
Current service costs	989	1,083
Interest	380	529
	1,369	**1,612**
Recognised in non-operating items	649	408
Recognised in Employee Benefit Expense	720	1,204
	1,369	**1,612**
Movements recognised in equity:		
Cumulative gains/(losses) at 1 July	(36,397)	(24,119)
Net Profit or Loss impact from current period costs	(1,369)	(1,612)
Gains/(losses) recognised during the year	3,893	(5,652)
ESCT provision	(772)	(5,014)
Cumulative gains/(losses) at 30 June	**(34,645)**	**(36,397)**

The Group has reclassified its comparative period for the return on plan assets. The reclassification relates to previous expensing of the return on plan assets for the 2014 through to 2016 years which have now been recognised through Other Comprehensive Income. This has resulted in an immaterial net reclassification for the 2014 through to 2016 years within equity of $0.07 million. The impact on the 2016 comparative year was a decrease in non-operating expenses leading to an increase in net profit after tax of $4.20 million. The reclassification had no impact on the defined benefit asset / liability, total equity or operating cash flows for the 2014 through to 2016 years.

Refer to Accounting Policies – page 65.

20 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

Employee Benefits Accounting Policies

The Group's net obligation with respect to defined benefit pension plans is calculated by estimating the 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 any unrecognised past service costs and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the lower of the net assets of the plan or the current value of the contributions holiday that is expected to be generated. Actuarial gains and losses are recognised directly in Other Comprehensive Income and the defined benefit plan reserve in equity.

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A provision is recognised for the amount of outstanding short-term benefits at each reporting date.

Provisions made with respect to employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group with respect to services provided by employees up to reporting date.

21 FINANCIAL INSTRUMENTS

The Group is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore, takes on controlled amounts of risk when considered appropriate.

The primary risks are those of liquidity, market (foreign currency, price and interest rate), funding and credit risk.

The Board of Directors is responsible for the review and ratification of the Group's systems of risk management, internal compliance and control, code of conduct and legal compliance.

The Board maintains a formal set of delegated authorities (including policies for credit and treasury), that clearly define the responsibilities delegated to management and those retained by the Board. The Board approves these delegated authorities and reviews them annually.

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. The Group monitors its liquidity daily, weekly and monthly and maintains appropriate liquid assets and committed bank funding facilities to meet all obligations in a timely and cost efficient manner. Management of liquidity risk is designed to ensure that the Group has the ability to meet financial obligations as they fall due.

The objectives of the Group's funding and liquidity policy is to:

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios; and
- achieve competitive funding within the limitations of liquidity requirements.

Market Risk

Market risk is the potential for change in the value of balance sheet positions caused by a change in the value, volatility or relationship between market risks and prices. Market risk arises from the mismatch between assets and liabilities, both on and off balance sheet. Market risk includes price, foreign currency and interest rate risk which are explained as follows:

Foreign Currency Risk

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. It is the Group's policy to hedge foreign currency risks as they arise. The Group uses forward, spot foreign exchange contracts and foreign exchange options to manage these exposures.

The translation of independent foreign operations into the Group financial statements is not hedged, apart from the seasonal working capital exposure to PGG Wrightson Seeds Australia which is hedged with foreign exchange contracts.

Refer to Accounting Policies – page 71.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

21 FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may be repriced at a different time and / or by a different amount than financial liabilities.

This risk is managed by operating within approved policy limits using an interest rate duration approach.

Floating rate borrowings are used for general funding activities. Interest rate swaps, interest rate options and forward rate agreements are used to hedge the floating rate exposure as deemed appropriate. The Group had $93.0 million of interest rate derivatives at balance date (2016: $91.0 million).

Funding Risk

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The Group has a policy of funding diversification. The funding policy augments the Group's liquidity policy with it's aim to ensure the Group has a stable diversified funding base without over-reliance on any one market sector.

Credit Risk

Credit risk is the potential for loss that could occur as a result of a counterparty failing to discharge its obligations. This may be due to drought, bio-security issues or volatility in commodity prices. Management formally reports on all aspects of key risks to the Audit Committee at least two times each year. In addition, the following management committees review and manage key risks:

- The Senior Management Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and monitors progress.
- The Group has a Credit Committee, comprising of management appointees, which meets regularly as required to review credit risk, new loans and provisioning.

Capital Management

The capital of the Group consists of share capital, reserves, and retained earnings.
The policy of the Group is to maintain a strong capital base so as to maintain investor, creditor and market confidence while providing the ability to develop future business initiatives. In addition, external funding arrangements currently limit the Group's ability to pay dividends due to debt ratio requirements. This policy is reviewed regularly by the Board and has not been changed during the period.

Sensitivity Analysis

The Treasury policy of the Group effectively insulates earnings from the effect of short-term fluctuations in either foreign exchange or interest rates. Over the longer term however, permanent changes in foreign exchange or interest rates will have an impact on profit.
The sensitivity of net profit after tax for the period to 30 June 2017, and shareholders equity at that date, to reasonably possible changes in conditions is as follows:

	INTEREST RATES INCREASE BY 1%		INTEREST RATES DECREASE BY 1%	
	2017 $000	2016 $000	2017 $000	2016 $000
Impact on net profit after tax	(1,418)	(1,167)	1,421	1,163
Members' equity	(1,418)	(1,167)	1,421	1,163

The stress test uses the existing balance sheet interest rate mismatch against the cumulative mismatch between repricing assets and liabilities out from one to five years. Other market risks such as pricing and foreign exchange are not considered likely to lead to material change over the next reporting period. For this reason sensitivity analysis of these market risks is not included.

Refer to Accounting Policies – page 71.

21 FINANCIAL INSTRUMENTS (CONTINUED)

Quantitative disclosures

(a) Liquidity Risk - Contractual Maturity Analysis

The following tables analyse the Group financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date (reported on an undiscounted basis). History demonstrates that such accounts provide a stable source of long term funding for the Group.

	WITHIN 12 MONTHS	1 TO 5 YEARS	BEYOND 5 YEARS	CONTRACTUAL CASH FLOW	BALANCE SHEET
2017					
Liabilities					
Debt	33,375	123,195	3,487	160,057	137,644
Derivative financial instruments	991	661	–	1,652	1,652
Trade and other payables	137,670	–	–	137,670	137,670
	172,036	**123,856**	**3,487**	**299,379**	**276,966**
2016					
Liabilities					
Debt	45,532	106,608	12,969	152,140	134,134
Derivative financial instruments	1,438	940	–	2,378	2,378
Trade and other payables	141,412	–	–	141,412	141,412
	188,382	**107,548**	**12,969**	**295,930**	**277,924**

(b) Liquidity Risk - Expected Maturity Analysis

The expected cash flows of the Group's finance receivables equal their contractual cash flows.

Refer to Accounting Policies – page 71.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

(c) Foreign Currency Exposure Risk

The Group's exposure to foreign currency risk can be summarised as:

	GBP NZ$000	USD NZ$000	AUD NZ$000	EURO NZ$000
2017				
Cash and cash equivalents	2	4,819	1,378	17
Trade and other receivables	7,683	39,114	23,040	44,837
Debt	–	(41,871)	–	–
Trade and other payables	(141)	(9,582)	(2,823)	(7,285)
Net balance sheet position	**7,544**	**(7,520)**	**21,595**	**37,569**
Forward exchange contracts				
Notional forward exchange cover	7,542	29,562	20,243	37,556
Net unhedged position	**2**	**(37,082)**	**1,352**	**13**
2016				
Cash and cash equivalents	11	2,451	178	13
Trade and other receivables	7,867	55,214	9,585	24,160
Debt	–	(46,378)	–	–
Trade and other payables	(638)	(50,845)	(2,066)	(1,692)
Net balance sheet position	**7,240**	**(39,558)**	**7,697**	**22,481**
Forward exchange contracts				
Notional forward exchange cover	7,232	4,774	7,867	22,540
Net unhedged position	**8**	**(44,332)**	**(170)**	**(59)**

The net balance sheet positions for the Group in AUD and USD include cash, trade and other receivables, and trade and other payables for the Australian and South American domiciled subsidiary companies and are therefore not hedged.

(d) Interest Rate Repricing Schedule

The following tables include the Group's liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	WITHIN 12 MONTHS $000	1 TO 2 YEARS $000	OVER 2 YEARS $000	NON INTEREST BEARING $000	TOTAL $000
2017					
Liabilities					
Debt	137,644	–	–	–	137,644
Derivative financial instruments	(78,000)	15,000	63,000	1,652	1,652
Trade and other payables	–	–	–	137,670	137,670
	59,644	**15,000**	**63,000**	**139,322**	**276,966**
2016					
Liabilities					
Debt	134,134	–	–	–	134,134
Derivative financial instruments	(76,000)	15,000	61,000	2,378	2,378
Trade and other payables	–	–	–	141,412	141,412
	58,134	**15,000**	**61,000**	**143,790**	**277,924**

Refer to Accounting Policies – page 71.

21 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values

The tables below set out the Group's classification of each class of financial assets and liabilities, and their fair values.

	DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $000	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS $000	OTHER AMORTISED COST $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000
2017					
Assets					
Cash and cash equivalents	–	–	9,403	9,403	9,403
Derivative financial instruments	–	3,955	–	3,955	3,955
Trade and other receivables	–	–	205,752	205,752	205,752
Other investments	30	–	5,317	5,347	5,347
Go livestock receivables	–	–	32,371	32,371	32,371
	30	**3,955**	**252,843**	**256,828**	**256,828**
Liabilities					
Derivative financial instruments		1,652	–	1,652	1,652
Trade and other payables	–	–	137,670	137,670	137,670
Debt	–	–	137,644	137,644	137,644
	–	**1,652**	**275,314**	**276,966**	**276,966**
2016					
Assets					
Cash and cash equivalents	–	–	7,561	7,561	7,561
Derivative financial instruments	2,630	2,629	–	5,259	5,259
Trade and other receivables	–	–	215,891	215,891	215,891
Other investments	3,170	–	5,686	8,856	8,856
Go livestock receivables	–	–	12,178	12,178	12,178
	5,800	**2,269**	**241,316**	**249,745**	**249,745**
Liabilities					
Derivative financial instruments	75	2,303	–	2,378	2,378
Trade and other payables	–	–	141,412	141,412	141,412
Debt	–	–	134,134	134,134	134,134
	75	**2,303**	**275,546**	**277,924**	**277,924**

The Group's banking facilities are based on floating interest rates. Therefore the fair value of the banking facilities equals the carrying value.

Refer to Accounting Policy – page 71.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

21 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Accounting classifications and fair values (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 (ie. as prices) or indirectly (ie. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no material movements between the fair value hierarchy during the year ended 30 June 2017.

	NOTE	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2017					
Assets					
Derivative financial instruments		–	3,955	–	3,955
Other investments	16	–	–	30	30
		–	**3,955**	**30**	**3,985**
Liabilities					
Derivative financial instruments		–	1,652	–	1,652
		–	**1,652**	**–**	**1,652**
2016					
Assets					
Derivative financial instruments		–	5,259	–	5,259
Other investments	16	–	–	3,170	3,170
		–	**5,259**	**3,170**	**8,429**
Liabilities					
Derivative financial instruments		–	2,378	–	2,378
		–	**2,378**	**–**	**2,378**

(f) Credit Risk

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group's maximum credit exposure to credit risk for receivables by geographic regions is as follows:

	2017 $000	2016 $000
Total trade and other receivables and Go livestock receivables		
New Zealand	158,936	141,102
Australia	13,314	14,051
South America	65,873	72,916
	238,123	**228,069**

Concentrations of Credit Risk

Financial instruments which potentially subject the Group to concentrations of credit risk principally consist of bank balances, advances, trade debtors, and forward foreign exchange contracts. The Group places its cash and short term investments with three major trading banks. Concentrations of credit risk with respect to advances are limited due to the large number of customers included in the Group's farming customer base in New Zealand.

Refer to Accounting Policies – page 71.

21 FINANCIAL INSTRUMENTS (CONTINUED)

Financial Instruments Accounting Policies

(i) Non-derivative Financial Assets

Non-derivative financial assets comprise investments in equity and debt securities, finance receivables, trade and other receivables, cash and cash equivalents and intercompany advances. The Group early adopted NZ IFRS 9 (2009) Financial Instruments from 1 January 2012. NZ IFRS 9 (2009) requires that an entity classifies its financial assets at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group early adopted IFRS 9 (2013) Financial Instruments from 1 January 2015. IFRS 9 (2013) provides amended general hedge accounting requirements.

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. If the financial asset is not subsequently measured at fair value through Profit or Loss, the initial investment includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

A financial asset is subsequently measured at amortised cost using the effective interest method and net of any impairment loss, if:

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value

Financial assets other than those classified as financial assets measured at amortised cost are subsequently measured at fair value with all changes recognised in profit or loss.

However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses through Other Comprehensive Income. For instruments measured at fair value through Other Comprehensive Income gains and losses are never reclassified to Profit and Loss and no impairments are recognised in Profit or Loss. Dividends earned from such investments are recognised in Profit and Loss unless the dividends clearly represent a repayment of part of the cost of investment.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(ii) Non-derivative Financial Liabilities

Interest-bearing Borrowings

Interest-bearing borrowings are classified as other financial liabilities and are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

Trade and Other Payables

Trade and other payables are stated at cost.

Determination of Fair Values

Determination of Fair Values for Derivatives

The fair value of forward exchange contracts is based on broker quotes, if available. If broker quotes are not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate based on government bonds.

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the reporting date.

Determination of Fair Values for Non-derivative Financial Instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

22 OPERATING LEASES

	2017 $000	2016 $000
Non-cancellable operating lease rentals are payable as follows:		
Within one year	25,376	19,938
Between one and five years	56,981	44,333
Beyond five years	33,332	14,045
	115,689	**78,316**

The Group leases a fleet of vehicles for use by employees, agents and representatives. Leases are typically for a period of between four and six years.

The Group leases office and computer equipment. Leases are typically for a period of three years.

The Group also leases and subleases land and buildings from which it conducts operations. These leases range in length from one to fifteen years with various rights of renewal. Where surplus properties are unable to be exited, sublease revenue is obtained where possible on a short-term temporary basis. During the year ended 30 June 2017 sublease revenue totalling $1.20 million (2016: $1.14 million) was received.

23 SEASONALITY OF OPERATIONS

The Group is subject to significant seasonal fluctuations. The Retail business is weighted towards the first half of the financial year as demand for New Zealand farming inputs are generally weighted towards the Spring season. Livestock and Seed and Grain activities are significantly weighted to the second half of the financial year. Seed and Grain revenues reflect the fact the Group operates in geographical zones that suit Autumn harvesting and sowing. New Zealand generally has Spring calving and lambing and so Livestock trading is weighted towards the second half of the financial year in order for farmers to maximize their incomes. Other business units have similar but less material cycles. The Group recognises that this seasonality is the nature of the industry and plans and manages its business accordingly.

24 COMMITMENTS

	NOTE	2017 $000	2016 $000
There are commitments with respect to:			
Capital expenditure not provided for		1,432	1,427
Investment in BioPacificVentures	16	51	51
Contributions to Primary Growth Partnership		867	1,429
		2,350	**2,907**

Primary Growth Partnership - Seed and Nutritional Technology Development

The Group announced on 18 February 2013 that it had completed the contracting process for the Primary Growth Partnership (PGP) programme with the Ministry of Primary Industries. The PGP programme is a Seed and Nutritional Technology Development Programme that aims to deliver innovative forages for New Zealand farms. As a result of entering into the partnership the Group is committed to contributions to the partnership over the six year life of the programme which ends on 31 December 2018. The total commitment in respect of the programme is $3.61 million (2016: total commitment of $3.61 million). As at 30 June 2017 total contributions of $2.74 million (2016: $2.18 million) have been made to the programme.

Forward purchase commitments

The Group as part of its ordinary course of business enters into forward purchase agreements with seed and wool growers. These commitments extend for periods of up to 3 years. These commitments are at varying stage of execution, therefore there remains uncertainty associated with yield, quality and market price. The Group is unable to sufficiently quantify the value of these commitments.

25 CONTINGENT LIABILITIES

PGG Wrightson Loyalty Reward Programme

A provision is retained for the expected level of points redemption from the PGG Wrightson Loyalty Reward Programme. A contingent liability of $0.14 million represents the balance of live points that do not form part of the provision (2016: $0.13 million). Losses are not expected to arise from this contingent liability.

26 RELATED PARTIES

Parent and ultimate controlling party

The immediate parent of the Group is Agria (Singapore) Pte Ltd and the ultimate controlling party of the Group is Agria Corporation.

Transactions with key management personnel

	2017 $000	2016 $000
Short-term employee benefits	7,924	5,798
Post-employment benefits	121	185
Termination benefits	–	–
	8,045	**5,983**

Directors fees incurred during the year are disclosed in Note 3 Other Operating Expenses.

Other Transactions with Key Management Personnel

Several Directors, senior executives or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group during the reporting period. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to Directors, senior executives and entities over which they have control or significant influence were as follows:

Key Management Personnel/Director	Transaction	TRANSACTION VALUE 2017 $000	BALANCE OUTSTANDING 2017 $000	TRANSACTION VALUE 2016 $000	BALANCE OUTSTANDING 2016 $000
John Nichol	Purchase of retail goods	4	–	2	–
Trevor Burt	Purchase of retail goods, livestock transactions and rental receipts	965	–	902	6
Mark Dewdney	Purchase of retail goods and livestock transactions	543	20	487	11
David Green	Purchase of retail goods and rental receipts	104	–	114	4
Stephen Guerin	Purchase of retail goods and livestock transactions	16	–	15	–
John McKenzie	Purchase of retail goods, sale of seed under production contracts, sale of wool, water services and livestock transactions	5,351	(382)	4,223	2
Peter Newbold	Purchase of retail goods	25	–	13	–
Cedric Bayly	Purchase of retail goods	9	–	18	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

27 EVENTS SUBSEQUENT TO BALANCE DATE

Dividend

On 7 August 2017 the Directors of PGG Wrightson Limited resolved to pay a final dividend of 2.00 cents per share on 4 October 2017 to shareholders on the Company's share register as at 5.00pm on 5 September 2017. This dividend will be fully imputed.

Acquisition of business

On 28 July the Group signed a sale and purchase agreement to acquire the assets and business of the Superior Seed Company (Superior) at Deniliquin in the Riverina Region of New South Wales for $0.84 million. Settlement is expected at the end of August 2017. Superior is a seed production, cleaning and wholesale marketing business. The business is included in the Group's Seed and Grain business segment. Management is determining the fair value of the assets acquired.

28 REPORTING ENTITY

PGG Wrightson Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is an FMC Entity in terms of the Financial Markets Conduct Act 2013.

Financial statements of PGG Wrightson Limited for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. Financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The Group is primarily involved in the provision of goods and services within the agricultural sector.

29 BASIS OF PREPARATION

Statement of Compliance

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

These statements were approved by the Board of Directors on 7 August 2017.

Basis of Measurement

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investments are measured at fair value
- biological assets are measured at fair value less point-of-sale costs
- assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

Fair Value Hierarchy

Fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in 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 (unobservable inputs).

Functional and Presentation Currency

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

29 BASIS OF PREPARATION (CONTINUED)

Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with NZ IFRS 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 and assumptions.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note	Judgement
5	Carrying value of equity accounted investees
13	Carrying value of trade and other receivables
14	Valuation of seeds inventory
19	Reassessment of earn-out provisions

Certain comparative amounts have been reclassified to conform with the current period's presentation.

30 OTHER SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

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 presently 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.

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.

(b) Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the 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 that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

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 fair value was determined. Foreign currency differences arising on retranslation are recognised in Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

30 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the date of the transactions.

Foreign currency differences are recognised in Other Comprehensive Income and 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 Profit or Loss.

(c) Impairment

The carrying value 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 exceeds its recoverable amount. Impairment losses directly reduce the carrying value of assets and are recognised in Profit or Loss unless the asset is carried at a revalued amount in accordance with another standard.

Impairment of Equity Instruments

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired. In the case of equity instruments that are not held for trading, the Group may elect to present gains and losses through Other Comprehensive Income. If no election is made fair value gains and losses are recognised in Profit or Loss.

Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than biological assets, 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 recoverable amount of the asset is estimated.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it relates, exceeds the 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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or unit.

In determining the fair value using value in use, regard is given to external market evidence.

(d) 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 methods outlined in the respective notes for the assets and liabilities. Where applicable, further information about the assumptions made is disclosed in the notes specific to that asset or liability.

30 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible Assets

Research and Development

The principal research and development activities are in the development of systems, processes and new seed cultivars.

Research expenditure on the development of new systems and processes is recognised in Profit or Loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in Profit or Loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Research and development expenditure on the development of new seed cultivars is recognised in Profit or Loss as incurred. Development costs of seed cultivars are substantially indistinguishable from the cultivar research costs.

(f) Statement of Cash Flows

The statement of cash flows has been prepared using the direct approach modified by the netting of certain items as disclosed below. Deposits received less withdrawals are netted as the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Group.

(g) Disclosure of non-GAAP financial information

Non-GAAP reporting measures have been presented in the Statement of Profit or Loss or referenced to in the notes to the financial statements. The following non-GAAP measures are relevant to the understanding of the Group financial performance:

- EBITDA (a non-GAAP measure) represents earnings before net interest and finance costs, income tax, depreciation, amortisation and the results from discontinued operations.
- Operating EBITDA (a non-GAAP measure) represents earnings before net interest and finance costs, income tax, depreciation, amortisation, results from discontinued operations, fair value adjustments and non-operating items.

The PGW Board and management consider the Operating EBITDA measure to promote a more meaningful communication of financial information. This measure is also the required information for certain stakeholders and for internal management reporting and review.

(h) Standards and Interpretations That Have Been Issued or Amended But Are Not Yet Effective

A number of new standards and interpretations are not yet effective for the year ended 30 June 2017 and have not been applied in preparing these consolidated financial statements. None of these standards are expected to have a significant impact on these financial statement except for:

- IFRS 9 (2014) Financial Instruments has been issued. The final component of IFRS 9 (2014) introduces a new expected credit loss model for calculating impairment. IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Group does not plan to adopt IFRS 9 (2014) early. Initial review has determined that this new standard will not have a significant financial impact on the Group's financial statements.
- IFRS 15 Revenue from Contracts with Customers has been issued. This standard introduced a new revenue recognition model for contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018. Initial review has determined that this new standard will not have a significant financial impact on the Group's financial statements.
- IFRS 16 Leases has been issued. This standard eliminates the classification of leases as either operating leases or finance leases. The standard uses a single lessee model which requires a lessee to recognise on the Statement of Financial Position assets and liabilities for all leases with a term of more than 12 months. The standard is effective for annual periods beginning on or after 1 January 2019. The Group does not plan to adopt IFRS 16 early. Initial review has determined that this new standard will likely have a significant financial impact on both the balance sheet and Profit or Loss given the extent of operating leases the Group is exposed to.
- A variety of minor improvements to standards have been made in order to clarify various treatments of specific transactions. These are not expected to have an significant impact on the Group's financial results.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	REALISED CAPITAL AND OTHER RESERVES $000	REVALUATION RESERVE $000	HEDGING RESERVE $000	DEFINED BENEFIT PLAN RESERVE $000	FAIR VALUE RESERVE $000	RETAINED EARNINGS $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
Balance at 1 July 2015	606,324	(269)	23,443	556	(1,332)	(10,481)	(3,021)	(350,662)	2,810	267,368
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	43,024	755	43,779
Other comprehensive income										
Foreign currency translation differences	–	(8,480)	–	–	–	–	–	–	(33)	(8,513)
Changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	5,433	–	–	5,433
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	2,800	–	–	–	–	2,800
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	(7,679)	–	–	–	(7,679)
Total Other Comprehensive Income	–	(8,480)	–	–	2,800	(7,679)	5,433	–	(33)	(7,959)
Total comprehensive income for the period	–	(8,480)	–	–	2,800	(7,679)	5,433	43,024	722	35,820
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Dividends to shareholders	–	–	–	–	–	–	–	(28,684)	(205)	(28,889)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(28,684)	(205)	(28,889)
Transfer to retained earnings	–	–	–	–	–	990	–	294	(1,284)	–
Balance at 30 June 2016	**606,324**	**(8,749)**	**23,443**	**556**	**1,468**	**(17,170)**	**2,412**	**(336,028)**	**2,043**	**274,299**
Balance at 1 July 2016	606,324	(8,749)	23,443	556	1,468	(17,170)	2,412	(336,028)	2,043	274,299
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	45,607	704	46,311
Other comprehensive income										
Foreign currency translation differences	–	(1,532)	–	–	–	–	–	–	363	(1,169)
Changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	240	–	–	240
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	(1,468)	–	–	–	–	(1,468)
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	732	–	–	–	732
Total Other Comprehensive Income	–	(1,532)	–	–	(1,468)	732	240	–	363	(1,665)
Total comprehensive income for the period	–	(1,532)	–	–	(1,468)	732	240	45,607	1,067	44,646
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Dividends to shareholders	–		–	–	–	–	–	(28,588)	(646)	(29,234)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(28,588)	(646)	(29,234)
Transfer to retained earnings	–	–	–	–	–	2,351	(5,239)	2,888	–	–
Balance at 30 June 2017	**606,324**	**(10,281)**	**23,443**	**556**	**–**	**(14,087)**	**(2,587)**	**(316,121)**	**2,464**	**289,711**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

31 CAPITAL AND RESERVES

	No. OF SHARES 2017 000	No. OF SHARES 2016 000	2017 $000	2016 $000
On issue at 1 July	754,849	754,849	606,324	606,324
Share capital on issue at 30 June	**754,849**	**754,849**	**606,324**	**606,324**

All shares are ordinary fully paid shares with no par value, carry equal voting rights and share equally in any profit on the winding up of the Group.

Foreign currency translation reserve

The 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 Group's net investment in a foreign subsidiary.

Realised capital reserve

The realised capital reserve comprises the cumulative net capital gains that have been realised.

Revaluation reserve

The revaluation reserve relates to historic revaluations of property, plant and equipment.

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 settled.

Defined benefit plan reserve

The defined benefit plan reserve contains actuarial gains and losses on plan assets and defined benefit obligations. During the period the amount of $2.35 million was transferred from the defined benefit reserve to retained earnings. This amount represented ESCT payments on lump sum cash contributions made during the 2017 year.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets and equity investments elected at fair value through Other Comprehensive Income until the investments are derecognised or impaired. During the period the amount of $5.24 million was transferred from the fair value reserve to retained earnings with the amount representing cumulative gains on derecognition of certain underlying investments held as part of BioPacificVentures.

Retained earnings

Retained earnings equals accumulated undistributed profit.

Dividends

The following dividends were paid by the Company for the year ended 30 June:

A fully imputed 2017 interim dividend of 1.75 cents per share was paid on 4 April 2017 and a fully imputed 2016 final dividend of 2.0 cents per share was paid on 4 October 2016 (2016: Fully imputed 2016 interim dividend of 1.75 cents per share was paid on 5 April 2016 and a fully imputed 2015 final dividend of 2.0 cents per share was paid on 1 October 2015).

Share Capital Accounting Policies

Ordinary Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Repurchase of Share Capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are cancelled. Treasury stock for which unrestricted ownership has not yet been transferred are not cancelled.

KPMG

Independent Auditor's Report

To the shareholders of PGG Wrightson Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of PGG Wrightson Limited (the company) and its subsidiaries (the Group) on pages 35 to 80:

i. present fairly in all material respects the Group's financial position as at 30 June 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2017;

— the consolidated profit or loss, statements of other comprehensive income, changes in equity and cash flows for the year then ended;

— the segment report as at and for the year ended 30 June 2017; and

— additional financial disclosures including notes to the financial statements.

Basis for opinion

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

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

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

Our firm has also provided other services to the Group in relation to regulatory audit, agreed upon procedures, tax consulting and IT advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,400,000 determined with reference to a benchmark of group profit from continuing operations before income taxes. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Climatic Environment – Impact on the carrying value of inventory ($253.6 million – refer Note 14)	
The Group is exposed to risk associated with climatic events, particularly in New Zealand, Australia and South America. The potential impact on the carrying value of inventory is considered a key audit matter due to the significance of inventory value to the Group's operating performance. Weather events have an impact on harvest yields, specifically within the Seed and Grain business, and also autumn demand for replanting. This combined with the quality of Seed and Grain inventory, in particular germination levels of seeds, impacts on the carrying value of inventory at year end. Weather events can also impact on the quantity and mix of products sold across other operating segments	Our audit procedures included: • Challenging the methodology applied by management to calculate the inventory provision. In addition, we checked on a sample basis, inputs into the calculation of the inventory provision was consistent with last purchase date, sales volume in the last 12 months, aging of the inventory items and months of inventory cover. • Comparing products sold with negative margins during the financial year to the level of product on hand at year end and assessed whether the inventory is held at the lower of cost and net realisable value. • For seed inventory, on a sample basis we reviewed externally completed germination testing and noted there was no indication of low quality inventory requiring additional provisioning. • Assessing the level of inventory provisions at year end and found them to be comparable to actual losses recognised during the current and historical years. Any variations identified did not materially impact the carrying value of the inventory.

KPMG

The key audit matter	How the matter was addressed in our audit
Economic Risk Factors – Impact on the recoverability of trade receivables ($230.0 million - refer Note 13)	
The Group is exposed to both domestic and international economies. Economic risk is considered a key audit matter given the impact this has on the ability of the Group to collect outstanding accounts receivable. The credit quality of farmer customers is often dependent on domestic and international economic performance, including the impact of commodity prices, foreign exchange rates and the liquidity within the banking environment. Refer Note 13 for further details on outstanding trade receivables and credit quality at year end and to Note 21 for details on how the Group manages credit risk.	Our audit procedures included: • Challenging the methodology applied by management to calculate the provision for doubtful debts by considering the policy applied, which varies across business units and challenging that the underlying assumptions were appropriate. • Evaluating whether the aged accounts receivable listing (used as the initial basis by management to determine whether a provision is required) was correct. We sampled individual outstanding trade receivables in the aged listing to original sales documentation. • Assessing the level of provision for doubtful debts at year end by comparing to actual losses recognised during the current and historical years. We also considered whether the aging of historical balances had deteriorated. There was no significant deterioration and the provision raised in FY16 was reflective of actual losses incurred by the Group during the FY17 year. Our audit procedures did not identify variations that would materially impact on the carrying value of trade receivables.

Other Information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman and Chief Executive Officer's report, disclosures relating to corporate governance, statutory disclosures and shareholder information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objective is:

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

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

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

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

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our Independent Auditor's Report.

KPMG

Peter Taylor

For and on behalf of

KPMG
Christchurch

7 August 2017

Corporate
GOVERNANCE

1. Introduction

1.1 The Board of PGG Wrightson Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all of PGG Wrightson's officers and staff. As part of this commitment, the Board has adopted this Corporate Governance Code which incorporates the Board Charter. The Code materially complies, where appropriate, with the NZX Corporate Governance Best Practice Code and the Financial Markets Authority Corporate Governance in New Zealand Principles and Guidelines December 2014 (FMA Guidelines).

PGW will commence reporting against the NZX revised 2017 Corporate Governance Code for reporting periods from 31 December 2017.

1.2 The Board's primary objective is the creation of shareholder value through following appropriate strategies and ensuring effective and innovative use of PGG Wrightson's resources in providing customer satisfaction. PGG Wrightson will be a good employer and a responsible corporate citizen.

2. Ethical Standards and Code of Conduct

2.1 Directors recognise that it is their role to set high standards of ethical behaviour, model this behaviour and hold management accountable for observing, fostering and delivering high ethical standards throughout the PGG Wrightson Group. The Board has developed and adopted a written Code of Conduct which requires all members of the PGG Wrightson Group to observe the highest of standards of ethics and conduct, in alignment with these PGG Wrightson Group Values:

Accountability:
Stand by our word and meet commitments.
Be accountable to our customers and each other.

Leadership:
Set standards and exceed expectations.
Take action and strive to excel.
Lead through innovation.

Integrity:
Operate ethically and with integrity.
Treat others with respect.
Act professionally.

Smarter:
Find ways to be more effective and efficient.
Think, decide and act quickly (without compromising quality).
Learn from mistakes and celebrate successes.

Teamwork:
Share knowledge and information.
Work together to create solutions.
Think and act as 'One-PGW'.

2.2 The Code of Conduct also requires members and staff of the PGG Wrightson Group to:

- Comply with standards including all applicable laws, regulations, codes, policies and procedures and lawful and reasonable directions;
- Behave in a professional manner in a way that upholds the PGG Wrightson Group Values and maintains public confidence in our professionalism and integrity;
- Use PGG Wrightson Group resources, assets, time, funds and information only for their authorised/intended purpose;
- Treat customers, suppliers, other PGG Wrightson personnel and third parties with respect, courtesy and dignity:
- Ensure their own and others' health and safety in the workplace, and protect the environment;
- Avoid and/or disclose any Conflicts of Interest (real or apparent). The PGG Wrightson Group has a detailed Conflicts of Interest Policy which contains good practice guidelines surrounding the identification, disclosure and management of staff conflicts of interest;
- Follow company policy on receiving and giving gifts and gratuities;
- Protect PGG Wrightson Group Assets and comply with our Group Fraud Prevention Policy;
- Give proper attention to all matters and create an open communication environment that results in all material items being brought to the attention of the appropriate management.;
- Protect the confidentiality of and intellectual property rights in all non-public information about our customers, suppliers, PGG Wrightson personnel and business.

Corporate

Corporate GOVERNANCE continued

2.3 The Code of Conduct is available to view on the PGG Wrightson's website at www.pggwrightson.co.nz under Investors > Governance. The Code of Conduct is communicated to staff and included in staff training and inductions.

2.4 The Code of Conduct provides mechanisms to report breaches of the Code including unethical behaviour, and specifies the disciplinary procedures in place for any breaches. It is the responsibility of the Board to review the Code of Conduct, to implement the Code and to monitor compliance. The Board receives reports on compliance with the Code of Conduct from its internal audit function. No instances of material breaches have been reported. PGG Wrightson is also implementing a Whistle-Blower policy that will allow any reports of serious wrongdoing including material breaches of the Code of Conduct to be made on a protected disclosure basis, which contains a process for direct access to an independent director, and which will further encourage a culture of promoting ethical behaviour and being able to speak up. Together, the Code of Conduct, PGW's Fraud Policy and the new Whistle-Blower policy cover all the matters recommended in the Ethical Standards section of the FMA Guidelines.

2.5 PGG Wrightson Limited maintains a Directors and Officers Interests Register which is regularly updated, documenting interests disclosed by all Board members and senior management. The statutory disclosures section in the 2017 Annual Report is compiled from entries in the Directors Interests Register during the reporting period. Directors may not participate in Board discussions nor vote on matters in which they have a personal interest.

3. Board Charter including Board Composition and Performance

3.1 This section 3 outlines the Board's Charter. The Board is committed to the principle that there should be a balance of independence, skills, knowledge and experience among Directors so that the Board works effectively. Directors are, except where permitted by law, required to act in the best interests of PGG Wrightson Limited. The Board is satisfied that the Directors commit the time needed to be fully effective in the role. Directors are entitled to seek independent professional advice to assist them in meeting their responsibilities.

3.2 As at 30 June 2017 the Board had seven Directors. Their experience, qualifications and the value that they contribute to the Board are listed in the Board of Directors biographies set out in the 2017 Annual Report. In addition, John Fulton, Chief Financial Officer of Agria Corporation, is an alternate Director for Wah Kwong (WK) Tsang. The Chief Executive is not a member of the Board of Directors.

3.3 In accordance with NZX requirements, no less than one third of the total number of Directors are required to be Independent Directors. The Board meets this requirement as it currently has three Independent Directors. The Board defines an Independent Director as one who:–

- is not an executive of the Company; and
- has no disqualifying relationship within the meaning of the NZX Listing Rules.

The Board acknowledges that it does not meet the FMA Guideline that the Chairperson should be independent as Guanglin (Alan) Lai has an association with substantial security holder, Agria (Singapore) Pte Limited and is therefore not an Independent Director.

3.4 The statutory disclosures section in the 2017 Annual Report lists the Company's Directors' independence status. The Board reviews any determination that it makes on a Director's independence on becoming aware of any information that indicates that a Director may have a relevant material relationship. Directors are required to immediately advise of any new or changed relationships so the Board can consider and determine its materiality. Directors' interests including other relevant directorships that they hold are listed on pages 92 of the 2017 Annual Report. None of the Directors sit on any PGG Wrightson Group companies apart from the parent PGG Wrightson Limited.

3.5 The Constitution contains no provisions for compulsory retirement or a fixed tenure for Directors, although Directors must periodically retire and seek re-election in accordance with the Constitution and NZX Listing Rules. One third of the Directors or, if their number is not a multiple of three, then the number nearest to one-third, retire from office at the Annual Meeting each year.

3.6 The Board has considered the recommendation contained in the NZX Corporate Governance Best Practice Code to establish a nomination committee to recommend director appointments to the Board and also to consider succession planning, and does so as circumstances require. PGG Wrightson Limited has a formal and transparent method for the nomination and appointment of directors to the Board – nominations are publicly called for by notice on the NZX and considered at the Annual Meeting. Directors may be appointed by the Board between Annual Meetings as permitted by the Constitution but are required to seek re-election at the next Annual Meeting. The Board has a template Director Letter of Appointment available for use which sets out the written expectations of Directors.

3.7 The Board formally reviews the performance of each Director and the Board as a whole, not less than every two years. Directors are expected to undertake appropriate training to remain current on how best to perform their duties as a director of a listed company. Directors are regularly updated on relevant industry and company issues, undertake visits to PGG Wrightson and customer branches and operations, and receive briefings from Executive Managers from all Business Units. Directors are able to attend PGG Wrightson Business Unit conference sessions to further their training.

3.8 The full Board met in person seven times in the year ended 30 June 2017. Directors also meet on other occasions for strategic planning and held conference calls from time to time as required.

3.9 The Board is responsible for employing the Chief Executive and approving the business strategy. To ensure efficiency, the Board has delegated to the Chief Executive and subsidiary company boards the day to day management and leadership of the PGG Wrightson Group operations. The Company has a formal delegated authority framework and policy that sets out matters reserved for the Board and sub-delegates certain authorities to the Chief Executive and Managers within defined limits. There is a clear understanding of the division of responsibilities between the Board and management.

4. Board Committees

4.1 The Board has delegated some of its powers to Board Committees. The Committees are made up of a minimum of three non-Executive Director members and each Committee has a written Board-approved charter which outlines that Committee's role, rights, responsibilities, membership requirements and relationship with the Board. The Board reviews the performance of each Committee from time to time in accordance with the relevant Committee's written charter. Proceedings of Committees are reported back to the full Board to allow other Directors to question Committee members.

4.2 Senior management are invited to attend Committee meetings as is considered appropriate. The Committees may appoint advisors as they see fit.

4.3 As at 30 June 2017 the Board had two standing Committees - the Audit Committee and the Remuneration and Appointments Committee. Other Committees are formed as and when required.

4.4 **Audit Committee**

The Audit Committee Charter is available on the Company's website at www.pggwrightson.co.nz under Investors > Governance.

The majority of the members of the Audit Committee will be Independent Directors and at least one member will have an accounting or financial background. No member of the Audit Committee will be an Executive Director. The members of the Audit Committee are currently B R Irvine (Chairman), J E Nichol and Wah Kwong (WK) Tsang. The Chair of the Audit Committee is different to the Board Chair. The Audit Committee has appropriate financial expertise, with all members having an accounting or financial background. The Audit Committee met four times during the financial year.

The main responsibilities of the Audit Committee are:

- Ensuring the effectiveness of the accounting and internal control systems;
- Ensuring the Board is properly and regularly informed and updated on corporate financial matters;
- Monitoring and reviewing the independent and internal auditing practices;
- Recommending the appointment and removal of the external auditor and considering a change in the lead audit partner where the auditors continue in office for a period exceeding five years;
- Ensuring that the ability and independence of the auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;
- To interface with management, internal auditors and external auditors and review the financial reports, as well as advising all Directors whether they comply with appropriate laws and regulations;

Corporate **GOVERNANCE** continued

- Overseeing matters relating to the values, ethics and financial integrity of the Group;
- To report Audit Committee proceedings back to the Board.

The Audit Committee has the authority to appoint outside legal or other professional advisors if it considers necessary. The Audit Committee regularly meets with the internal auditors and external auditors without the management present.

4.5 **Remuneration and Appointments Committee**

The Remuneration and Appointments Committee Charter is available on the Company's website at www.pggwrightson.co.nz under Investors > Governance.

The Remuneration and Appointments Committee is chaired by Guanglin (Alan) Lai, and its members are the remainder of the Board. The Remuneration and Appointments Committee met three times, including as part of a full Board meeting, during the financial year.

The main responsibilities of the Remuneration and Appointments Committee are:

- To undertake an annual performance appraisal of the Chief Executive and review the appraisal of direct reports to the Chief Executive;
- To review compensation policy and procedures, including employee benefits and superannuation, and recommend to the Board remuneration changes for the Chief Executive and direct reports to the Chief Executive;
- To review succession planning and senior management development plans;
- To report Committee proceedings back to the Board.

The Board has considered the recommendation contained in the NZX Corporate Governance Best Practice Code that remuneration committees recommend remuneration packages for Directors to shareholders. The role of the Remuneration and Appointments Committee as set out in its Charter will be expanded to include this function when such a recommendation to shareholders is put forward.

5. Reporting and Disclosure

5.1 The Board endorses the principle that it should demand integrity both in financial reporting and in the provision by management of information of sufficient content, quality and timeliness to enable the Board to effectively discharge its duties.

5.2 The Company will provide timely and adequate disclosure of information on matters of material impact to shareholders and comply with the continuous disclosure and other listing requirements of the NZX relating to shareholder reporting. The Board has adopted a Continuous Disclosure Policy which is available on the Company's website at www.pggwrightson.co.nz under Investors > Governance. The Company communicates through the Interim and Annual Reports, releases to the NZX and media, and on its website at www.pggwrightson.co.nz.

5.3 PGG Wrightson has established and will maintain processes for the provision of information to the Board by management of sufficient content, quality and timeliness, as the Board considers necessary to enable the Board to effectively discharge its duties. The Board receives assurances from the Chief Executive Officer and Chief Financial Officer that the Directors' declaration provided in accordance with International Financial Reporting Standards (IFRS) and NZ IFRS is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

5.4 The Company has a detailed securities trading policy applying to all Directors and staff which incorporates all insider trading restraints. The Securities Trading Policy is available at www.pggwrightson.co.nz under Investors > Governance. The Securities Trading Policy specifies that no Director or employee may buy or sell PGG Wrightson shares while in possession of inside information. Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of PGG Wrightson shares. The policy also states that Directors and staff in possession of inside information cannot directly or indirectly advise or encourage any person to deal in PGG Wrightson shares. Compliance with the Securities Trading Policy is monitored through the consent process and by education and notification by PGG Wrightson's share registrar Computershare when any Director or Officer engages in trading activities. All trading in PGG Wrightson shares by Directors and Officers is disclosed to the NZX.

5.5 The Board's Diversity Policy is available at www.pggwrightson.co.nz under Investors > Governance. Attributes that are particularly relevant to PGG Wrightson are culture, ethnicity/nationality, gender and skills. The Board has evaluated PGG Wrightson's performance against its Diversity Policy objectives which relate to the working environment, employment and selection opportunities, Board appointment recommendations, leadership training and HR management support, and considers that these objectives have been met.

5.6 The table below lists the numerical quantitative breakdown of the gender composition of PGG Wrightson's Board of Directors and its Officers as at 30 June 2017 and comparative figures for 30 June 2016. An Officer means a person, however designated, who is concerned or takes part in the management of PGG Wrightson Limited's business, but excludes a person who does not report directly to the Board or who does not report directly to a person who reports to the Board.

	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2017	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2016	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2017	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2016	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2017	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2016
Number of Males	7	7	12	12	1327	1355
Percentage of Males	100%	100%	93%	93%	67%	68%
Number of Females	0	0	1	1	657	643
Percentage of Females	0%	0%	7%	7%	33%	32%

* Calculation methodology excludes casuals, fixed term employees and independent commission agents/independent contractors.

6. Director and Executive Remuneration

6.1 The Board is committed to the policy that remuneration of Directors and executives should be transparent, fair and reasonable.

6.2 The Board's Remuneration Policy for Directors is that Directors' fees in aggregate must be formally approved by shareholders, individual fees paid to Directors, including any Board Committee fees paid, are disclosed in the Statutory Disclosures section of the 2017 Annual Report, and there are no performance incentives for any Directors.

6.3 The Board has considered the statements contained in the NZX Corporate Governance Best Practice Code that Directors are encouraged to take a portion of their remuneration under a performance based Equity Security Compensation Plan, and/or to invest a portion of their cash Directors' remuneration in purchasing PGG Wrightson Limited shares. The Board has not elected to create a performance based Equity Security Compensation Plan. Further the Board supports Directors investing a portion of their Directors' remuneration in purchasing shares in the Company but it does not consider this should be mandatory.

6.4 The Board acknowledges that it does not meet the FMA Guideline to publish its Executive Remuneration Policy on the Company's website. However all executive remuneration incentives align with financial and non-financial performance measures relating to PGG Wrightson's objectives, and are compatible with PGG Wrightson's risk management policies and systems.

Corporate **GOVERNANCE** continued

7. Risk Management

7.1 It is the responsibility of the Board to monitor the broader risk management processes in place to identify and manage potential and relevant risks. Directors have a sound understanding of the key risks faced by the business.

7.2 In discharging this obligation the Board has:

- In conjunction with the Chief Executive, Audit Committee, internal and external audit, set up and monitored rigorous processes for risk management and internal controls to ensure that management prudently and efficiently manage resources, and the identification of the nature and magnitude of the Company's material risks. PGG Wrightson has a comprehensive Risk Policy and Group Risk Management Framework.
- Considered the nature and extent of risks the Board is willing to take to achieve its strategic objectives. The Company is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore takes on controlled amounts of risk when considered appropriate;
- In conjunction with the Chief Executive and Audit Committee, reviewed the effectiveness and integrity of compliance and risk management systems within the business. The Board receives and reviews regular reports on the operation of the risk management framework that includes policies and internal control processes, as well as any developments in relation to key risks. Reports include oversight of the Company's risk register and highlight the main risks to the Company's performance and the steps being taken to manage these;
- Established a separate management Risk and Compliance Committee that is responsible for the oversight of business risks and future risk strategy.

7.3 The Board reports annually to investors and stakeholders in its Annual Report on risk identification, risk management and relevant internal controls.

7.4 The Board maintains insurance coverage with reputable insurers for relevant insurable risks and recently renewed its insurance policies in accordance with the policy approach determined by the Board.

8. Independent Auditors

8.1 The Board subscribes to the principle that it has a key function to ensure the quality and independence of the external audit process. The Board operates formal and transparent procedures for sustaining communication with PGG Wrightson's independent and internal auditors. The Board seeks to ensure that the ability, objectivity and independence of the auditors to carry out their statutory audit role is not compromised or impaired or could reasonably be perceived to be compromised or impaired. The auditors are invited to attend all Audit Committee meetings (except where auditor remuneration is discussed). This attendance can include invitations for private sessions between the Audit Committee and the external auditor without management present. In addition the lead audit partner of the external auditor is rotated at least every five years.

8.2 To ensure there is no conflict with other services that may be provided by the external auditors, the Company has adopted a policy whereby the external auditors will not provide any other services unless specifically approved by the Audit Committee. The external auditors KPMG did provide some small value non-financial statement audit work in the year ended 30 June 2017 which was pre-approved by the Audit Committee. The nature of the types of work completed and the remuneration received is disclosed on page 45 of the financial statements. The external auditors confirmed in their audit report on pages 81-84 of this Annual Report that those matters did not impair their independence as auditor of the Group.

9. Shareholder Relations and Stakeholders

9.1 While the Company does not have a formal shareholder or stakeholder relations policy, the Board actively fosters constructive relationships with its shareholders, as appropriate. The Board is at all times cognisant of the need to protect and act in the best interests of the Company's shareholders.

9.2 PGG Wrightson's website www.pggwrightson.co.nz has an Investors Section. This contains key governance documents and policies, contact details for investor matters, current and past Annual Reports, notices of meeting and other key dates in the investor schedule, a list of shareholders' frequently asked questions, media releases, periodic financial information, dividend histories and other information. PGG Wrightson lists its Business Unit descriptions and key activities on its website, and its releases contain information on business goals and performance. The Company encourages shareholder participation at the Annual Meeting, by providing as an item of General Business, the conducting of a shareholder discussion, where a reasonable opportunity is given for shareholders to question, discuss or comment on the management of the Company. During the year, the Company has continued to seek to improve shareholder participation, efficiency and cost effectiveness of communication with shareholders by again offering them its e-comms programme, where shareholders can elect to move all their security holder communication to full electronic communications for the future.

9.3 The Company considers its significant stakeholders to be its shareholders (including institutional investors), its staff, its customers, suppliers and contractors. When undertaking its operations and activities, the Company respects the interests of its stakeholders within the context of its ownership type and the Company's fundamental purpose. The Board considers that the Company's conduct adheres to widely accepted ethical, social and environmental norms.

10. Annual Review

10.1 A review of this Corporate Governance Code and associated processes and procedures is completed on an annual basis to ensure the Company adheres to best practice governance principles (as promulgated by the relevant authoritative bodies) and maintains high ethical standards.

10.2 This review includes a consideration of any processes that materially differ from the principles set out in the NZX Corporate Governance Best Practice Code. Where the Company adopts a practice that materially differs from the NZX Corporate Governance Best Practice Code, this has been identified and noted in the Company's Annual Report.

Statutory DISCLOSURES

The following particulars of notices were given by Directors of the Company pursuant to section 140(2) of the Companies Act 1993 for the year 1 July 2016 to 30 June 2017.

DIRECTOR	INTEREST	ORGANISATION
G Lai		
Chairman	Chairman	Softpower International Limited (HKSE:0380)
		Agria Corporation
		Agria Corporation (New Zealand) Limited
		Brothers Capital Limited
	Director	Singapore Zhongxin Investments Co. Limited
	Vice Chairman	China Chamber of Commerce, New Zealand
		Shenzhen General Chamber of Commerce, China
T J Burt		
Deputy Chairman	Chairman	Ngai Tahu Holdings Corporation Limited
		Ngai Tahu Capital Limited
		Lyttelton Port Company Limited
	Director	Agria Asia Investments Limited
		Agria (Singapore) Pte Limited
		Landpower Holdings Limited
		Mainpower New Zealand Limited
		Market Gardeners Limited
		Silver Fern Farms Limited
	Director/Shareholder	Chambers at Hazeldean Limited
		Breakaway Investments Limited
		Hossack Station Limited
		Pile Bay Partners Limited
		Tai Tapu Partners Limited
	Trustee	Burt Family Trust
B R Irvine		
	Chairman	Christchurch City Holdings Limited (interest ceased during the year)
	Director	Godfrey Hirst NZ Limited and Subsidiaries
		Heartland Bank Limited and Subsidiaries
		House of Travel Holdings Limited
		Market Gardeners Limited and Subsidiaries
		Rakon Limited and Subsidiaries
		Scenic Hotels Limited
		Skope Industries Limited
	Director/Shareholder	BR Irvine Limited

DIRECTOR	INTEREST	ORGANISATION
J E Nichol		
	Director	Watson & Son Limited
	Director/Shareholder	Optica Life Accessories Limited
L S Seah		
	Chairman	Nucleus Connect Pte Limited
	Director	M&C Reit Management Limited
		M&C Business Trust Management Limited
		Global Investments Limited
		Telechoice International Limited
		Yanlord Land Group Limited
	Sole Proprietor	Soft Capital Sg
Wah Kwong (WK) Tsang		
	Director	Agria Corporation
		Agria (Singapore) Pte Ltd
		China Animation Characters Company Limited
		China Merchant Direct Investments Limited
		Ping An Securities Group (Holdings) Limited
		Sihuan Pharmaceutical Holdings Group Limited
		TK Group Holdings Limited
Kean Seng U		
	Head of Corporate and Legal Affairs	Agria Corporation

In addition, T J Burt and J E Nichol advised that they hold interests in farming operations that transact business with PGG Wrightson Group companies on normal terms of trade.

Statutory
DISCLOSURES continued

Directors' Remuneration

The following persons held office, or ceased to hold office, as a Director during the year to 30 June 2017 and received the following remuneration (including the value of any benefits). Fees are not paid for membership of the Remuneration & Appointments Committee. Figures are gross and exclude GST (if any):

DIRECTOR		DIRECTOR'S FEES		AUDIT COMMITTEE	TOTAL REMUNERATION
G Lai	Chairman	$210,000.00		–	$210,000.00
T J Burt	Duty Chairman	$120,000.00		–	$120,000.00
B R Irvine		$80,000.00	Chairman	$20,000.00	$100,000.00
J E Nichol		$80,000.00		$10,000.00	$90,000.00
L S Seah		$80,000.00		–	$80,000.00
W K Tsang		$80,000.00		$10,000.00	$90,000.00
Kean Seng U		$80,000.00		–	$80,000.00

Directors' Shareholdings

No Directors of PGG Wrightson Limited hold shares in PGG Wrightson, however T J Burt, G Lai, W Y Tsang, W K Tsang, and Kean Seng U are associated persons of substantial security holders Agria (Singapore) Pte Ltd, Agria Asia Investments Limited, Agria Group Limited and Agria Corporation (together Agria Group), and Ngai Tahu Capital Limited, with Agria (Singapore) Pte Limited holding 379,068,619 shares as at 30 June 2017 (379,068,619 as at 30 June 2016).

Directors' Share Transactions

No Directors of the Company have notified the Company of any share transactions between 1 July 2016 and 30 June 2017.

Directors' Independence

The Board has determined that as at 30 June 2017, as defined under the NZSX Listing Rules:

- The following Directors are Independent Directors: B R Irvine, J E Nichol, and L S Seah.
- The following Directors are not Independent Directors by virtue of their association with a substantial security holder: G Lai, T J Burt, W K Tsang and Kean Seng U.

NZX Waivers

No waivers have been granted and published by the NZX during the 12 months ending 30 June 2017.

Directors' Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the Constitution of the Company, the Company has insured Directors and Officers against liabilities to other parties that may arise from their positions as Directors and Officers of the Company, Subsidiaries and Associates. This insurance does not cover liabilities arising from criminal actions and deliberate and reckless acts or omissions.

Use of Company Information by Directors

The Board has implemented a protocol governing the disclosure of Company information to its substantial security holders. In accordance with this protocol and section 145 of the Companies Act 1993, T J Burt, G Lai, WK Tsang (J Fulton as Alternate Director) and Kean Seng U have given notice that they may disclose certain information to Agria Corporation in order to seek, and inform the Board of, its view as to the governance and operation of the Company and in order to enable Agria Corporation to comply with certain statutory obligations.

Employee Remuneration

Set out below are the numbers of employees of the Company and its subsidiaries who received remuneration and other benefits of $100,000 or more during the year, in their capacity as employees. The schedule includes:

- all monetary payments actually made during the year, including redundancies and the face value of any at-risk long-term incentives granted, where applicable;

- the employer's contributions to superannuation funds, retiring entitlements, health insurance schemes and payments to terminating employees (e.g. long service leave);
- livestock employees who are remunerated on a commission basis and whose remuneration fluctuates materially from year to year. Livestock remuneration includes incentives paid in the current year that were earned in respect of the prior year's performance.

The schedule excludes:

- amounts paid post 30 June 2017 that related to services provided in the 2017 financial year;
- telephone concessions to some employees that can include free telephone line rental, national and international phone calls and online services;
- independent real estate/livestock commission agents;
- any benefits received by employees that do not have an attributable value.

The remuneration details of employees paid outside of New Zealand have been converted into New Zealand dollars. No employees appointed as a director of a subsidiary company of PGG Wrightson Limited receives or retains any remuneration or other benefits from PGG Wrightson Limited for acting as such.

REMUNERATION RANGE	NUMBER OF EMPLOYEES
$100,000 – 110,000	95
$110,001 – 120,000	53
$120,001 – 130,000	47
$130,001 – 140,000	36
$140,001 – 150,000	35
$150,001 – 160,000	27
$160,001 – 170,000	17
$170,001 – 180,000	14
$180,001 – 190,000	12
$190,001 – 200,000	11
$200,001 – 210,000	12
$210,001 – 220,000	7
$220,001 – 230,000	8
$230,001 – 240,000	3
$240,001 – 250,000	2
$250,001 – 260,000	9
$260,001 – 270,000	1

REMUNERATION RANGE	NUMBER OF EMPLOYEES
$270,001 – 280,000	7
$280,001 – 290,000	1
$290,001 – 300,000	3
$300,001 – 310,000	3
$310,001 – 320,000	1
$320,001 – 330,000	3
$330,001 – 340,000	3
$340,001 – 350,000	1
$360,001 – 370,000	2
$380,001 – 390,000	1
$430,001 – 440,000	1
$480,001 – 490,000	1
$510,001 – 520,000	1
$580,001 – 590,000	1
$610,001 – 620,000	1
$1,630,001 – 1,640,000	1

The Board's Remuneration and Appointments Committee approves the Group's remuneration policy. The Committee also reviews and recommends to the Board for approval the remuneration of the Chief Executive Officer and the remuneration of the executives who report directly to the Chief Executive Officer.

Statutory
DISCLOSURES continued

General Disclosures

Subsidiary Company Directors

The following persons held the office of Director of the respective subsidiaries (as defined in the Companies Act 1993) during the year on behalf of the Group. Directors appointed (A) or who resigned (R) during the year are indicated. Staff appointments do not receive Director fees or other benefits as a Director. Unless otherwise indicated, Group ownership is 100%.

LEGAL COMPANY NAME	PGG WRIGHTSON DIRECTORS
New Zealand Companies	
Agricom Limited	JS Daly, MB Dewdney, JD McKenzie
Agriculture New Zealand Limited	JS Daly, MB Dewdney
Ag Property Holdings Limited	JS Daly, MB Dewdney
Agri Optics New Zealand Limited (51%)	JD McKenzie (A), DP Lynch (A), S Guerin (A)
AgriServices South America Limited	JS Daly, MB Dewdney
Bloch & Behrens Wool (NZ) Limited	JS Daly, CJ Bayly, MB Dewdney
Forage Innovations Limited (51%)	DHF Green, JD McKenzie
Grasslands Innovation Limited (70%)	AW Elliott (R), DHF Green, JD McKenzie, JD Stewart (A)
NZ Agritrade Limited	JS Daly, MB Dewdney, SJ Guerin
PGG Wrightson Consortia Research Limited	JS Daly, MB Dewdney, JD McKenzie
PGG Wrightson Employee Benefits Plan Limited	Sir Selwyn Cushing, CD Adam, BR Burrough, JS Daly, GR Davis, SJ Guerin
PGG Wrightson Employee Benefits Plan Trustee Limited	Sir Selwyn Cushing, CD Adam, BR Burrough, GR Davis, SJ Guerin, JS Daly (R), PR Drury (A)
PGG Wrightson Genomics Limited *(Voluntarily removed from the Companies Register)*	JS Daly, MB Dewdney, JD McKenzie
PGG Wrightson Investments Limited	JS Daly, MB Dewdney
PGG Wrightson Real Estate Limited	JS Daly, MB Dewdney
PGG Wrightson Seeds Limited	JS Daly, MB Dewdney, JD McKenzie
PGG Wrightson Seeds Holdings Limited	JD McKenzie, MB Dewdney
PGG Wrightson Seeds New Zealand Limited	JD McKenzie, MB Dewdney
PGG Wrightson Seeds South America Holdings Limited	JS Daly, MB Dewdney
PGG Wrightson Trustee Limited	Sir Selwyn Cushing, JS Daly, SJ Guerin
PGW Corporate Trustee Limited	JS Daly, MB Dewdney
PGW Rural Capital Limited	JS Daly, MB Dewdney
Sheffield Saleyards Co Limited (53.5%)	FA Fowler
Wrightson Seeds Limited	MB Dewdney, JD McKenzie

LEGAL COMPANY NAME	PGG WRIGHTSON DIRECTORS
Australian Companies	
AGR Seeds Pty Limited	MB Dewdney, JD McKenzie, J Stewart
Agricom Australia Seeds Pty Limited	MB Dewdney, JD McKenzie, J Stewart
AW Seeds Pty Limited	MB Dewdney, JD McKenzie, J Stewart
PGW AgriServices Australia Pty Limited	MB Dewdney, J Stewart
PGG Wrightson Seeds Australia Holdings Pty Ltd	MB Dewdney, JD McKenzie, J Stewart
PGG Wrightson Seeds (Australia) Pty Limited	MB Dewdney, JD McKenzie, J Stewart
SP Seeds Pty Limited	MB Dewdney, JD McKenzie, J Stewart
South American Companies	
Afinlux S.A. (51.2%) (Uruguay)	M Banchero, R Rodriguez, JD McKenzie
Agrosan S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney
PGG Wrightson Seeds Argentina S.A. *(previously known as Alfalfares S.A. (Argentina))*	M Banchero, JD McKenzie, R Moyano, E Beccar Varela, MD Auro
APL San Jose S.A. (60%) (Uruguay)	M Banchero, A Ponte, F Valverde
Escritorio Romualdo Rodriguez Ltda (99.6%) (Uruguay)	Administrator: Afinlux S.A.
Hunker S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney
Juzay S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney
Kroslyn S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney
Lanelle S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney
PGW Sementes Ltda *(previously known as NZ Ruralco Participacoes Ltda (Brazil) (97.22%)*	M Banchero, H De Boni
Patagonia Seeds Sociedad Anonima (75%) (Argentina)	M Banchero, JM Allonca
PGG Wrightson Uruguay Limited S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney
PGW AgriTech South America S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney
Wrightson Pas S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney

Shareholder
INFORMATION

PGG Wrightson Limited is quoted on the New Zealand Stock Market of NZX Limited (code PGW).
As at 31 July 2017, PGG Wrightson Limited had 754,848,774 ordinary shares on issue.

Substantial Security Holders

At 31 July 2017, the following security holder had given notice in accordance with the Securities Markets Act 1988 that it was a substantial security holder in the Company. The number of shares shown below are as advised in the substantial security holder notice to the Company.

SHAREHOLDER	NUMBER OF SHARES	DATE OF NOTICE
Agria Group, New Hope Group and Ngai Tahu Capital Ltd*	379,068,619	28 June 2011

* Nature of connection between parties associated with substantial security holder: Agria Group, New Hope Group and Ngai Tahu Capital Limited are each party to a shareholders agreement dated 17 April 2011 together with Agria (Singapore) Pte Limited and Agria Asia Investments Limited.

Twenty Largest Registered Shareholders

The 20 largest shareholders in PGG Wrightson Limited as at 31 July 2017 were:

	SHAREHOLDER	NUMBER OF SHARES HELD	% OF SHARES HELD
1.	Agria (Singapore) Pte Limited	379,068,619	50.22
2.	Forsyth Barr Custodians Limited	21,171,416	2.81
3.	HSBC Nominees (New Zealand) Limited*	20,275,495	2.68
4.	FNZ Custodians Limited	19,116,999	2.53
5.	Masfen Securities Limited	12,080,734	1.60
6.	BNP Paribas Nominees (NZ) Limited	6,942,874	0.92
7.	Custodial Services Limited	4,765,171	0.63
8.	Citibank Nominees (New Zealand) Limited*	4,546,992	0.60
9.	Leveraged Equities Finance Limited	3,457,242	0.46
10.	Philip Carter	3,358,702	0.44
11.	JP Morgan Chase Bank NA*	3,336,837	0.44
12.	H & G Limited	3,067,323	0.41
13	Robert Hunter and Shirley Hunter	2,408,000	0.32
14.	Arden Capital Limited	2,004,605	0.27
15	Nicolas Kaptein	2,000,410	0.27
16.	Michael Benjamin	2,000,000	0.26
17.	Accident Compensation Corporation*	2,000,000	0.26
18.	New Life Trustees Limited	1,983,675	0.26
19.	Investment Custodial Services Limited*	1,910,846	0.25
20.	Woolf Fisher Trust Incorporated	1,850,000	0.25

* New Zealand Central Securities Depository Limited

Analysis of Shareholdings

Distribution of ordinary shares and shareholdings at 31 July 2017 was:

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1 – 499	655	189,036	0.03
500 – 999	1,689	1,163,131	0.15
1,000 – 4,999	4,133	10,012,441	1.33
5,000 – 9,999	1,688	11,369,000	1.51
10,000 – 49,999	3,283	69,677,122	9.23
50,000 – 99,999	634	40,715,619	5.39
100,000 – 499,999	476	80,554,518	10.67
500,000 – 999,999	41	26,886,665	3.56
1,000,000 and above	34	514,281,242	68.13
Total	**12,633**	**754,848,774**	**100.00**

Registered addresses of shareholders as at 31 July 2017 were:

ADDRESS	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
Singapore	10	0.08	379,794,600	50.31
New Zealand	12,359	97.83	371,649,693	49.23
Australia	145	1.15	1,642,286	0.22
Other	119	0.94	1,762,195	0.24
Total	**12,633**	**100.00**	**754,848,774**	**100.00**

Corporate DIRECTORY

Company number 142962
NZBN 9429040323497

Board of Directors
for the Year Ending 30 June 2017

Guanglin (Alan) Lai
Chairman

Trevor Burt
Deputy Chairman

Bruce Irvine

John Nichol

Lim Siang (Ronald) Seah

Wah Kwong (WK) Tsang
John Fulton is an Alternate Director for Wah Kwong Tsang

Kean Seng U

Chief Executive Officer

Mark Dewdney

Chief Financial Officer

Peter Scott

General Manager, Strategy and Corporate Affairs/Company Secretary

Julian Daly

Registered Office

PGG Wrightson Limited
57 Waterloo Road
Hornby
Christchurch 8140

PO Box 292
Christchurch 8042
Telephone:
0800 10 22 76 (NZ only)
+64 3 372 0800 (International)
Fax: +64 3 349 6176
Email: enquiries@pggwrightson.co.nz

Auditors

KPMG
62 Worcester Boulevard
PO Box 1739
Christchurch 8140
Telephone +64 3 363 5600

Managing your shareholding online:

To change your address, update your payment instructions and to view your investment portfolio, including transactions, please visit:

www.investorcentre.com/nz

General enquiries can be directed to:
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

enquiry@computershare.co.nz

Private Bag 92119, Auckland 1142,
New Zealand

Telephone +64 9 488 8777

Facsimile +64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number.

"This year's strong result is an achievement that PGW's dedicated, hard-working and passionate people can share with our stakeholders."

Mark Dewdney,
Chief Executive Officer

PGG Wrightson

Helping grow the country