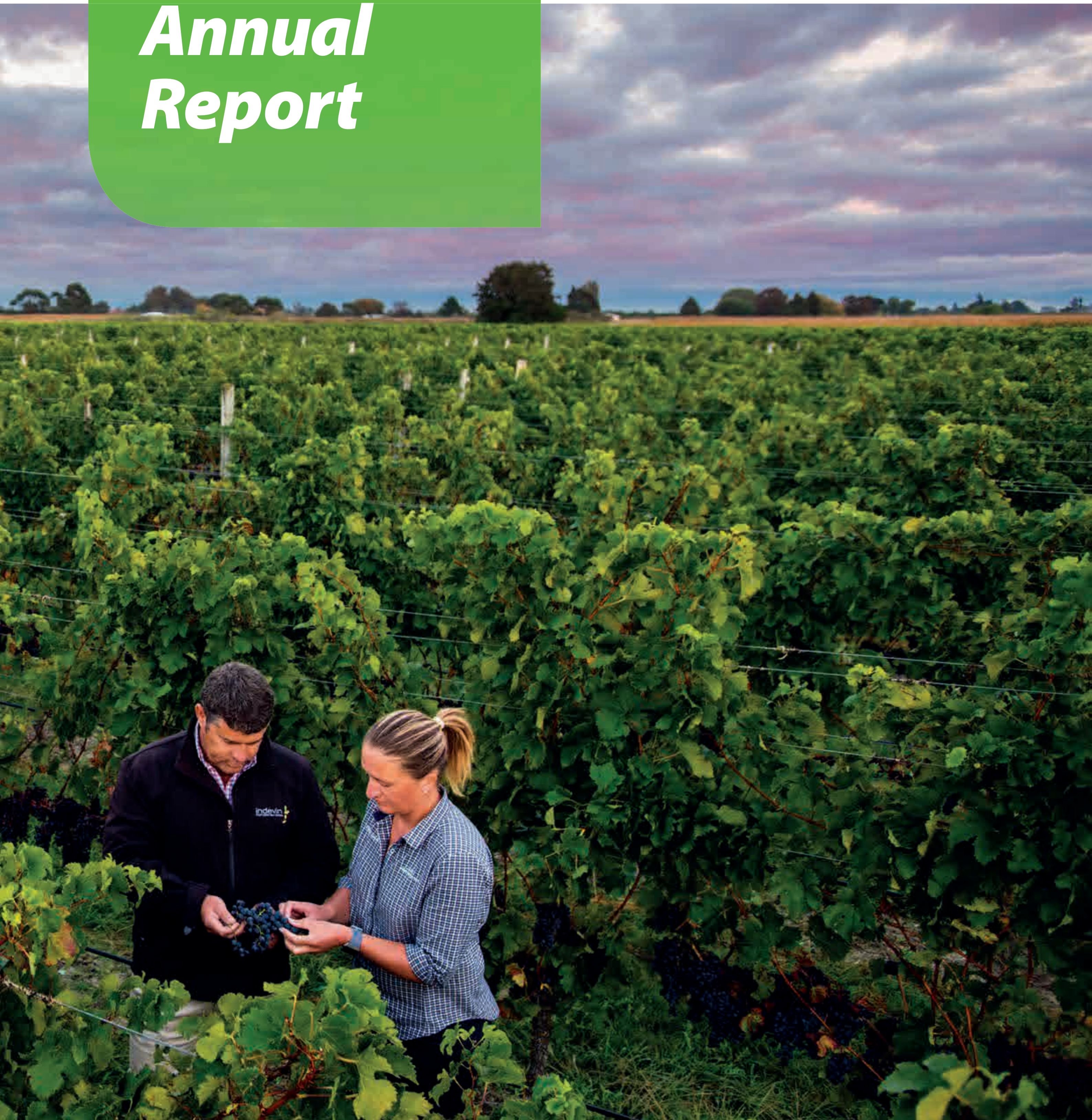
PGG Wrightson

For the year ended 30 June 2018

Annual Report



Helping grow the country

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CALENDAR DATES

Annual shareholders' meeting
30 October 2018

Half-year earnings announcement
19 February 2019

Year-end earnings announcement
13 August 2019

Front cover: Indevin Viticulture Manager Bryce MacKenzie inspects grapes with Fruitfed Crop Monitoring Co-ordinator Rena Mehrtens in Hawke's Bay in March 2018 two days before harvesting

FINANCIAL PERFORMANCE HIGHLIGHTS

Operating EBITDA of **$70.2 m**	Net Profit after tax of **$18.9 m**
Earnings per share (EPS) of **2.5 ¢** per share	Fully imputed dividends of **3.00 ¢** per share for the year

John and Roslyn Weir's cows return to pasture after milking at Springmount Farms in Taranaki in November 2017

2018 HIGHLIGHTS

In August 2018 PGW announced the **conditional sale of PGW Seeds to DLF Seeds.**

Seed and Grain launched several exciting new cultivars to market this year in both New Zealand and Australia. All products were well received by growers.

In March 2018 the Real Estate team sold a kiwifruit orchard pure production block in Te Puke for the highest price paid in New Zealand **per canopy hectare of $1.12 million.**

The Agency group delivered a record result with **Operating EBITDA up 12 percent** on their outstanding result in FY2017.

Fruitfed Supplies continues to grow the bottom line due to the combination of a strong horticulture sector and a leading market position.

Go-Beef* and *Go-Lamb products continue to grow strongly. During the year 288,417 sheep and 41,221 cattle entered the scheme.

This year as part of the roll out of the Health, Safety and Wellbeing Strategy, over 520 PGW employees completed the cognitive behavioural safety programme Zero Incident Process (ZIP).

PGG Wrightson Seeds Arable Business Unit Manager Graeme Jones inspects a cereal crop with Peter Mitchell of Rosedale Farming Company at Weston near Oamaru in December 2017

Group delivered a strong operating performance

	2018 $M	2017 $M
REVENUE	**1,193.5**	1,133.0
GROSS PROFIT	**346.1**	328.6
OPERATING EBITDA	**70.2**	64.5
NET PROFIT AFTER TAX	**18.9**	46.3
NET CASH FLOW FROM OPERATING ACTIVITIES	**5.8**	20.5

Atahua Stacked, a two year old Angus bull, enjoys the Manawatu sunshine in September 2018

Deputy Chairman and Chief Executive Officer's REPORT

Trevor Burt
DEPUTY CHAIRMAN

Ian Glasson
CHIEF EXECUTIVE OFFICER

- **PGW delivered a strong Operating EBITDA result of $70.2 million.**
- **Shareholders will receive a final dividend of 1.25 cents per share, which will be paid on 3 October 2018, making a total of 3.00 cents per share fully imputed for the financial year.**

PGG Wrightson Limited ("PGW", "the Group" or "the Company") delivered a strong Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) for the year ended 30 June 2018 of $70.2 million. Net profit after tax (NPAT) was $18.9 million.

It is very pleasing to have seen a significant increase in PGW's Operating EBITDA throughout the year and especially gratifying to have matched 2016's record result. In October 2017 we targeted an Operating EBITDA range of $65 to $70 million and we exceeded the top end of that.

We had consistently advised throughout the year that NPAT would be down on FY2017. This year's NPAT result was affected by a number of one-off non-trading items including a provision for the remediation costs of historical liabilities under the Holidays Act 2003. Last year also benefited from significant gains on the sale of property. With our property divestment programme largely complete, these capital gains were consequently much lower in 2018.

In declaring the final dividend, the Board balanced the one-off nature of these items affecting NPAT and the strong underlying trading performance and the cash flows against the reinvestment opportunities available to the business.

This is an excellent trading result for PGW, one that we can be proud of.

Almost all of our New Zealand businesses were up on last year, with most achieving double-digit earnings growth. In general the New Zealand agriculture sector was very strong over the course of our 2018 financial year. Our trading result reflects our broad-based

PGG Wrightson Seeds Arable Agent Phil Prendergast inspects a crop of OD22 broccoli with Mark Bennett in Wakanui in Mid Canterbury in September 2018

> *"This is an excellent trading result for PGW, one that we can be proud of."*
>
> Trevor Burt,
> Deputy Chairman

exposure to New Zealand agriculture and our employees' passion and commitment to the sector.

We differentiate ourselves in the market through our technical expertise. Strategically we've focussed on employing the best people in the field and supporting them with innovative and powerful tools. This allows them to add value to our customers' operations. Throughout FY2018 we have continued to invest in our people and our systems so we can maintain the momentum we've built over recent years with our suppliers and our customers, and continue to grow operating earnings for our shareholders.

MARKET CONDITIONS

Looking back on 2018, conditions were positive for most of our New Zealand customers. The Ministry for Primary Industries estimates that dairy export revenues increased 14 percent in 2018, meat and wool sector export revenues increased 12 percent and horticulture export revenues increased 6 percent.

These overall figures belie the challenges that many of our customers faced.

Wet conditions delayed spring in most parts of the country. This was rapidly followed by hot dry conditions in December 2017 and January 2018 with the National Institute of Water and Atmospheric Research reporting that New Zealand had its hottest summer on record. The dry conditions were felt across New Zealand, but most notably in Taranaki, Manawatu, West Coast, Central Otago, and Southland. Drought conditions broke in February assisted by a pair of sub-tropical cyclones. The hot summer was largely positive for kiwifruit and apples, though vegetable and arable production was adversely affected. Wet paddocks delayed the sowing of spring-planted crops and the hot summer lowered crop yields in Canterbury and market garden production in the North Island.

Dairy production for the 2017/18 season is estimated to have fallen by 1 percent from the previous year. During the dry conditions of December 2017 and January 2018 the fall in production was expected to be higher, but the mild autumn helped dairy production recover towards the end of the season. In contrast, red meat production was largely unaffected.

A key event that impacted the rural community in 2018 was the discovery of Mycoplasma bovis in New Zealand. Also known as M bovis, it is a bacterium associated with a plethora of diseases in cattle – both dairy and beef – that reduce production. While commonplace in herds throughout the world, New Zealand had been free of this costly disease. In July 2017 the Ministry for Primary Industries confirmed M bovis was in New Zealand, and in May 2018, the Government agreed a phased eradication programme with the sector. We have mobilised an M bovis response team within PGW; this team is working through our various touchpoints with New Zealand farmers to enhance our processes so we can play our part in combatting this disease, while managing both short and long-term risk. To date, M bovis has not affected PGW's financial performance.

OUR PEOPLE

At 30 June 2018 PGW employed approximately 2,600 employees (including casual, fixed-term, commission and permanent staff).

With PGW's continued commitment for a customer centric focus for our business, our people remain our key asset, which is demonstrated in the strength of relationships we see across PGW. We continue to invest significantly in our people strategy which is demonstrated by having a passionate, loyal, highly skilled and engaged workforce. As an employer we remain committed to investing in technical expertise programmes as well as leadership development.

We continue to realise efficiencies and improvements through the recent implementation of a suite of people-related online tools. These tools enable PGW to undertake people-related activities in an agile manner whilst also ensuring compliance and driving technology enhancements.

During FY2017 we further refined the PGW way for people-related processes and systems by; furthering the transformation of our health, safety and wellbeing culture to one of 'citizenship' with the introduction of the Zero Incident Process (ZIP) leadership programme, launching a new careers website, developing our workforce planning and talent management tools to maximise our talent pipeline, introducing a revised remuneration policy and framework and implementing a revitalised induction programme.

Alongside many other large New Zealand employers, PGW has undertaken a programme of work to ensure all our systems and processes are paying our people correctly under the Holidays Act 2003. Through this work we have identified unintentional areas of non-compliance dating back to March 2011. With the guidance of external independent experts we are actively working to remediate any underpayments made to current and former employees. Concurrently we are investing in systems, processes and expertise to ensure future compliance.

HEALTH, SAFETY AND WELLBEING

Key to the implementation of our Health, Safety and Wellbeing Strategy is the engagement of our people. One such initiative was the ZIP programme, which was delivered to over 520 PGW employees this year. The programme will continue to be rolled out in New Zealand and Australia in the coming year.

Over the last year PGW have invested in capability and embedded health and safety resources within the operational groups to support the Health, Safety and Wellbeing Strategy and to improve our performance in the reduction of events (lost time injury frequency rate 8.85/total recordable injury frequency rate 37.16).

An example of this investment is the establishment of taskforce teams from across our operating groups who have co-developed group wide standards for controlling our critical risks.

OPERATING EBITDA

It is extremely pleasing to be able to report a significant increase in PGW's trading results.

Operating EBITDA increased $5.7 million, or 9 percent, to match FY2016's record result. Our New Zealand businesses were able to capitalise on the better market conditions of FY2018.

Retail and Water increased their contribution by $5.5 million (an increase of 30 percent) with increased sales across key categories.

Agency increased Operating EBITDA by $2.1 million (an increase of 12 percent) over FY2018 as wool market activity picked up from the extremely low volumes of FY2017.

Seed and Grain New Zealand also increased their Operating EBITDA, but overall the Seed and Grain group result was down 4 percent due to the tough conditions in Australia and throughout South America.

Overall, PGW's revenue increased $60.5 million (5 percent) and margins remained the same.

Lambs graze at Innesfields near Rakaia in Mid Canterbury in July 2018

> *"Our people remain our key asset, which is demonstrated in the strength of relationships we see across the Company."*
>
> Ian Glasson,
> Chief Executive Officer

NET PROFIT AFTER TAX

This increase in trading performance did not result in an increase in net profit after tax. NPAT in FY2018 was $27.4 million lower than FY2017 for a number of reasons.

Firstly, FY2017's NPAT benefited from $8.8 million of non-taxable gains on sale of property. With our property divestment program all but complete, FY2018's capital gains on the sale of property were $7.1 million lower.

Secondly, a $5.9 million expense (net of tax) has been recognised as remediation costs of historical liabilities under the Holidays Act 2003.

In addition, the recent fall in the New Zealand dollar generated an unrealised loss on our foreign exchange hedges. PGW is a net exporter, and as the New Zealand dollar weakened during FY2018 our hedges moved out of the money. We choose not to hedge account, so this appears as a loss in finance costs. However, this is not a true loss in an economic sense as the loss will be offset by a corresponding gain on the receipt of the foreign currency once the export sale completes.

Also, the extremely challenging market conditions in Uruguay has resulted in a reduction in the carrying value of our investment in our retailing joint venture, Agrocentro.

Lastly, costs relating to the strategic review contributed to the lower NPAT result.

CASH FLOW

Net cash flow from operating activities reduced $14.7 million to $5.8 million, mostly due to an increase in investment in working capital, from $19.5 million the previous year to $27.8 million in FY2018. $7.0 million of this increase was in *Go* livestock receivables, reflecting the strength and growth of those products, with the remaining growth in working capital concentrated in the Seed and Grain business. After spending a net $20.9 million on capital expenditure and investments, and paying $29.3 million in dividends, net interest-bearing debt increased $40.8 million to $169.1 million.

DIVIDENDS

The Board has resolved to declare a fully imputed final dividend of 1.25 cents per share, which will be paid on 3 October 2018. This will bring the total fully-imputed dividends paid for the 2018 financial year to 3.00 cents per share.

In declaring the final dividend, the Board balanced the one-off nature of these items affecting NPAT, cash flows and the strong underlying trading performance against the reinvestment opportunities available to the business.

OUTLOOK

Market conditions in New Zealand remain strong. There are some signs of weakness in milk commodity pricing, but this weakness is from a relatively high base. Beef prices remain above five-year averages. Lamb prices are strong, as are prices for most horticultural products.

M bovis remains a source of uncertainty in New Zealand, as does the impact of 2018's tough climatic conditions for the Seed and Grain group in Australia and tough conditions in South America, all of which are potential head winds.

Overall we are reasonably positive about next year's outlook, and we believe that NPAT will normalise. Should the DLF Seeds transaction complete then PGW will recognise a gain on sale of over $120 million.

GOVERNANCE AND EXECUTIVE TEAM CHANGES

The PGG Wrightson Limited Board had one change to membership when Wah Kwong (WK) Tsang retired as a Director on 16 October 2017. Joo Hai Lee was appointed to the Board on 31 October 2017.

The PGW executive team had two changes. Ian Glasson was appointed as Chief Executive on 1 November 2017 following the resignation of Mark Dewdney. Grant Edwards (formerly General Manager Finance and Insurance) was appointed General Manager Wool on 1 October 2017, following the retirement of Cedric Bayly.

ACKNOWLEDGEMENTS

This year's excellent trading 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 without the support of our loyal customers, supply partners and our dedicated employees.

On behalf of the Board and management team, we extend our thanks to the over 2,600 outstanding individuals who make up the PGW team, along with our customers and suppliers.

Trevor Burt
Deputy Chairman

Ian Glasson
Chief Executive Officer

BOARD OF DIRECTORS

GUANGLIN (ALAN) LAI

TREVOR BURT

BRUCE IRVINE

JOO HAI LEE

JOHN NICHOL

LIM SIANG (RONALD) SEAH

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 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 being past Chairman/Director of Ngai Tahu Holdings Corporation Limited and chairing 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 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 and the Committee of Independent Directors. 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, Market Gardeners Limited and subsidiaries, Rakon Limited and subsidiaries, Scenic Hotels Limited and Skope Industries Limited.

JOO HAI LEE

ACA (ICAEW), CPA (Australia), FCCA (UK), CA (ISCA)

Joo Hai Lee was appointed as a non-independent Director of PGG Wrightson Ltd on 31 October 2017. He is a member of the Audit Committee. He was appointed as an Independent Director of Agria Corporation in November 2008. Mr Lee, aged 61, has more than 30 years' experience in accounting and auditing. He was a partner of an international public accounting firm in Singapore until his retirement from the firm in 2012. He has serviced clients in the manufacturing, hospitality, insurance, insurance brokers and other service industries. His clients include large multinational corporations and listed entities. His professional memberships include those of the Institute of Chartered Accountants in England and Wales, CPA (Australia), ACCA (UK), Institute of Directors of both Hong Kong and Singapore. Mr Lee also sits on the board of several listed companies in Singapore and one in Hong Kong.

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 14 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, LeuLife Healthcare Ltd and Innovative Healthcare Limited. 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.

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 Joo Hai Lee.

WAH KWONG (WK) TSANG

WK Tsang resigned from the Board of PGG Wrightson Ltd effective 16 October 2017.

EXECUTIVE TEAM


IAN GLASSON


JULIAN DALY


GRANT EDWARDS


DAVID GREEN


STEPHEN GUERIN

IAN GLASSON
Chief Executive Officer

Ian was appointed as PGG Wrightson Limited's Chief Executive Officer (CEO) on 1 November 2017. Based in Singapore from March 2013 Ian was CEO of Zuellig Agriculture and Gold Coin, which was subsequently spun out of the Zuellig Group of businesses. Gold Coin manufactured and sold animal and aqua feed from over 20 mills operating in 10 countries including China and throughout South East Asia.
Ian has had a long career in food and agriculture in Australia and overseas. He has held roles as Managing Director (MD) of Gresham Rabo Management Limited, a private equity fund specialising in Food and Agribusiness investments; he spent nine years with Goodman Fielder where he was MD of Goodman Fielders' global Food Ingredients business; and was CEO of Wilmar's Sugar business - previously known as CSR Sugar (Sucrogen) - in Australia and New Zealand.

Ian also has extensive industry experience in other sectors, including a long career in the oil and gas industry with Esso Australia Ltd and its parent Exxon in the USA and has spent time in the building and construction sector with Kone Elevators. Ian is a non-executive director of SunRice (Ricegrowers), a positon he took up in March 2016.

Ian holds a Bachelor of Engineering Degree with Honours from Monash University and is a graduate of the Australian Institute of Company Directors.

JULIAN DALY
General Manager Strategy and Corporate Affairs

Julian is responsible for Group Strategy including Digital Strategy, Legal, Corporate Communications and Brand, and the 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 Wool

Grant took up the position as General Manager Wool in October 2017. He is responsible for all aspects of the Wool business including procurement, logistics, sales and wool export. Grant holds a Bachelor in Agriculture Science from Lincoln University majoring in Wool Science. He began his career in Livestock with Reid Farmers Ltd in the mid 1980's and then joined their Wool Business. He has held positions as Reid Farmers and then Pyne Gould Guinness Limited Wool Manager. Grant recently has held roles with PGG Wrightson being General Manager Regions and Otago Regional Manager and latterly General Manager Insurance and Financial Services.

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 the New Zealand Grain and Seed Trade Association and is a current executive member for the New Zealand Plant Breeding and Research Association (NZPBRA) and is the NZPBRA representative on the Seed Industry Research Centre Governance Board. He is a Director of research and development 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 the Rural Supplies, Agritrade, Fruitfed Supplies and Water businesses. He has worked for PGG Wrightson Limited and its predecessor companies for 30 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.


JOHN MCKENZIE


PETER MOORE


PETER NEWBOLD


PETER SCOTT


RACHEL SHEARER


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 Seeds Limited and Wrightson Seeds Limited. John is Chairman of research and development 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 has been responsible for PGG Wrightson Limited's Livestock division since 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 Australian Securities Exchange 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, Payroll and Health, Safety and Capability functions. 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 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.

MARK DEWDNEY
Chief Executive Officer

Mark was Chief Executive Officer and resigned from the Company effective 31 October 2017.

CEDRIC BAYLY
General Manager Wool

Cedric was General Manager Wool and resigned from the Company effective 31 October 2017.

THE YEAR IN REVIEW

The Group has three operating segments; Agency group, Retail and Water group and Seed and Grain group.

Richard Paterson of Olrig Station chats with PGG Wrightson Real Estate Agent Doug Smith in the woolshed with Gus, days before the farm is auctioned after being in the family since 1859, in Hawke's Bay in November 2017

PGG Wrightson Livestock Agent Alex Horn at Wharetoa Ram Sale near Balcultha in South Otago in December 2017

The year in review

AGENCY GROUP

	2018 $M	2017 $M
Revenue	**200.6**	197.1
Operating EBITDA	**20.1**	18.0

The Agency group comprises our Livestock, Wool, Real Estate and Insurance businesses and overall had an excellent year. Agency's Operating EBITDA increased $2.1 million (or 12 percent) over 2018 to $20.1 million. Revenues were 2 percent up on last year.

Livestock

The Livestock business, which is the largest within Agency, matched last year's record Operating EBITDA.

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

Tallies for all stock sold by auction and private sales were higher than last year with reduced prime numbers. Prime sheep prices were impacted by strong pricing in the global sheep meat market. The store market was driven by low supply and high demand due to good feed conditions.

Farmers received solid returns due to good feed conditions across most of the country at both ends of the season, despite dry weather conditions in December 2017 and January 2018. This positive result was further influenced by strong beef and lamb pricing throughout the year.

Our *Go* range of livestock products continues to be very well received. While this is a profitable product range for us, it is capital intensive. We are exploring off balance sheet options to reduce this constraint, so we can take advantage of growth opportunities in the future. The asset balance of *Go* products as at 30 June 2018 was $39.4 million, up $7.0 million on the previous year. Consequently the stock numbers increased with 288,417 sheep and 41,221 cattle entering the programme during FY2018.

The detection of Mycoplasma bovis (M bovis) in New Zealand had a significant impact on the dairy and beef industries. The M bovis issue resulted in reduced animal movements, a slowdown in dairy livestock trading, increased biosecurity awareness and compliance costs, along with increased caution in the cattle trading market. Overall we are seeing farmers working more within the boundaries of their farms, and in case of corporate customers within their total operation, with reduced stock movements of both dairy and beef cattle. The Livestock team is working closely with farmers to support this change in approach including the development of an online livestock trading platform to reduce stock movements when trading cattle (see more detail below).

FY2018 brought challenges to the dairy sector. While the Global Dairy Trade price remained stable in the six months to December 2017 bringing some confidence into the market, many farmers continue to consolidate their operations with a focus on debt reduction. This was further offset by reduced dairy tallies (due to a lack of supply of good quality stock later in the year), increased number of dairy farms for sale and the significant impact of M bovis. Our dairy team are working closely with the Ministry for Primary Industries (MPI) both in stock valuations and as part of the industry-wide M bovis response team.

The Livestock team continues to invest in technology to future-proof the business, with a number of major projects under development which will come to fruition in the year ahead. Initiatives include; a purpose-built supply chain system, the development of www bidr.com, an online trading platform for livestock which we expect to deliver to the market in 2019, the upgrade of www.agonline.co.nz and the delivery of business intelligence reporting to Livestock Managers (with a planned roll out to the wider team in FY2019).

Livestock has continued its focus on its people during FY2018. This year brought the successful completion of the third Livestock Trainee programme and throughout FY2018 we recruited high-performing agents from outside of the business - both initiatives will assist us in our goal of achieving a solid succession planning framework. Keeping our people safe was another key focus with resource added to further support the health, safety and wellbeing of the team. In addition, in August 2018 a new Livestock leadership team structure was confirmed with recruitment underway.

The sale yards rationalisation project continues with further closures planned over the next two to three years. The rationalisation programme runs alongside our upgrade programme as we continue to invest in sale yards that have good throughput, with the goal of enhancing the welfare of animals and the safety of our people.

Real Estate

Our Real Estate business was one of the few New Zealand businesses that was down on last year. The first six months were challenging for the team, with adverse weather conditions, a new government focus on overseas investment and the environmental and sustainability regulations, tighter bank lending conditions, and the emergence of M bovis all affecting buyer confidence.

We saw a strong improvement in the second six months as the rural sector regained momentum. Our Lifestyle, Residential and Rural categories maintained their market share positions throughout the year with some regions showing signs of improvement.

The business continued to improve and develop its sales and marketing offerings, execute strategic recruitment, and raise awareness of health, safety and wellbeing within the field.

The team executed a number of significant sales during FY2018. For example, in March 2018 the team sold the highest price paid per canopy hectare of $1.12 million for a kiwifruit orchard in New Zealand, for a pure production block in Te Puke.

Wool

Our Wool business bounced back strongly from its disappointing year last year, achieving excellent results across both the brokering and export businesses.

The brokering business had a significant turnaround from FY2017 largely due to an increase in the number of bales transacted. Whilst we have seen some slight increase in crossbred wool prices, the increase in the number of bales being sold has come about due to crossbred wool growers being more prepared to meet the market with bales which had been stockpiled over the previous two seasons in both our stores and on farm.

The strong export result was driven from an increased throughput in improved trading conditions compared to last season.

We continue to grow our digital presence with the recent launch of our Wool Integrity™ website and increased social media activity. Our focus is not just on telling our story, but also the global wool story.

Insurance and Finance Commissions

Our Insurance and Finance businesses earn commissions from Aon Insurance and Heartland Bank. This business performed well and broadly in line with the corresponding period last year.

PGG Wrightson Technical Field Representative Warren Johnson inspects pasture with Josh Buckman of Tiatane Farm near Hastings in Hawke's Bay in January 2018

The year in review

RETAIL AND WATER GROUP

	2018 $M	2017 $M
Revenue	**606.2**	562.2
Operating EBITDA	**23.8**	18.3

Retail and Water had another spectacular year with Operating EBITDA increasing by $5.5 million to $23.8 million – a 30 percent increase.

Retail and Water Highlights

The Retail and Water business incorporates Rural Supplies, Fruitfed Supplies, Agritrade and Water.

Retail performed extremely well and contributed to half of the improvement. With activity high across the key dairy, meat and wool, and horticulture sectors, revenues were 9 percent up. The Rural Supplies categories of dairy support and agronomy all grew strongly.

For Fruitfed Supplies, the combination of a strong horticulture sector and a leading market position, continues to grow the bottom line.

Agritrade, our distribution business, continued to grow by both expanding its range of products and increasing sales of those products.

Over the last few years the business has been investing in both people and digital infrastructure. The Retail point of difference in the marketplace is our technical offering and the service we provide through our tech team, our infield team and key accounts team. During 2018 we started the rollout of our new Retail Management Systems. Our new point of sale system will allow us to better understand our customers and their needs. This technology will provide a base for an e-commerce offering for our customers. This, together with the continued development of our on farm decision management tools, will provide the platform for other digital developments for Retail. These are all aimed at enhancing customer experience and engagement, and reinforcing our leading market position.

The Water business continues to be challenged by the lack of on farm development, but despite this the business greatly improved its operating performance from FY2017.

Rural Supplies

The Rural Supplies business continues to see great growth in the agronomy related categories, with all achieving an increase on FY2017 results. It is a key strategy of the business to own the agronomy inputs into the market, based on the technical advice and service we offer, and this is a major driver for the growth. We continue to have a strong focus on our technical training with the teams in the agronomy space. The specialised training is further supported by the continued development of digital tools, such as a decision data base solution, for the field sales team.

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.

This year we saw an increase in demand for calf rearing products as we saw more calves reared and farmers choosing to purchase calf milk replacer rather than sourcing from the vat. Bulk dairy meal sales also increased on last year as farmers filled the weather induced feed deficit. However, M bovis has been a challenge for our customers in the later part of the year.

Fruitfed Supplies

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

Our horticulture business tracked well against last year with all sectors enjoying positive returns. The result for FY2018 was achieved by retaining a high market share in pipfruit, grapes, kiwifruit and other subtropical crops. This strong position led to Fruitfed capturing a significant share of the inputs required by this sector for expansion and large-scale development projects.

Our focus is on continuing to provide specialised product and service offerings supported by our own research and development.

Agritrade

Agritrade continued its year-on-year growth with revenue up on the same period last year. This was achieved through the existing range as well as product acquisition and providing distribution services for manufacturers looking for other ways of getting product to market.

Weather conditions around the North Island over summer led to lower spore counts which meant the risk of facial eczema in sheep and cows was lower than previous years. This led to lower than budgeted sales of Time Capsule products.

Agritrade Hamilton moved sites during the year to a much bigger warehouse and office space, this included moving the Time Capsule factory as well. This move will help to future proof the business and give a solid base for expansion.

Water

The Water business continues to be challenged by the lack of on farm development. This has been driven by delays in approved schemes, as well as uncertainty around planned schemes. The new Government's policy approach is impacting farmer sentiment and expenditure in this area.

Despite these challenges it is very pleasing to see Water improving its Operating EBITDA which accounts for half of the $5.5 million improvement in the overall Retail and Water result.

PGG Wrightson Seeds Arable Rep Lachie Boleyn inspects a crop of SovGold Kale at Perry Farms in Mid Canterbury in October 2017

The year in review

SEED AND GRAIN GROUP

	2018 $M	2017 $M
Revenue	**386.0**	372.7
Operating EBITDA	**35.6**	37.0

Seed and Grain's Operating EBITDA reduced by $1.4 million (or 4 percent) to $35.6 million. Revenues were 4 percent higher than last year.

Seed and Grain Highlights

Overall the Seed and Grain business fell just short of last year's result with the increase in New Zealand Operating EBITDA largely offsetting the poorer trading in Australia and South America,

In contrast to the generally positive market conditions in New Zealand, climatic conditions were extremely challenging in both South America and Australia.

Seed and Grain have launched several exciting new products to market during FY2018 both in New Zealand and Australia. All products were well received by growers.

The focus on continuous improvements of our health and safety systems, across all three markets, is ongoing.

In August 2018, we announced that we have entered into a conditional agreement with DLF Seeds to divest the Seed and Grain business. This is a major transaction and requires shareholder approval. Accordingly, shareholders will be invited to vote on a special resolution in due course.

New Zealand

Our New Zealand business was the standout performer for Seed and Grain over 2018. We saw strong sales volumes across the board in nearly all product categories. Autumn 2018 saw a favourable sowing window and a significant catch-up of the two previous seasons, where poor climatic conditions had shortened the autumn planning season.

One of the exciting new products launched during FY2018 was Pallaton Raphno® a raphanobrassica. This product offers some unique attributes in water use efficiency and grazing flexibility. Demand was very strong for this product in 2018, which was its first fully-commercial year, and it quickly sold out.

In September 2018, we launched our environmentally functional programme. This programme includes plantain cultivars which are marketed under the brand Ecotain® environmental plantain. These products have been commercially available since early 2018 and their release has been met with strong demand.

This year also saw the release of Cleancrop™ Firefly Kale which was available in relatively small volumes and consequently sold out quickly.

Volumes traded by PGG Wrightson Grain recovered this season following wet weather severely impacting the North Island maize harvest during FY2017. In particular North Island volumes improved in FY2018 and the maize harvest was largely completed by the end of June 2018. Wheat cultivars Discovery, Starfire and Ignite performed strongly in commercial crops and Foundation for Arable Research trials and received good grower support during autumn planting.

The International business performed in line with last year following a good close to the financial year. Higher volumes of both proprietary and common products were shipped as dictated by customer demand.

We note the inadvertent substitution of Cleancrop™ Hawkestone swede seed with HT-S57swede seed. We have been working closely with our customers and we will continue to provide support until this matter is resolved.

Australia

The Australian business was challenged by adverse weather conditions. Drought conditions in New South Wales and Southern Queensland reduced sales within these states significantly (with farmers in both states calling it the worst drought in living memory). Victoria, South Australia, Tasmania and the South of Western Australia did benefit from an autumn break to the drought and managed to achieve average sales.

Turf and revegetation sales continue to grow in Australia.

Two new products were launched during the year, Mainstar brassica and Ascend annual ryegrass. Both products exceeded expectations and will remain core products in our portfolio in the years ahead.

We continue to benefit from improvements to the supply chain with the Melbourne facility completing its first full year of operation, greater processing capability at Keith allowing for a record intake of Lucerne seed and the new Mareeba cleaning shed now well established near the warehouse and logistics centre.

South America

The key challenges for FY2018 were related to weather issues and the continuation of the very difficult financial situation facing our farming customers due to the low profitability and adverse climatic events of previous years.

A big proportion of the Argentinean pampas, most of Uruguay and the southern states of Brazil suffered one of the worst droughts in many years. Given that these areas were still suffering the effects of the 2016 floods, our South American business did well to achieve what they did in the face of adversity.

Working with PGW

PGG Wrightson Senior Livestock Agent Ryan Dowling joined the company in 2001 and services the Maniototo Plains area in Central Otago. While the area is largely sheep and beef farming operations, about a third of Ryan's customers are dairy farmers. Along with Ryan, the Lindsay family also work with the PGW Wool and Water teams.

PGG Wrightson Senior Livestock Agent Ryan Dowling views Creekside Farms' storage pond with Adam and Juls Lindsay, along with Sarge, in the Maniototo Plains in July 2018

AGENCY GROUP

Surety of water supply provides opportunities for Creekside Farms

A key contributor to running a profitable sheep and beef farming operation is surety of water supply. This is especially important in drought-prone areas of New Zealand such as Central Otago.

Adam and Juls Lindsay own Creekside Farms on the Maniototo Plains near Ranfurly. They undertook a significant farm development, which includes irrigation, to ensure their 2,000 hectare sheep and beef operation is drought resistant.

The farm primarily runs Perendale sheep including 10,500 breeding ewes, 2,000 ewe hoggets and 120 rams. In addition they run 1,000 Merino wethers, winter 1,000 cattle and graze 800 dairy cows.

Adam Lindsay said, "When we took over the property in 2011 it had an irrigation system but it only covered 65 hectares (ha). The Maniototo Plains is prone to dry, hot summers and we needed to be more drought tolerant. We manage our farm inputs carefully, with one of those being water supply.

"We took advantage of the natural contours of the farm when planning the development which took five years to complete. We put in place a storage pond which has a capacity of up to 1.5 million cubic metres and installed four additional pivots – with the six pivots now providing coverage of 520ha.

"We have water rights to draw from the Kyeburn River, which runs alongside the eastern boundary of the farm, and is pumped to the top of the hill to fill the pond over a six month period. The water is gravity fed to the irrigation system during the summer months.

"We undertook the development so that we can make operational decisions on our terms and not be constrained due to adverse weather conditions.

"In March last year we bought in 2,000 trading cattle through the *Go* Beef scheme. Our Livestock Agent Ryan suggested the scheme, and it was a facility that met our needs at the time. This enabled us to hold the cattle through to spring (selling 1,000 through an on-farm sale in October 2017) and we finished the remaining cattle and sent them off in July 2018." said Adam.

PGG Wrightson Senior Livestock Agent Ryan Dowling has worked with Adam and Juls since they moved to the Maniototo Plains in 2011.

Ryan said, "Adam is a progressive farmer and is always looking ahead to make productivity gains. Signing up to *Go* Beef was the right option for their farming operation last year and it worked well for them, but next year it might be procuring trading lambs to hold over the winter months. We work closely to ensure that every livestock trading opportunity is considered so they can make the most of any opportunities that arise.

"Their farm development has provided them with flexibility. It means that they can buy and sell stock when it suits them and they are often able to sell stock at a premium rather than due to weather conditions.

"They are well respected in the farming community. It is great to work with a farmer who knows the sheep and beef market well. Adam and operators like him are the future of New Zealand farming," said Ryan.

Adam adds, "We have worked with Ryan for a while now and he knows our operation and is always looking out for opportunities for us. It works well.

"Our aim is to run a business that is profitable and sustainable. We fine tune how we do things, for example, lifting the lamb and beef weights year-on-year. There is always something we can do better.

"We try and do everything to our best ability and be proactive. We plan well ahead and work backwards. Our approach is we can control what happens on farm, but we can't control external factors such as the lamb schedule and the weather.

"We farm for a drought. When we have favourable weather conditions, we have a good year. Last year for example, because of the irrigation, we were able to get through the drought and hold stock through until it rained. This meant we didn't have to store stock. We have good access to water now, so we will continue to build up capital stock numbers and seek improvements across our business," said Adam.

Indevin

Indevin was founded in Marlborough in 2003. It is one of New Zealand's largest wine producers which owns and operates winery infrastructure. Indevin owns (and manages on behalf of their customers) vineyards in Marlborough, Gisborne, the Hawke's Bay and Central Otago. Along with their contract winemaking customers, Indevin produces over 50,000 tonnes of grapes annually. This production footprint continues to grow with the acquisition and lease of several new vineyards or plantable sites each year.

Indevin's Hawke's Bay Viticulture Manager Bryce MacKenzie inspects grapes with Fruitfed Crop Monitoring Manager Jimmy Bowden and Co-ordinator Rena Mehrtens in Hawke's Bay in March 2018 prior to harvesting

RETAIL AND WATER GROUP

Our crop monitoring team specialises in early detection

A specialised team within Fruitfed was established in Hawke's Bay in 1998 to provide crop monitoring services to horticulturists in the region.

This well-respected business unit, led by Hawke's Bay based Fruitfed Crop Monitoring Manager Jimmy Bowden, has grown to a team of eight who co-ordinate crop monitoring teams at key vegetable, fruit and wine growing areas around the country.

Jimmy said, "Since we established the crop monitoring team 20 years ago it has gone from strength to strength. Co-ordinators are now based in key growing areas around the country with the focus of the monitoring work specialised in each area, for example vegetables in Pukehoke and grapes in Marlborough.

"The Crop Monitoring Co-ordinators work with customers to plan their requirements, then recruit Crop Monitoring Scouts from the region as needed. The Scouts often return year after year, so they build a relationship and knowledge of a customer's operation which is highly valued by both parties.

"Our Scouts play a key role in assisting in the early detection of pest and disease, in fact many customers contract us to take care of this for them. The Scout provides the customer with a verbal briefing at the time of their visit which is followed up with a report of their findings. The report is distributed to key team members at Fruitfed, including the assigned Technical Field Representative. This builds up the wider Fruitfed team's knowledge of what is happening around the country during key growing times which we can share with other customers on an anonymised basis.

"New Zealand is recognised internationally as an innovative producer of high-quality wine, vegetables and fruit. Our team prides itself on assisting customers in maintaining their high-quality production which in turn protects their brand and reputation," said Jimmy.

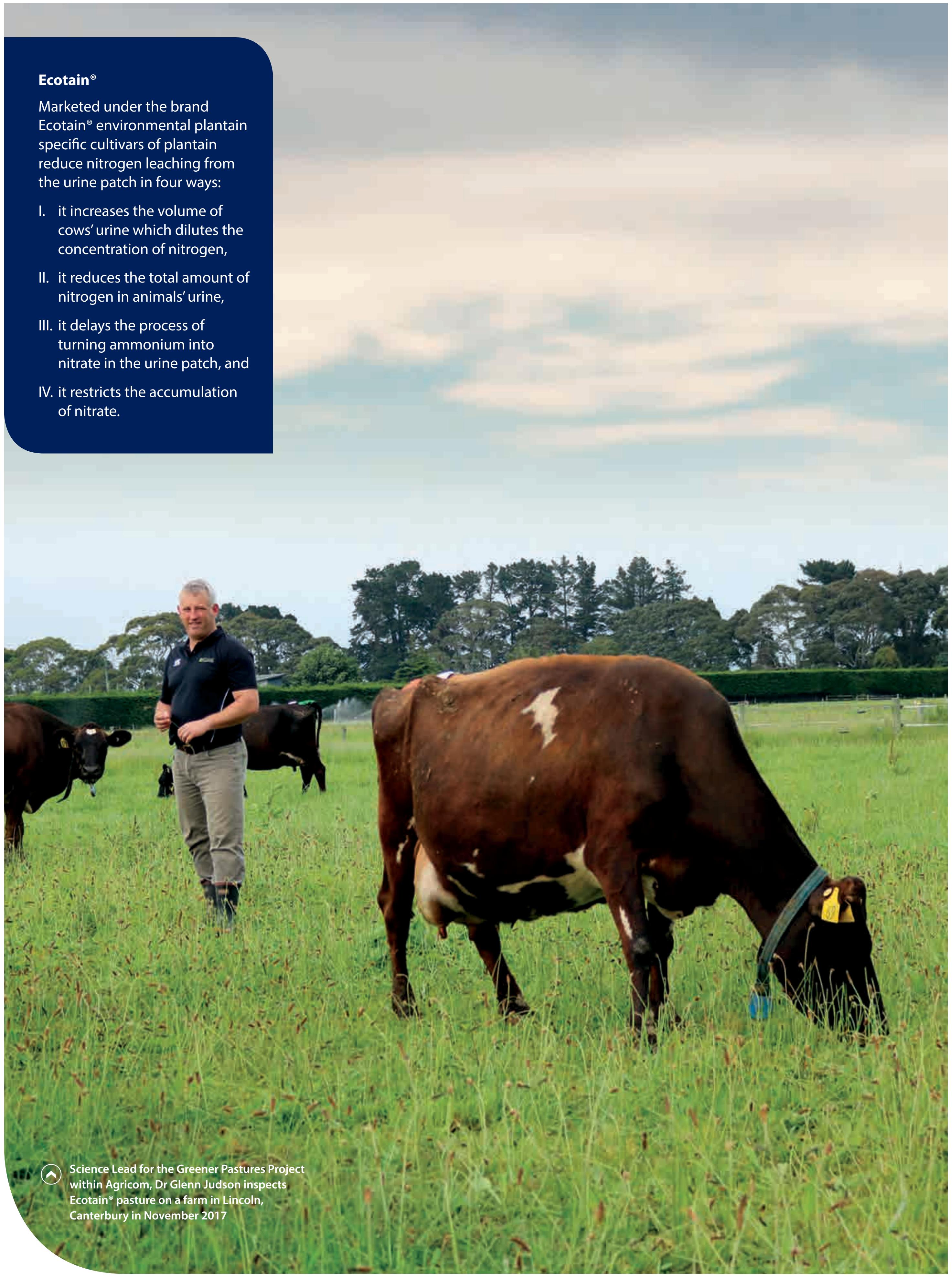
One member of the crop monitoring team who has been working alongside customers for over ten years is Crop Monitoring Co-ordinator Rena Mehrtens. Rena, who joined Fruitfed in 2008, manages the Scouts in Hawke's Bay, Manawatu, Nelson and Marlborough.

Rena said, "I have seen the focus on traceability and quality assurance increase significantly in the horticulture industry over the last decade. One aspect of this is a move toward early detection to reduce the requirement for application of spray on crops. Our crop monitoring services support our customers with this approach.

"Indevin have utilised our crop monitoring services for seven years at their Gisborne and Hawke's Bay vineyards (and more recently in Marlborough).

"Each year in September I meet with Bryce MacKenzie of Indevin to plan for the season ahead and the monitoring programme runs from October through to April. They have a great team and over the years we have learned a lot about how they operate. It works well," said Rena.

Indevin's Hawke's Bay Viticulture Manager Bryce MacKenzie said, "We used to do the crop monitoring ourselves, but in 2011 we decided to hand the job over to Fruitfed. We run a pretty lean operation here and it is great to have that aspect of our business taken care of. Early detection of pest and disease in our grapes is critical to our production programme – the earlier we catch it the better. Rena and her team of Scouts take this worry away from us. They are a great team to work with and they know their stuff. Rena lets us know if there are issues elsewhere in the region so our team can look out for them between monitoring visits."



Ecotain®

Marketed under the brand Ecotain® environmental plantain specific cultivars of plantain reduce nitrogen leaching from the urine patch in four ways:

I. it increases the volume of cows' urine which dilutes the concentration of nitrogen,

II. it reduces the total amount of nitrogen in animals' urine,

III. it delays the process of turning ammonium into nitrate in the urine patch, and

IV. it restricts the accumulation of nitrate.

Science Lead for the Greener Pastures Project within Agricom, Dr Glenn Judson inspects Ecotain® pasture on a farm in Lincoln, Canterbury in November 2017

SEED AND GRAIN GROUP

Research team discovers 'weed' has valuable nitrogen mitigation properties

Agricom (a trading division of PGG Wrightson Seeds Limited) researches, develops and markets a wide range of proprietary pasture and forage crop seeds to the agricultural industry.

The proprietary seed company takes a team approach to research involving employees, customers and key industry stakeholders. This collaborative approach has recently discovered that a plant, once considered a weed, has valuable nitrogen mitigation properties.

The research team discovered that specific cultivars of plantain have the ability to significantly reduce nitrogen leaching from the urine patch. The plantain which began life as a common flat weed *(Plantago lanceloata)* has been bred and commercialised into a successful forage cultivar by the Agricom team.

Commencing in 2015, with Callaghan Innovation funding, Agricom developed the Greener Pastures Project (GPP), which combines research and expertise from Massey and Lincoln Universities and Plant & Food Research. In parallel with the DairyNZ-led Forages for Reduced Nitrate Leaching programme, the GPP has a series of peer-reviewed scientific papers that support the use of Ecotain® environmental plantain.

Agricom's Science Lead Dr Glenn Judson said, "The development of Ecotain® has been a team effort over a long period of time so everyone involved is delighted with how well it has been received by industry stakeholders and farmers alike.

"New Zealand farmers have been using plantain as a forage product for many years. The first of the plantain cultivars we launched to the market 22 years ago. However, more recently we discovered their role in reducing the environmental impact of livestock.

"Depending on the factors at play on farm and the extent to which Ecotain® is used, the reduction in nitrogen leaching can be significant. In one of the research programmes there was a reduction in leaching of as much as 89 percent from the urine patch. The ability to do this is increasingly important now that New Zealand's national dairy herd has reached over 4.8 million and there is a real focus on environmentally sustainable farming practices.

"A cow grazes across a large area of pasture, about 140 square metres per day. When they urinate, they're depositing a high concentration of nitrogen into a very small area compared to the size they were grazing, and that small area is the urine patch.

"The plants and soil surrounding the urine patch can't absorb all that nitrogen, so it's easily leached away below the root zone and also into the water table. Research is showing us that controlling the nitrogen in the urine patch is the most practical way of reducing nitrogen leaching on farm.

Glenn concluded, "We are not done yet. The research will continue to evolve, and we are now looking at system-wide studies to see how we can further reduce nitrogen leaching on farm. With the assistance of farmers and industry stakeholders I am confident we can improve the strong results we are achieving now."

Agricom team recognised

Agricom's Ecotain® was recognised at the Fieldays Innovation Award event in June 2018. The Agricom team were presented with the Fieldays Launch New Zealand Award which recognised agribusiness products being launched to the New Zealand market that will shape farming practices and the future of New Zealand primary industries.

Sale of PGW SEEDS

Quartz White Clover flowering at Wexford Farming Co. near Rakaia in December 2017

On 4 August 2018 PGW entered into a conditional agreement to sell the PGG Wrightson Seeds Holdings Limited (PGW Seeds) business for NZ$421 million to DLF Seeds A/S (DLF Seeds), a leading global seeds group based in Denmark.

This transaction would deliver significant value to PGW while also enabling the PGW Seeds business to benefit significantly from being part of a global seeds operation.

The agreement provides for an ongoing close working relationship between PGW and PGW Seeds.

"It is important to remember that PGW has the strongest nationwide rural services offering in New Zealand, covering the length of the country. A sale of the PGW Seeds business will not change that – in fact, it remains business as usual for PGW and its customers."

Ian Glasson, Chief Executive Officer

"The agreement arose from the strategic review conducted by PGW in recent months. The agreement represents a transaction that would deliver significant value to PGW while also enabling the PGW Seeds business to benefit immensely from being part of an impressive global seeds operation."

Trevor Burt, Deputy Chairman

Significant commercial opportunities

This transaction follows the continuing trend of consolidation in the international seeds industry and there are clear benefits that arise for both PGW and PGW Seeds.

Ownership of PGW Seeds by DLF Seeds would expand the opportunities to commercialise the intellectual property of the collective businesses.

DLF Seeds has a strong northern hemisphere presence and PGW Seeds has a strong southern hemisphere market presence. The opportunities arising from the synergy of market coverage, intellectual property and operations are significant.

DLF Seeds' global presence would open up new markets and geographies, increasing royalties coming into New Zealand, and also demonstrate the benefits of the research and development focus of PGW Seeds' business.

The agreement provides for an ongoing close working relationship between PGW and PGW Seeds. A distribution agreement allows for 'business as usual' for PGW operational staff across all parts of the Group. Our customers would see no change in the way we work together to support their farming operations. In addition, the PGW Seeds brand will remain.

Intellectual property

PGW Seeds has joint ventures with a range of research and development partners who share or licence intellectual property with PGW Seeds. PGW Seeds joint venture partners include: Grasslands Innovation, Endophyte Innovation and Forage Innovations.

Should the sale of PGW Seeds be approved, the royalties from these joint ventures will continue to flow back to New Zealand. An example of this is Pallaton Raphno®, a raphanobrassica developed in New Zealand by PGW Seeds, now sold in Australia. This cultivar has sales attracting royalties which are returned to New Zealand by PGW Seeds and our joint venture partner Forage Innovations.

Next steps

The transaction remains subject to a number of conditions precedent and both PGW and DLF Seeds are diligently working towards satisfying these conditions.

Assuming the conditions are satisfied and the transaction is completed, the significant cash contribution creates options for the PGW Board to consider as part of its ongoing strategic review. These include growth options as well as the optimal structure for what already is a strong rural services business.

The PGW Board will continue to work with Credit Suisse (Australia) Ltd and First NZ Capital Ltd on the strategic review to explore options for PGW's business, growth opportunities, capital and balance sheet requirements and potentially shareholding structure.

Meanwhile it is business as usual for PGW and its customers.

"The PGW Retail business sees the PGW Seeds business as a significant partner with us in our focus on the technical agronomy offering we have with our customers. The relationship is strong between the businesses and in considering the transaction with DLF we believe that a different ownership structure will not materially change the relationship that works well and adds value to both businesses."

Stephen Guerin, Group General Manager Retail and Water

DLF SEEDS & SCIENCE

About DLF Seeds

DLF Seeds is a Denmark based global seeds group which was established in 1872.

Key facts:

- Owned by DLF Seeds AmbA, a cooperative owned by approximately 3,000 Danish seed growers.
- Operates within forage and turf seed, sugar and fodder beet seed, seed potatoes and multiplication of vegetable seed, and is active in more than 80 countries.
- It is vertically integrated operations (in research, production and sales) have 1,200 employees, 14 percent of which are involved in research and development.
- A major player in the Northern Hemisphere market but currently has a smaller presence in the New Zealand, Australian and South American markets.

Key figures as of 2016/2017
in Danish Krone DKK) (1 DKK = $0.23NZ):

- Revenue: 3,527 DKK Million (NZ$814 million)
- Profit before net financials: 225 DKK Million (NZ$52 million)
- Profit after tax: 161 DKK Million (NZ$37 million)

PGG Wrightson
IN THE COMMUNITY

PGW has over 175 years of being part of and supporting rural communities – with our employees living and working alongside our customers. Through that rural community spirit, PGW supports a range of community and industry events throughout New Zealand.

Fairlie Primary School pupils receive their Cash for Communities gift in March 2018

IHC Calves waiting for the sale to begin at Frankton Salesyards in November 2017

Wool handler Joel Henare at the Golden Shears in March 2018

IHC Calf and Rural Scheme

PGW Livestock have been working alongside IHC for over 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. During calf season last year 2,574 farmers donated 3,222 calves (along with virtual and cash donations) and raised $1.45 million. Due to the risk of the program spreading Mycoplasma bovis, and following discussions with the Ministry for Primary Industries, in early July 2018 IHC made the difficult decision that their 2019 fundraising program would no longer pick up calves and hold IHC calf day sales, and instead asked farmers to either donate a 'virtual calf' or organise to get their IHC calf to sale themselves.

Cash for Communities

The 'Cash for Communities' programme is run by PGW and Ballance Agri-Nutrients and to date has raised over $482,000 for rural communities throughout New Zealand. For every tonne of qualifying Ballance Agri-Nutrients fertiliser purchased by PGW customers who have registered for the programme, PGW donated $1 to the customers' choice of community programmes.

The eighth season of the programme ran in spring 2017 and over 500 farmers throughout New Zealand registered a community organisation of their choice. Last season saw over $27,000 raised for community organisations.

One of the recipients of this year's programme was Fairlie Primary School in the Mackenzie Country (pictured) which also won three iPads for being the school with the most nominations in the South Island.

Supporting the Horticulture Sector

Fruitfed Supplies has a long association with programmes that recognise innovation, emerging leaders and excellence in the industry – including Young Horticulturalist of the Year, Young Grower of the Year, Young Viticulturist of the Year and the New Zealand Wine of the Year™ Awards.

PGW marquee at New Zealand Agricultural Fieldays in June 2018

PGW Livestock National Video Sale in May 2018

Supporting industry events, A&P Shows and regional field days

PGG Wrightson Wool National Shearing Circuit

PGG Wrightson Wool is proud to support our country's shearers through the PGG Wrightson Wool National Shearing Circuit sponsorship.

The PGG Wrightson Wool National Shearing Circuit is a prestigious competition celebrating excellence in the skill of shearing. It gives up-and-comers the opportunity to mix with professionals, and provides rural New Zealand the chance to see the sport in action. The competition is made up of five heats held across New Zealand between October and March, with the final held at Golden Shears in Masterton in March each year.

A&P Shows, regional field days and New Zealand Agricultural Fieldays

Agricultural and pastoral shows (A&P), regional field days and New Zealand Agricultural Fieldays are well-attended events in the rural calendar. PGW is very proud to be involved in these events, which bring the local rural community together and provide PGW with the opportunity to acknowledge the ongoing support of our customers and to showcase the latest in farming technology and product innovation.

Supporting Māori Excellence in Farming

The Ahuwhenua Trophy Te Puni Kōkiri Excellence in Māori 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. Onuku Māori Lands Trust in Rotorua was the winner of the 2018 Ahuwhenua Trophy for dairy.

National Livestock Video Sale

PGW Livestock supports the National Video Sale which was held in Feilding in May 2018. This annual event (formerly known as the Beef Expo) which features the best of a number of breeds from throughout New Zealand updated its format this year. The move to a video-based sale format resulted in a standing room only event at a Palmerston North venue as about 60 Angus, Hereford and Shorthorn bulls were sold.

Steak of Origin

PGW Livestock is proud to support this prestigious annual event, which celebrates the best of New Zealand beef producers, offers people an insight into how genetics can improve eating quality, increase retail beef yield, or improve maternal traits.
The 2018 Steak of Origin competition saw PGW show their support as the naming rights sponsor, with the grand final judging held in the PGW tent at New Zealand Agricultural Fieldays. A panel of four chef judges and one steak connoisseur, judged the final steaks to determine the 2018 Grand Champion and 2018 Brand Champion.

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.

Many of our activities are designed to meet the demand for more sustainable farming practices. One example is our focus on assisting customers manage their use of plastic and other recyclables at the farm gate.

In recent years PGW has implemented a recycling process for cardboard and paper in all 97 PGG Wrightson and Fruitfed Supplies stores, as well as a number of sites offering drop-off points for empty triple rinsed plastic containers.

As part of the initiative to help our customers clear more waste, we also provide logistical support to leading product stewardship programme Agrecovery, which collects and recycles more than 300 tonnes of plastic from farmers and growers every year.

PGG Wrightson Livestock Agent Dave Lilley inspects Limehills' sire bulls with Gray Pannett in Millers Flat, Central Otago in May 2018

PGG Wrightson

Key Financial Disclosures

for the year ended 30 June 2018

PGG WRIGHTSON LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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 2018.

The financial statements contained on pages 35 to 80 have been authorised for issue on 13 August 2018.

For and on behalf of the Board.

Alan Lai
Chairman

Bruce Irvine
Director and Audit Committee Chairman

PGG Wrightson

PGG WRIGHTSON LIMITED

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	NOTE	2018 $000	2017 $000
Continuing operations			
Operating revenue	2	1,193,462	1,132,963
Cost of sales	3	(847,328)	(804,317)
Gross profit		346,134	328,646
Other income		221	388
Employee benefits expense		(165,809)	(160,851)
Research and development		(4,778)	(4,542)
Other operating expenses	4	(103,709)	(99,268)
Equity accounted earnings of investees	5	(1,885)	126
Operating EBITDA		**70,174**	**64,499**
Non-operating items		(80)	7,148
Holidays Act 2003 remediation costs	20	(8,226)	–
Fair value adjustments	6	(3,877)	1,953
Depreciation and amortisation expense		(12,974)	(10,733)
EBIT		**45,017**	**62,867**
Net interest and finance costs	7	(14,162)	(6,158)
Profit from continuing operations before income taxes		30,855	56,709
Income tax expense	8	(12,460)	(10,428)
Profit from continuing operations		18,395	46,281
Discontinued operations			
Profit from discontinued operations (net of income taxes)	9	492	30
Net profit after tax		**18,887**	**46,311**
Profit attributable to:			
Shareholders of the Company		17,964	45,607
Non-controlling interest		923	704
Net profit after tax		**18,887**	**46,311**
Earnings per share			
Basic earnings per share (New Zealand Dollars)	10	0.025	0.061
Continuing operations			
Basic earnings per share (New Zealand Dollars)		0.024	0.061

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 2018

	NOTE	2018 $000	2017 $000
Net profit after tax		**18,887**	**46,311**
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
Remeasurements of defined benefit liability	21	2,746	3,121
Deferred tax on remeasurements of defined benefit liability	8	(961)	(2,389)
		1,785	972
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		6,408	(1,169)
Effective portion of changes in fair value of cash flow hedges		–	(2,039)
Income/deferred tax on changes in fair value of cash flow hedges	8	–	571
		6,408	(2,637)
Other comprehensive income/(loss) for the period, net of income tax		8,193	(1,665)
Total comprehensive income for the period		**27,080**	**44,646**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		26,307	43,579
Non-controlling interest		773	1,067
Total comprehensive income for the period		**27,080**	**44,646**

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

PGG WRIGHTSON LIMITED

SEGMENT REPORT

For the year ended / as at 30 June 2018

(a) Operating Segments

The Group 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.

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, 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 applies an allocation methodology which allocates certain corporate costs where they can be directly attributed to an operating segment or attributed based on the use of the following methods:

- IT hardware, support, licence and other costs attributed based 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. Credit services are allocated based on the operating segment to which overdue accounts relate to.

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 fully 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.

	2018 $000	2017 $000
Revenue derived from outside the Group		
New Zealand	1,005,402	954,330
Australia	76,024	79,161
South America	112,036	99,472
Total revenue derived from outside the Group	**1,193,462**	**1,132,963**
Non-current assets excluding financial instruments and deferred tax		
New Zealand	90,512	85,756
Australia	15,317	14,638
South America	45,731	47,131
Total non-current assets excluding financial instruments and deferred tax	**151,560**	**147,525**

PGG Wrightson

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2018

(c) Operating Segment Information

	AGENCY		RETAIL AND WATER		SEED AND GRAIN		OTHER		TOTAL	
	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000	2018 $000	2017 $000
Total segment revenue	200,574	197,098	606,176	562,162	449,495	428,711	749	1,040	1,256,994	1,189,012
Intrasegment revenue	–	–	–	–	(63,532)	(56,049)	–	–	(63,532)	(56,049)
Total external operating revenues	200,574	197,098	606,176	562,162	385,963	372,662	749	1,040	1,193,462	1,132,963
Operating EBITDA	**20,112**	**17,996**	**23,810**	**18,295**	**35,607**	**37,045**	**(9,355)**	**(8,836)**	**70,174**	**64,499**
Non–operating items	688	3,275	590	(12)	(217)	5,231	(1,141)	(1,347)	(80)	7,148
Holidays Act 2003 remediation costs	(2,441)	-	(3,422)	-	(1,066)	–	(1,297)	–	(8,226)	–
Fair value adjustments	(1,087)	26	-	-	(2,790)	2,049	–	(121)	(3,877)	1,953
Depreciation and amortisation expense	(1,086)	(1,130)	(3,097)	(1,737)	(6,056)	(5,517)	(2,735)	(2,349)	(12,974)	(10,733)
EBIT	16,186	20,167	17,881	16,546	25,478	38,807	(14,528)	(12,654)	45,017	62,866
Net interest and finance costs	(1,388)	472	385	272	(7,261)	(4,127)	(5,898)	(2,774)	(14,162)	(6,158)
Profit/(loss) from continuing operations before income taxes	14,798	20,639	18,266	16,819	18,217	34,680	(20,426)	(15,428)	30,855	56,709
Income tax (expense) / income	(4,366)	(4,171)	(4,680)	(5,253)	(8,878)	(7,513)	5,464	6,509	(12,460)	(10,428)
Profit/(loss) from continuing operations	10,432	16,468	13,586	11,566	9,339	27,166	(14,962)	(8,918)	18,395	46,281
Discontinued operations	–	–	–	–	–	–	492	30	492	30
Net profit after tax	**10,432**	**16,468**	**13,586**	**11,566**	**9,339**	**27,166**	**(14,470)**	**(8,888)**	**18,887**	**46,311**
Segment assets	161,378	145,410	149,107	137,081	412,673	367,754	18,529	27,704	741,687	677,949
Investment in equity accounted investees	–	–	–	–	14,264	20,892	59	81	14,323	20,973
Assets held for sale	–	37	218	500	–	–	2,398	2,690	2,616	3,227
Total segment assets	161,378	145,447	149,325	137,581	426,937	388,646	20,986	30,475	758,626	702,149
Total segment liabilities	(87,182)	(71,296)	(82,109)	(72,117)	(164,144)	(187,209)	(137,729)	(81,816)	(471,164)	(412,437)
Capital expenditure	3,212	1,743	9,689	5,238	13,204	11,901	3,326	1,901	29,431	20,783

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

PGG WRIGHTSON LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	NOTE	2018 $000	2017 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		1,214,939	1,201,273
Dividends received		3	10
Interest received		5,225	3,318
		1,220,167	1,204,601
Cash was applied to:			
Payments to suppliers and employees		(1,190,563)	(1,159,853)
Lump sum contributions to defined benefit plans (ESCT inclusive)		(2,842)	(7,551)
Interest paid		(8,550)	(6,321)
Income tax paid		(12,446)	(10,408)
		(1,214,401)	(1,184,133)
Net cash flow from operating activities		**5,766**	**20,468**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		3,407	22,352
Net proceeds from sale of investments		111	4,424
		3,518	26,776
Cash was applied to:			
Purchase of property, plant and equipment		(15,183)	(12,803)
Purchase of intangibles		(7,974)	(4,307)
Net cash paid for purchase of investments		(1,215)	(2,773)
		(24,372)	(19,883)
Net cash flow from investing activities		**(20,854)**	**6,893**
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft		42,499	3,715
Repayment of loans by related parties		3,441	–
		45,940	3,715
Cash was applied to:			
Dividends paid to shareholders		(28,570)	(28,588)
Dividends paid to minority interests		(759)	(646)
		(29,329)	(29,234)
Net cash flow from financing activities		**16,611**	**(25,519)**
Net increase/(decrease) in cash held		1,523	1,842
Opening cash		9,403	7,561
Cash and cash equivalents	11	**10,926**	**9,403**

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

PGG WRIGHTSON LIMITED

PGG Wrightson

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

For the year ended 30 June 2018

	2018 $000	2017 $000
Net profit after tax	18,887	46,311
Add/(deduct) non-cash/non operating items:		
Depreciation, amortisation and impairment	12,974	10,733
Fair value adjustments	3,877	(1,953)
Net (profit)/loss on sale of assets/investments	(1,746)	(9,630)
Bad debts written off (net)	429	1,244
Change in deferred taxation	(1,114)	(811)
Earnings from equity accounted investees	1,885	(126)
Discontinued operations	(492)	(30)
Defined benefit expense	142	649
Effect of foreign exchange movements	3,618	(197)
Pension contributions (operating cash) not expensed through profit and loss	(2,842)	(7,551)
Other non-cash/non-operating items	(1,999)	1,339
	33,619	39,978
Add/(deduct) movement in working capital items:		
Change in working capital due to sale/purchase of businesses	(2,683)	(3,378)
Change in inventories and biological assets	(7,374)	(11,208)
Change in accounts receivable and prepayments	(45,081)	(12,364)
Change in trade creditors, provisions and accruals	19,360	5,856
Change in income tax payable/receivable	3,326	2,156
Change in other current assets/liabilities	4,599	(572)
	(27,853)	(19,510)
Net cash flow from operating activities	**5,766**	**20,468**

The accompanying notes form an integral part of these financial statements

PGG WRIGHTSON LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTE	2018 $000	2017 $000
ASSETS			
Current			
Cash and cash equivalents	11	10,926	9,403
Short-term derivative assets	12	827	3,528
Trade and other receivables	14	267,627	230,022
Finance receivables		733	–
Go livestock receivables	13	39,419	32,371
Assets classified as held for sale		2,615	3,227
Biological assets		911	1,553
Inventories	15	262,538	253,600
Other investments	17	30	3,441
Intangible assets	18	2,641	–
Total current assets		588,267	537,145
Non-current			
Long-term derivative assets	12	20	427
Biological assets		–	58
Deferred tax asset	8	16,259	15,145
Investments in equity accounted investees	5	14,323	20,973
Other investments	17	2,520	1,906
Intangible assets	18	13,017	9,129
Property, plant and equipment	19	124,220	117,365
Total non-current assets		170,359	165,003
Total assets		**758,626**	**702,148**
LIABILITIES			
Current			
Debt due within one year	11	30,806	26,719
Short-term derivative liabilities	12	3,645	991
Accounts payable and accruals	20	267,096	248,290
Income tax payable		6,751	4,115
Defined benefit liability	21	905	942
Total current liabilities		309,203	281,057
Non-current			
Long-term debt	11	149,205	110,925
Long-term derivative liabilities	12	966	661
Other long-term provisions	20	2,121	4,909
Defined benefit liability	21	9,669	14,885
Total non-current liabilities		161,961	131,380
Total liabilities		**471,164**	**412,437**
EQUITY			
Share capital	31	606,324	606,324
Reserves	31	8,647	(2,956)
Retained earnings	31	(329,987)	(316,121)
Total equity attributable to shareholders of the Company		284,984	287,247
Non-controlling interest		2,478	2,464
Total equity		**287,462**	**289,711**
Total liabilities and equity		**758,626**	**702,148**

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 2018

Winter lettuces being grown by Scotfresh near the Conway River, North Canterbury in May 2018

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

1 EVENT SUBSEQUENT TO BALANCE DATE

Agreement for sale of PGG Wrightson Seeds Holdings Limited

The Group announced in October 2017 that it had appointed Credit Suisse (Australia) Ltd and First NZ Capital Ltd as financial advisors to assist with a strategic review of PGW's business, its growth opportunities, capital and balance sheet requirements, and potentially shareholding structure.

Further to this review, on 6 August 2018 the Group announced that it had signed a sale and purchase agreement for the sale of its subsidiary PGG Wrightson Seeds Holdings Limited (PGW Seeds). The agreement represents the sale of the Group's Seed and Grain operating segment. The sale price is approximately $421 million subject to various adjustments until settlement. The sale is conditional on various approvals including:

– PGW shareholder approval of a major transaction at a shareholders meeting.
– New Zealand Overseas Investment Act approval.
– New Zealand Commerce Commission clearance, Australian Competition and Consumer Commission approval and receipt of applicable regulatory approvals in South America.
– Change of control consents from several of PGW Seeds' joint venture partners.
– PGW banking syndicate consent.

Based on the initial sale price an estimated capital gain is expected to be recognised by the Group of approximately $136 million. This estimated capital gain is subject to any further adjustments to the sale price until settlement, less transaction/disposal costs, and is subject to any reversal of the Foreign Currency Translation Reserve.

As the transaction was not agreed until post balance date and is still subject to the required approvals noted above the Group has not recognised the subsidiary or the Seed and Grain segment as "Assets Held For Sale" or a "Discontinued Operation" as at 30 June 2018.

Dividend

On 13 August 2018 the Directors of PGG Wrightson Limited resolved to pay a final dividend of 1.25 cents per share on 3 October 2018 to shareholders on the Company's share register as at 5.00pm on 4 September 2018. This dividend will be fully imputed.

2 OPERATING REVENUE

	CONTINUING OPERATIONS	
	2018 $000	2017 $000
Sales	1,048,007	994,024
Commissions	110,852	108,205
Construction contract revenue	29,627	27,627
Interest revenue on *Go* livestock product receivables	3,397	1,674
Debtor interest charges	1,579	1,433
Total operating revenue	**1,193,462**	**1,132,963**

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.

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.

Commission Revenue

Commission revenue comprises commission for transactions where the Group acts as an agent.

For agency commissions the Group does not take inventory risk or title for inventories, or for the Group's Livestock and Real Estate businesses biological assets and properties respectively. The Group also generates commissions from the successful referral of clients to unrelated lending and insurance partners.

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.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

3 COST OF SALES

	NOTE	2018 $000	2017 $000
Cost of Sales includes the following items by nature:			
Depreciation and amortisation		1,068	1,068
Employee benefits including commissions		33,620	37,097
Inventories, finished goods, work in progress, raw materials and consumables	15	783,988	755,142
Other		28,652	11,010
		847,328	**804,317**

4 OTHER OPERATING EXPENSES

	2018 $000	2017 $000
Other operating expenses includes the following items:		
Audit of annual financial statements of the Company – KPMG	277	267
Audit of annual financial statements of subsidiaries and associates – KPMG	131	118
Other non-audit services provided by KPMG		
– Tax consulting	–	4
– Trust account audit of PGG Wrightson Real Estate Limited	12	11
– Review of charging group consolidation for bank syndicate	2	2
– Quality assurance – IT project	–	44
Directors' fees	767	770
Donations	6	3
Doubtful debts – (decrease)/increase in provision for doubtful debts	529	286
Net doubtful debts – bad debts written off/(recovered)	(100)	958
Marketing	8,792	8,261
Motor vehicle costs	8,047	7,306
Rental and operating lease costs	29,692	28,951
Other expenses	55,554	52,287
	103,709	**99,268**

5 EQUITY ACCOUNTED INVESTEES

Earnings from equity accounted investees

30 June 2018

	CURRENT ASSETS $000	NON-CURRENT ASSETS $000	TOTAL ASSETS $000	CURRENT LIABILITIES $000	NON-CURRENT LIABILITIES $000	TOTAL LIABILITIES $000
51% Forage Innovations Limited	1,232	–	1,232	(822)	–	(822)
50% Agimol Corporation S.A.	59,974	15,178	75,152	(63,441)	–	(63,441)
33% Agri Optics New Zealand Limited	339	103	442	(60)	(450)	(510)
50% Canterbury Sale Yards (1996) Limited	153	42	195	(61)	–	(61)
50% Fertimas S.A.	18,175	–	18,175	(15,146)	–	(15,146)
	79,873	15,323	95,196	(79,530)	(450)	(79,980)

	REVENUES $000	EXPENSES $000	PROFIT / (LOSS) AFTER TAX $000	PGW SHARE $000
51% Forage Innovations Limited	1,704	(1,622)	82	41
50% Agimol Corporation S.A.	72,621	(76,899)	(4,278)	(2,139)
33% Agri Optics New Zealand Limited	1,028	(1,067)	(39)	(51)
50% Canterbury Sale Yards (1996) Limited	550	(592)	(42)	(21)
50% Fertimas S.A.	27,085	(26,515)	570	285
	102,988	(106,695)	(3,707)	**(1,885)**

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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

5 EQUITY ACCOUNTED INVESTEES (CONTINUED)

Movement in carrying value of equity accounted investees

	2018 $000	2017 $000
Opening balance	20,973	18,000
Investment in Agri Optics New Zealand Limited	–	834
Additional investment in Agimol Corporation S.A. (AgroCentro Uruguay)	3,078	2,063
Currency translation	72	(50)
Share of profit/(loss)	(1,885)	126
Dividends received	–	–
Impairment	(7,804)	–
Investment disposal	(111)	–
Closing balance	**14,323**	**20,973**

Impairment of Agimol Corporation S.A.

The Group has conducted an impairment assessment based on forecasted future cash flows of Agimol Corporation S.A. which resulted in an impairment of $7.80 million (USD 5.28 million) recorded through the profit and loss in fair value adjustments. This impairment assessment has been calibrated by and is consistent with, a valuation of Agimol Corporation S.A. included as part of the proposed sale of PGG Wrightson Seeds Holdings Limited (see Note 1). Following the impairment, goodwill of $5.44 million is included in the carrying value of Agimol Corporation S.A. (30 June 2017: goodwill of $13.24 million included in the carrying value of Agimol Corporation S.A.). The carrying value of the Group's investment in Agimol Corporation S.A. as at 30 June 2018 was $11.83 million (USD 7.59 million).

Agimol Corporation S.A. earn-out provision

The initial investment recorded for this equity accounted investee company in 2016 included a provision for expected future earn-out payments of $7.03 million (USD 4.51 million). This provision was previously included within accruals and other liabilities (see Note 20). Based on the above future cash flow forecasts, we have re-assessed the provision which has resulted in a reduction of the provision. The reduction of $5.13 million (USD 3.66 million) has been recorded through the profit and loss in fair value adjustments. This provision release offsets against the impairment of Agimol Corporation S.A. noted above.

Agri Optics New Zealand Limited

During the period the Group reduced its investment in Agri Optics New Zealand Ltd from 51% to 33.33% following the inclusion of a third JV partner. Proceeds of $0.11 million were received for the investment reduction.

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. The carrying value of equity accounted investees is reviewed where any indicators of impairment are present.

6 FAIR VALUE ADJUSTMENTS

	2018 $000	2017 $000
Property, plant and equipment impairment	(1,070)	–
Assets held for sale	–	(121)
Biological assets	39	28
Investments	(2,846)	2,046
	(3,877)	**1,953**

7 INTEREST – FINANCE INCOME AND EXPENSE

	2018 $000	2017 $000
Finance income contains the following items:		
Other interest income	249	211
Finance income	249	211
Interest funding contains the following items:		
Interest on loans and overdrafts	(6,652)	(5,747)
Net interest on interest rate derivatives	(533)	(367)
Fair value change on interest rate derivatives	(42)	392
Effective interest on expected earn out payments	(87)	(27)
Effective interest on defined pension ESCT payments	(401)	(122)
Other interest expense	(1,281)	(108)
Bank facility fees	(1,239)	(772)
Interest funding expense	(10,235)	(6,751)
Foreign exchange contains the following items:		
Net gain/(loss) on foreign denominated items	1,849	(924)
Fair value change on foreign exchange derivatives	(6,025)	1,306
Foreign exchange income/(expense)	(4,176)	382
Net interest and finance costs	**(14,162)**	**(6,158)**

Fair Value Change on Foreign Exchange Derivatives Accounting Policies

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. The Group uses forward, spot foreign exchange contracts and foreign exchange options to manage these exposures. These derivatives are recorded at their fair value with mark-to-market fair value movements flowing through fair value change on foreign exchange derivatives in the profit and loss. A portion of the underlying hedged future sale or purchase transactions have not yet been recognised by the Group. For this portion no corresponding offsetting net gain/(loss) on foreign denominated items has been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

8 INCOME TAXES

	2018 $000	2017 $000
Current tax expense		
Current year	(14,843)	(11,331)
Adjustments for prior years	308	(1,725)
	(14,535)	(13,056)
Deferred tax expense		
Origination and reversal of temporary differences	1,390	915
Derecognition of previously recognised tax losses	460	–
Adjustments for prior years	225	1,714
	2,075	2,629
Income tax (expense)/income	**(12,460)**	**(10,428)**
Profit/(loss) for the year	18,887	46,311
Income tax (expense)/income	(12,460)	(10,428)
Tax on discontinued operations	(199)	(4)
Profit/(loss) excluding income tax	**31,546**	**56,743**

	2018 %	2018 $000	2017 %	2017 $000
Income tax using the Company's domestic tax rate	28.0%	(8,833)	28.0%	(15,888)
Effect of tax rates in foreign jurisdictions	2.3%	(714)	-0.3%	194
Non-deductible expenses	7.7%	(2,441)	-0.2%	(91)
Tax effect of discontinued operations	0.6%	(199)	0.0%	(4)
Tax exempt income	-2.3%	726	-9.8%	5,583
Under/(over) provided in prior years	-1.7%	533	0.0%	(11)
Derecognition of previously recognised tax losses	1.5%	(460)	0.0%	–
Current year tax losses not recognised	3.4%	(1,072)	0.4%	(210)
	39.5%	**(12,460)**	**18.4%**	**(10,428)**

Income tax recognised directly in equity

	2018 $000	2017 $000
Income/deferred tax on changes in fair value of cash flow hedges	–	571
Deferred tax on movement of actuarial gains/losses on employee benefit plans	(961)	(2,389)
Total income tax recognised directly in equity	**(961)**	**(1,818)**

The Group has $3.58 million imputation credits as at 30 June 2018 (2017: $0.32 million). This balance includes the third provisional tax instalment made on 27 July 2018 in respect of the year ended 30 June 2018.

Refer to Accounting Policies – page 51.

8 INCOME TAXES (CONTINUED)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2018 $000	ASSETS 2017 $000	LIABILITIES 2018 $000	LIABILITIES 2017 $000	NET 2018 $000	NET 2017 $000
Group						
Property, plant and equipment	–	–	(162)	(518)	(162)	(518)
Intangible assets	–	–	(97)	(455)	(97)	(455)
Employee benefits	10,689	9,635	–	–	10,689	9,635
Provisions	5,596	4,676	(718)	(97)	4,878	4,579
Other items	951	1,904	–	–	951	1,904
Tax asset/(liability)	17,236	16,215	(977)	(1,070)	**16,259**	**15,145**

Movement in deferred tax on temporary differences during the year

	BALANCE 1 JUL 2016 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2017 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2018 $000
Group							
Property, plant and equipment	(2,335)	1,817	–	(518)	356	–	(162)
Intangible assets	(435)	(20)	–	(455)	358	–	(97)
Employee benefits	12,356	(332)	(2,389)	9,635	2,015	(961)	10,689
Provisions	4,115	981	–	5,096	(218)	–	4,878
Other items	633	183	571	1,387	(436)	–	951
	14,334	2,629	(1,818)	**15,145**	2,075	(961)	**16,259**

Unrecognised tax losses / Unrecognised temporary differences

At 30 June 2018 the Group has $7.44 million of unrecognised deferred tax assets relating to unrecognised losses (2017: $6.37 million) and $2.64 million of unrecognised deferred tax assets relating to unrecognised temporary differences (2017: $2.39 million). These unrecognised deferred tax assets relate to the Australian and South American 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

9 DISCONTINUED OPERATIONS

The discontinued operations pertain to the Group's wholly owned subsidiary PGW Rural Capital Limited (PGWRC) which was established during 2012 to hold and recover certain excluded loans related to the sale of the Group's finance subsidiary PGG Wrightson Finance Limited. As at 30 June 2018 one loan remained in PGWRC. During the period an unconditional sale and purchase agreement was signed in respect of a property used as security for the loan with proceeds subsequently being received by the Group on 13 July 2018. The provision for finance doubtful debts was reassessed at 30 June 2018 in respect of the amount recoverable.

10 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

Basic earnings per share

The calculation of basic earnings per share at 30 June 2018 was based on the profit/(loss) attributable to ordinary shareholders of $18,887,000 (2017:$46,311,000) by the weighted average number of shares, 754,848,774 (2017: 754,848,774) on issue. There are no dilutive shares or options (2017: Nil).

	2018 000	2017 000
Number of shares		
Weighted average number of ordinary shares	754,849	754,849
Number of ordinary shares	**754,849**	**754,849**

	2018 $000	2017 $000
Net Tangible Assets		
Total assets	758,626	702,148
Total liabilities	(471,164)	(412,437)
less intangible assets	(13,017)	(9,129)
less deferred tax	(16,259)	(15,145)
	258,186	**265,437**

	2018 $	2017 $
Net tangible assets per share	0.342	0.352
Earnings per share	0.025	0.061

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.

11 CASH AND FINANCING FACILITIES

	2018 $000	2017 $000
Cash and cash equivalents	10,926	9,403
Current financing facilities	(30,806)	(26,719)
Term financing facilities	(149,205)	(110,925)
Net interest bearing debt	**(169,085)**	**(128,241)**
Go range of livestock product receivables	39,419	32,371
Net interest-bearing debt less *Go* livestock receivables	**(129,666)**	**(95,870)**

Australia and New Zealand Facilities

The Company amended and extended its syndicated facility agreement on 15 December 2017. The facility agreement provides bank facilities of $210.00 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 China (New Zealand) Limited, Bank of New Zealand, MUFG Bank, Ltd and Westpac New Zealand Limited).

The Company's bank syndicate facilities include:

- A term debt facility of $150.00 million maturing on 31 July 2020.
- A working capital facility of up to $60.00 million maturing on 31 July 2020.

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 $22.82 million as at 30 June 2018 including:

- Overdraft facilities of $9.59 million.
- Guarantee and trade finance facilities of $10.40 million.
- Finance lease facilities of $2.83 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.

South American Facilities

Two of the Group's wholly-owned Uruguayan subsidiaries (Wrightson Pas S.A. and Agrosan S.A.) are jointly and severally financed by a club structure. The 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 logistics centre in Uruguay and provide:

- An amortising logistics centre facility of $12.00 million (USD 8.13 million) maturing on 17 September 2022.
- A committed facility of $17.73 million (USD 12.00 million) maturing on 29 June 2021.
- Finance lease facilities of $0.23 million.

Separate to the club facility, the Group's South American operations have various unsecured financing facilities that amounted to $19.99 million (USD 13.53 million) as at 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

12 DERIVATIVE FINANCIAL INSTRUMENTS

	2018 $000	2017 $000
Derivative assets held for risk management		
Current	827	3,528
Non-current	20	427
	847	3,955
Derivative liabilities held for risk management		
Current	(3,645)	(991)
Non-current	(966)	(661)
	(4,611)	(1,652)
Net derivatives held for risk management	**(3,764)**	**2,303**

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.

13 *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 2 Operating Revenue) of the Agency operating segment.

	2018 $000	2017 $000
Go livestock receivables – less than one year	39,419	32,371
Go livestock receivables – greater than one year	–	–
less provision for doubtful debts – *Go* range of livestock receivables	–	–
	39,419	**32,371**

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

	NOT IMPAIRED 2018 $000	IMPAIRED 2018 $000	NOT IMPAIRED 2017 $000	IMPAIRED 2017 $000
Not past due – *Go* range of livestock receivables	39,419	–	32,371	–
Past due 0 – 90 days	–	–	–	–
Past due 91 – 365 days	–	–	–	–
Impairment	–	–	–	–
	39,419	**–**	**32,371**	**–**

14 TRADE AND OTHER RECEIVABLES

	2018 $000	2017 $000
Accounts receivable	213,262	193,233
Trade receivables due from related parties	25,827	18,877
	239,089	212,110
less provision for doubtful debts	(6,887)	(6,358)
Net accounts receivable	232,202	205,752
Other receivables and prepayments	35,425	24,270
	267,627	**230,022**
Analysis of movements in provision for doubtful debts		
Balance at beginning of year	(6,358)	(6,072)
Movement in provision	(529)	(286)
Balance at end of year	**(6,887)**	**(6,358)**

The Group has transacted with its related party Agimol Corporation S.A. and its subsidiaries during the period ended 30 June 2018. The aggregate value of transactions during the period between the Group and Agimol Corporation S.A. and its subsidiaries amounted to $23.16 million (2017: $28.03 million). The outstanding balance as at 30 June 2018 was $25.83 million (2017: $18.88 million). No provision is held in respect of the outstanding balance (2017: Nil).

The Group has also transacted with its related party Fertimas S.A. during the period ended 30 June 2018. The aggregate value of transactions during the period between the Group and Fertimas S.A. amounted to $16.52 million (2017: $12.78 million). The outstanding balance as at 30 June 2018 was Nil (2017: Nil).

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

	TOTAL DEBTORS 2018 $000	PROVISION 2018 $000	TOTAL DEBTORS 2017 $000	PROVISION 2017 $000
Not past due	192,533	(20)	163,641	–
Past due 1 – 30 days	18,702	(95)	24,855	(18)
Past due 31 – 60 days	12,391	(81)	8,332	(17)
Past due 61 – 90 days	1,070	(32)	964	(28)
Past due 90 plus days	14,393	(6,659)	14,318	(6,295)
	239,089	**(6,887)**	**212,110**	**(6,358)**

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 2018

15 INVENTORY

	2018 $000	2017 $000
Merchandise/finished goods	266,471	258,536
Work in progress	842	761
Less provision for inventory write down	(4,775)	(5,697)
	262,538	**253,600**

During the year ended 30 June 2018, finished goods, work in progress, raw materials and consumables included in cost of sales in the Statement of Profit or Loss amounted to $783.99 million (2017: $755.14 million) (see Note 3).

During the year ended 30 June 2018 inventories written down to net realisable value amounted to $2.34 million (2017: $1.94 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.

16 GROUP ENTITIES

SIGNIFICANT SUBSIDIARIES	OWNERSHIP INTEREST COUNTRY OF INCORPORATION	DIRECT PARENT	2018 %	2017 %
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%
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.	Argentina	PGW AgriTech South America S.A.	100%	100%
PGW Sementes 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 31 August 2017 the Group acquired the assets and business of the Superior Seed Company (Superior) at Deniliquin in the Riverina Region of New South Wales. The purchase price was $1.06 million. The net assets acquired included plant and equipment, inventory and employee provisions. Superior is a seed production, cleaning and wholesale marketing business.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

17 OTHER INVESTMENTS

	2018 $000	2017 $000
Current investments		
BioPacificVentures	30	30
Advances to equity accounted investees	–	3,411
	30	**3,441**
Non-current investments		
Advances to equity accounted investees	150	–
Sundry other investments	2,370	1,906
	2,520	**1,906**

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 have agreed to continue with the fund manager in facilitating the wind down of the remaining investments held.

At 30 June 2018 $13.95 million has been drawn on the committed level of investment (30 June 2017: $13.95 million).

Advances to equity accounted investees

The non-current advance is a loan to the jointly controlled entity Agri Optics New Zealand Limited. No interest is payable on the balance and no provision for doubtful debts was recorded against the loan as at 30 June 2018.

During the period the advance, previously provided to the South American investee entity Fertimas S. A., was repaid and replaced with external bank funding. The Group supports this external bank funding by way of guarantee. See Note 26.

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 cannot 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.

18 INTANGIBLE ASSETS

	SOFTWARE $000	TRADEMARKS, PATENTS & RIGHTS $000	TOTAL $000
Cost			
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**
Balance at 1 July 2017	18,580	2,930	21,510
Additions	10,412	221	10,633
Effect of movement in exchange rates	23	43	66
Balance at 30 June 2018	**29,015**	**3,194**	**32,209**
Amortisation and impairment losses			
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**
Balance at 1 July 2017	11,146	1,235	12,381
Amortisation for the year	3,600	527	4,127
Effect of movement in exchange rates	22	21	43
Balance at 30 June 2018	**14,768**	**1,783**	**16,551**
Carrying amounts			
At 1 July 2016	**5,735**	**1,344**	**7,079**
At 30 June 2017	**7,434**	**1,695**	**9,129**
At 1 July 2017	**7,434**	**1,695**	**9,129**
At 30 June 2018	**14,247**	**1,411**	**15,658**

The carrying amount includes software cost of $2.64 million included as a current asset (2017: Nil).

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 1 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 2 and 10 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

19 PROPERTY, PLANT AND EQUIPMENT

	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORKS PROJECT* $000	TOTAL $000
Cost					
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**
Balance at 1 July 2017	20,372	42,560	116,701	4,003	183,636
Additions	551	3,162	11,652	(181)	15,184
Added as part of a business combination/amalgamation	–	12	801	–	813
Disposals and transfers to other asset classes	(169)	(122)	(2,399)	–	(2,690)
Impairment	–	(1,070)	–	–	(1,070)
Effect of movements in exchange rates	233	1,829	1,753	–	3,815
Balance at 30 June 2018	**20,987**	**46,371**	**128,508**	**3,822**	**199,688**
Depreciation and impairment losses					
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**
Balance at 1 July 2017	–	5,542	60,729	–	66,271
Depreciation for the year	–	1,296	7,551	–	8,847
Depreciation recovered to COGS	–	–	1,068	–	1,068
Disposals and transfers to other asset classes	–	(82)	(1,713)	–	(1,795)
Effect of movements in exchange rates	–	171	906	–	1,077
Balance at 30 June 2018	**–**	**6,927**	**68,541**	**–**	**75,468**
Carrying amounts					
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**
At 1 July 2017	**20,372**	**37,018**	**55,972**	**4,003**	**117,365**
At 30 June 2018	**20,987**	**39,444**	**59,967**	**3,822**	**124,220**

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

Capital gains on the sale of property, plant and equipment of $1.69 million were recognised in non-operating items in the current period (2017: $8.74 million).

Refer to Accounting Policies – page 61.

19 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.

20 TRADE AND OTHER PAYABLES

	2018 $000	2017 $000
Trade creditors	147,134	132,668
Trade payables due to related parties	4,822	5,002
Loyalty reward programme	1,177	1,318
Deposits received in advance	3,196	3,589
Accruals and other liabilities	81,725	87,676
Employee entitlements	31,163	22,946
	269,217	**253,199**
Payable within 12 months	267,096	248,290
Payable beyond 12 months	2,121	4,909
	269,217	**253,199**

Holidays Act 2003 - Remediation Costs

During the period the Group recognised an $8.06 million provision for remediation costs of historical liabilities under the Holidays Act 2003. The Group has engaged the services of an external advisor and a law firm to assist in determining the level of the provision. Work on determining the final liability is not yet complete. The provision is included within Employee entitlements above and represents the Management's best estimate of the remediation costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

21 DEFINED BENEFIT ASSET / LIABILITY

	2018 $000	2017 $000
Present value of funded obligations	(66,814)	(71,106)
Fair value of plan assets	59,092	58,835
Net defined benefit asset / (liability)	(7,722)	(12,271)
ESCT on committed contributions – short-term	(905)	(942)
ESCT on committed contributions – long-term	(1,947)	(2,614)
Total defined benefit asset / (liability)	**(10,574)**	**(15,827)**

The Group makes contributions to the PGG Wrightson Employee Benefits Plan, a defined benefit plan that provides a range of superannuation and insurance benefits for employees and former employees. The 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.

	2018 %	2017 %
Group / Company Plan assets consist of:		
Equities	59%	64%
Fixed interest	31%	28%
Cash	10%	8%
	100%	**100%**

Plan assets included exposure to the Company's ordinary shares of Nil (2017: Nil).

	2018 %	2017 %
Actuarial Assumptions:		
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate used (10 year New Zealand Government Bond rate)	2.85%	2.97%
Inflation	2.00%	2.00%
Future salary increases	3.00%	3.00%
Future pension increases	2.00%	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:

	2018 YEARS	2017 YEARS
Longevity at age 65 for current pensioners		
Males	21	21
Females	24	24
Longevity at age 65 for current members aged 45		
Males	24	24
Females	28	28

As at 30 June 2018 the weighted average duration of the defined benefit obligation was 8.7 years for the PGG Wrightson Employment Benefits Plan (2017: 8.5 years).

Refer to Accounting Policies – page 64.

21 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

Sensitivity analysis

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

	2018 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2018 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000	2017 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2017 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000
Change in assumption				
Discount rate (0.50% movement)	1,403	(1,537)	1,635	(1,778)
Salary growth rate (0.50% movement)	(200)	200	(284)	284
Pension growth rate (0.25% movement)	(601)	601	(711)	640
Life expectancy (1 year movement)	(1,470)	1,470	(1,493)	1,493

	2018 $000	2017 $000	2016 $000	2015 $000	2014 $000
Historical information					
Present value of the defined benefit obligation	(66,814)	(71,106)	(73,417)	(72,153)	(68,330)
Fair value of plan assets	59,092	58,835	52,702	57,498	54,802
(Deficit) / surplus in the plan	**(7,722)**	**(12,271)**	**(20,715)**	**(14,655)**	**(13,528)**

The Group expects to pay $2.94 million in contributions to the defined benefit plan in 2019 (2018: $3.02 million). Member contributions are expected to be $0.86 million (2018: $0.92 million).

Refer to Accounting Policies – page 64.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

21 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

	2018 $000	2017 $000
Movement in the liability for defined benefit obligations:		
Liability for defined benefit obligations at 1 July	71,106	73,417
Benefits paid by the plan	(8,914)	(6,010)
Current service costs	858	989
Interest costs	2,010	1,579
Member contributions	1,170	1,199
Actuarial (gains)/losses recognised in other comprehensive income arising from:		
(Gains)/losses from change in financial assumptions	510	(2,197)
Experience (gains)/losses	74	2,129
Liability for defined benefit obligations at 30 June	**66,814**	**71,106**
Movement in plan assets:		
Fair value of plan assets at 1 July	58,835	52,702
Contributions paid into the plan	3,011	5,920
Member contributions	1,170	1,199
Benefits paid by the plan	(8,914)	(6,010)
Current service costs	–	–
Interest costs	1,677	1,199
Other Actuarial items recognised in other comprehensive income:		
Expected return on plan assets	3,313	3,825
Fair value of plan assets at 30 June	**59,092**	**58,835**
Expense recognised in profit or loss:		
Current service costs	858	989
Interest	333	380
	1,191	**1,369**
Recognised in non-operating items	142	649
Recognised in Employee benefit expense	1,049	720
	1,191	**1,369**
Movements recognised in equity:		
Cumulative gains/(losses) at 1 July	(34,645)	(36,397)
Net profit and loss impact from current period costs	(1,191)	(1,369)
Gains/(losses) recognised during the year	2,729	3,893
ESCT provision	17	(772)
Cumulative gains/(losses) at 30 June	**(33,090)**	**(34,645)**

Employee Benefits Accounting Policies

The Group's net obligation with respect to the defined benefit pension plan 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 and the expected return on plan assets 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.

22 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 are 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.

The Group manages this risk by forecasting daily cash requirements, forecasting future funding requirements and maintaining an adequate liquidity buffer.

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. In some circumstances foreign exchange options are used to hedge potential foreign exchange risk. 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) Pty Limited which is hedged with foreign exchange contracts.

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 $78.0 million of interest rate derivatives at balance date (2017: $93.0 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.

Refer to Accounting Policies – page 70.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

22 FINANCIAL INSTRUMENTS (CONTINUED)

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 2018, 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%	
	2018 $000	2017 $000	2018 $000	2017 $000
Impact on net profit after tax	(1,614)	(1,418)	1,610	1,421
Members' equity	(1,614)	(1,418)	1,610	1,421

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 70.

22 FINANCIAL INSTRUMENTS (CONTINUED)

Quantitative disclosures

(a) Liquidity Risk – Contractual Maturity Analysis

The following tables analyse the Group's 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 $000	1 TO 5 YEARS $000	BEYOND 5 YEARS $000	CONTRACTUAL CASH FLOW $000	BALANCE SHEET $000
2018					
Liabilities					
Debt	41,041	163,231	–	204,272	180,011
Derivative financial instruments	3,645	966	–	4,611	4,611
Trade and other payables	151,956	–	–	151,956	151,956
	196,642	**164,197**	**–**	**360,839**	**336,578**
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**

(b) Liquidity Risk – Expected Maturity Analysis

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

(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
2018				
Cash and cash equivalents	5	4,510	1,531	19
Trade and other receivables	6,830	50,406	10,702	55,627
Debt	–	(5,908)	–	–
Trade and other payables	(119)	(5,363)	(2,704)	(1,565)
Net balance sheet position	**6,716**	**43,645**	**9,529**	**54,081**
Forward exchange contracts				
Notional forward exchange cover	6,711	45,043	7,998	54,062
Net unhedged position	**5**	**(1,398)**	**1,531**	**19**
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**

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.

Refer to Accounting Policies – page 70.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

22 FINANCIAL INSTRUMENTS (CONTINUED)

(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
2018					
Liabilities					
Debt	180,011	–	–	–	180,011
Derivative financial instruments	(63,000)	15,000	48,000	4,611	4,611
Trade and other payables	–	–	–	151,956	151,956
	117,011	**15,000**	**48,000**	**156,567**	**336,578**
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**

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
2018					
Assets					
Cash and cash equivalents	–	–	10,926	10,926	10,926
Derivative financial instruments	–	847	–	847	847
Trade and other receivables	–	–	232,202	232,202	232,202
Other investments	30	–	2,370	2,400	2,400
Go livestock receivables	–	–	39,419	39,419	39,419
Finance receivables			733	733	733
	30	**847**	**285,650**	**286,527**	**286,527**
Liabilities					
Derivative financial instruments	–	4,611	–	4,611	4,611
Trade and other payables	–	–	151,956	151,956	151,956
Debt	–	–	180,011	180,011	180,011
	–	**4,611**	**331,967**	**336,578**	**336,578**
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**

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 Policies – page 70.

22 FINANCIAL INSTRUMENTS (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 2018.

	NOTE	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2018					
Assets					
Derivative financial instruments		–	847	–	847
Other investments	17	–	–	30	30
		–	**847**	**30**	**877**
Liabilities					
Derivative financial instruments		–	4,611	–	4,611
		–	**4,611**	**–**	**4,611**
2017					
Assets					
Derivative financial instruments		–	3,955	–	3,955
Other investments	17	–	–	30	30
		–	**3,955**	**30**	**3,985**
Liabilities					
Derivative financial instruments		–	1,652	–	1,652
		–	**1,652**	**–**	**1,652**

(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:

	2018 $000	2017 $000
Total trade and other receivables and Go livestock receivables		
New Zealand	179,598	158,936
Australia	10,848	13,314
South America	80,410	65,873
	270,856	**238,123**

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 70.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

22 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 and 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 and 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.

23 OPERATING LEASES

	2018 $000	2017 $000
Non-cancellable operating lease rentals are payable as follows:		
Within one year	26,869	25,376
Between one and five years	68,281	56,981
Beyond five years	42,976	33,332
	138,126	**115,689**

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 four years.

The Group also leases and subleases land and buildings from which it conducts operations. These leases range in length from one to 15 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 2018 sublease revenue totalling $1.18 million (2017: $1.20 million) was received.

24 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.

25 COMMITMENTS

	NOTE	2018 $000	2017 $000
There are commitments with respect to:			
Capital expenditure not provided for		2,463	1,432
Investment in BioPacificVentures	17	51	51
Contributions to Primary Growth Partnership		277	867
		2,791	**2,350**

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 (2017: total commitment of $3.61 million). As at 30 June 2018 total contributions of $3.33 million (2017: $2.74 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 three 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

26 CONTINGENT LIABILITIES

There are contingent liabilities with respect to:

	2018 $000	2017 $000
Guarantee	3,693	–
PGG Wrightson Loyalty Reward Programme	102	140
	3,795	**140**

Guarantees

The guarantee is a standby letter of credit supporting external bank funding of the jointly controlled entity Fertimas S.A. Funding was previously provided by the respective joint venture partners. See Note 17.

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 $0.10 million represents the balance of live points that do not form part of the provision (2017: $0.14 million).

Losses are not expected to arise from these contingent liabilities.

27 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

	2018 $000	2017 $000
Key Management Personnel compensation comprised:		
Short-term employee benefits	6,079	7,924
Post-employment benefits	151	121
Termination benefits	–	–
	6,230	**8,045**

Directors fees incurred during the year are disclosed in Note 4 Other Operating Expenses.

27 RELATED PARTIES (CONTINUED)

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 2018 $000	BALANCE OUTSTANDING 2018 $000	TRANSACTION VALUE 2017 $000	BALANCE OUTSTANDING 2017 $000
John Nichol	Purchase of retail goods	2	–	4	–
Trevor Burt	Purchase of retail goods and livestock transactions	184	–	106	–
Mark Dewdney *(resigned 31 October 2017)*	Purchase of retail goods and livestock transactions	416	–	543	20
David Green	Purchase of retail goods and rental receipts	87	–	104	–
Stephen Guerin	Purchase of retail goods and livestock transactions	9	–	16	–
John McKenzie	Purchase of retail goods, sale of seed under production contracts, sale of wool, water services and livestock transactions	3,345	(593)	5,351	(382)
Peter Newbold	Purchase of retail goods	35	3	25	–
Cedric Bayly *(retired 31 October 2017)*	Purchase of retail goods	1	–	9	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

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.

The financial statements of PGG Wrightson Limited for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The 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 13 August 2018.

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.

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.

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
5	Reassessment of earn-out provision
14	Carrying value of trade and other receivables
15	Valuation of seeds inventory
20	Assessment of Holidays Act 2003 remediation costs

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.

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.

The recoverable amount of the Group's investments in held-to-maturity debt instruments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with short durations are not discounted.

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

All known losses are expensed in the period in which it becomes apparent that the receivables are not collectable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

30 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

30 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 2018 and have not been applied in preparing these consolidated financial statements. These standards are:

- 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 and 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 impact on the Group's financial results.

PGG WRIGHTSON LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	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 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**
Balance at 1 July 2017	606,324	(10,281)	23,443	556	–	(14,087)	(2,587)	(316,121)	2,464	289,711
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	17,964	923	18,887
Other comprehensive income										
Foreign currency translation differences	–	6,558	–	–	–	–	–	–	(150)	6,408
Changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	–	–	–	–
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	–	–	–	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	1,785	–	–	–	1,785
Total other comprehensive income	–	6,558	–	–	–	1,785	–	–	(150)	8,193
Total comprehensive income for the period	–	6,558	–	–	–	1,785	–	17,964	773	27,080
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Dividends to shareholders	–		–	–	–	–	–	(28,570)	(759)	(29,329)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(28,570)	(759)	(29,329)
Transfer to retained earnings	–	–	–	–	–	3,260		(3,260)	–	–
Balance at 30 June 2018	**606,324**	**(3,723)**	**23,443**	**556**	**–**	**(9,042)**	**(2,587)**	**(329,987)**	**2,478**	**287,462**

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2018

31 CAPITAL AND RESERVES

	No. OF SHARES 2018 000	No. OF SHARES 2017 000	2018 $000	2017 $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 year ended 30 June 2018 the amount of $3.26 million was transferred from the defined benefit reserve to retained earnings (30 June 2017: $2.35 million). This amount represents the tax impact of lump sum cash contributions made.

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.

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 2018 interim dividend of 1.75 cents per share was paid on 5 April 2018 and a fully imputed 2017 final dividend of 2.0 cents per share was paid on 4 October 2017 (2017: 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).

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.

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 2018 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 2018;

— the consolidated profit and 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 2018; 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 and agreed upon procedures. 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 adjusted Group net profit before tax. 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 ($262.5 million – refer note 15)	
The Group is exposed to risks associated with climatic events, particularly in New Zealand, Australia and South America. Weather events have an impact on harvest yields, specifically within the Seed and Grain business, and also on 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 due to the variation in customer demands.	Our audit procedures included: — Challenging the methodology applied by management to calculate the inventory provision. In addition, we checked a sample of inputs in the inventory provision calculation for consistency with the last purchase date, sales volume in the last 12 months, aging of inventory items and months of inventory cover. — Comparing products sold with negative margin during the financial year to the level of product on hand at year end and assessing whether the inventory is held at the lower of cost and net realisable value. — Assessing a sample of externally completed germination testing of seed inventory to identify any 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. Our procedures did not identify any variations that would materially impact the carrying value of inventory.
Economic Risk Factors – Impacts on the recoverability of trade receivables ($267.6 million – refer note 14)	
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, specifically within Uruguay. Refer Note 14 for further details on outstanding trade receivables and credit quality at year end and to Note 22 for details on how the Group manages credit risk.	Our audit procedures included: — Evaluating whether the aged accounts receivable listing (used as the initial basis by management to determine whether a provision is required) was complete and accurately reflected the aging of outstanding amounts. We agreed a sample of individual outstanding trade receivables to original sales documentation. — Challenging the methodology applied by management to calculate the provision for doubtful debts by considering the policy applied and whether the underlying assumptions were appropriate. — 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. Our audit procedures did not identify variations that would materiality impact on the carrying value of trade receivables.

The key audit matter	How the matter was addressed in our audit
Investment Risk – Carrying value of the equity accounted investment in Agimol Corporation S.A. ('Agimol') ($11.8 million - refer note 5)	
The Group has a 50 percent investment in Agimol which is accounted for as an equity accounted investee. Included within the original purchase price of this investment was an estimate for the amount payable under an earn out provision as detailed in Note 5. During the year, the Group has made an additional investment in Agimol. The operations of Agimol have been impacted by historical flooding events within Uruguay and the flow on effects through on-farm spending in subsequent seasons. The Group has conducted an impairment assessment based on the forecast future performance of Agimol and recognised an impairment expense of $7.8 million. This is considered to be a key audit matter due to the judgement in forecasting future performance which is inherently uncertain.	Our audit procedures included: — Considering the terms of additional investments during the year, specifically if there continues to be joint control and it remains appropriate to continue equity accounting for the investment. — Challenging the assumptions adopted in management's forecast future cashflow analysis, including forecast cashflow performance, long term growth rates and discount rates. — Engaging our internal valuation specialists to assist in assessing key assumptions in management's discounted cashflow and challenging the assessed carrying value based on other references for valuation, including implied earnings multiples. — Comparing the assessed carrying value based on future forecast performance to the value included within the agreed purchase price as part of the conditional sale of PGG Wrightson Seeds Holdings Limited, announced subsequent to year end (refer note 1 of the financial statements). — Comparing the consistency of the assumptions made by management to assess the carrying value of the investment with those used to assess the carrying value of the earn out provision. Our audit procedures concluded that the carrying value of the investment within Agimol Corporation is materially correct and is consistent with the value included within the conditional sale of PGG Wrightson Seeds Holdings Limited.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the Group's Annual Report. Other information may include 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 independent auditor's 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 independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, 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:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Peter Taylor

For and on behalf of

KPMG
Christchurch

13 August 2018

Corporate GOVERNANCE and BOARD CHARTER

Incorporating Disclosure of Compliance with the NZX Corporate Governance Code

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.

1.2 This Code complies with the Recommendations in the NZX 2017 Corporate Governance Code (NZX Code) except where specifically disclosed in this annual report. This Corporate Governance section is current as at 30 June 2018 and has been approved by PGG Wrightson's Board of Directors.

1.3 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.

2.2 In compliance with NZX Code Recommendation 1.1, the Board has several documents that document minimum standards of ethical behaviour, being the Code of Conduct, Conflict of Interest Policy, Group Fraud Prevention Policy and Whistle-Blower Policy, and the Board Charter listed in section 3 below. In compliance with NZX Code Recommendation 4.2, these policies are all available to view on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance

2.3 The Board has developed and adopted a written Code of Conduct which requires all members of the PGG Wrightson Group, including Directors and employees, 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'.

2.4 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, honesty 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, safety and wellbeing 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;

Corporate
GOVERNANCE and BOARD CHARTER continued

- 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.

2.5 The Code of Conduct is available to view on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance. The Code of Conduct is communicated to all staff and is included in regular staff training and inductions.

2.6 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 has a Whistle-Blower policy that allows 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, to help encourage a culture of promoting ethical behaviour and being able to speak up.

2.7 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 2018 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 which is in compliance with NZX Code Recommendation 2.1. 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 and to give proper attention to the matters before them. 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 In compliance with NZX Code Recommendation 2.4, information about each Director is disclosed in this annual report, including a profile of experience, length of service, independence and ownership interests. As at 30 June 2018 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 2018 Annual Report. In addition, John Fulton, Chief Financial Officer of Agria Corporation, is an alternate Director for Joo Hai Lee. In compliance with NZX Code Recommendation 2.8, the Chief Executive is different to the Chairperson, and 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 Chairperson is not independent as Guanglin (Alan) Lai has an association with substantial security holder, Agria (Singapore) Pte Limited.

3.4 The statutory disclosures section in the 2018 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 93 to 94 of the 2018 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 In compliance with NZX Code Recommendation 2.2 that every issuer should have a procedure for the nomination and appointment of directors to the Board, this is done 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. Checks will be done and key information about a candidate provided to shareholders in the Notice of Annual Meeting, including any material adverse information disclosed in the checks where a candidate is standing for the first time or the term of office if seeking re-election. 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. In relation to NZX Code Recommendation 3.4, the Board does not have a nomination Committee to recommend director appointments to the Board as that is carried out by the whole Board.

3.7 The Board has a template Director Letter of Appointment available for use which sets out the written expectations of Directors and which will be used for all new directors in compliance with NZX Code Recommendation 2.3 that an issuer should enter into written agreements with each newly appointed director establishing the terms of their appointment.

3.8 In compliance with NZX Code Recommendation 2.7, the Board has a process to formally review the performance of each Director and the Board as a whole, not less than every two years. In compliance with NZX Code Recommendation 2.6, 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.

3.9 The full Board met in person seven times during the year ended 30 June 2018. Directors also meet on other occasions for strategic planning and held conference calls from time to time as required.

3.10 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.

3.11 In relation to NZX Code Recommendation 3.6, if and when necessary the Board will establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The protocols will disclose the scope of independent advisory reports to shareholders, the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee. The Board does not consider it necessary to establish such protocols in advance as standing protocols, but will do so if the need arises.

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. In compliance with NZX Code Recommendation 2.7, the Board has a process to formally review 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 In compliance with NZX Code Recommendation 3.2 and 4.3, senior management only attend Committee meetings at the invitation of the Committee as is considered appropriate. The Committees may appoint advisors as they see fit.

Corporate GOVERNANCE and BOARD CHARTER continued

4.3 As at 30 June 2018 the Board had three standing Committees – the Audit Committee, the Remuneration and Appointments Committee and the Committee of Independent Directors. In compliance with NZX Code Recommendation 3.5, the Board has considered but does not think it is currently necessary to have any other Board committees as standing Board committees. Other committees are formed as and when required.

4.4 **Audit Committee**

In compliance with NZX Code Recommendation 3.1, as explained below the Audit Committee operates under a written charter, membership is majority independent and comprises solely of non-Executive Directors, and the Chair is not also the Chairperson of the Board.

In compliance with NZX Code Recommendation 4.2, the Audit Committee Charter is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > 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 Joo Hai Lee. 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;
- 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 on occasions meets with the internal auditors and external auditors without the management present.

4.5 **Remuneration and Appointments Committee**

NZX Code Recommendation 3.3 is partially complied with in that the Remuneration and Appointments Committee operates under a written Charter, however the majority of members are not independent directors as the Committee is comprised of the full Board. In compliance with NZX Code Recommendation 4.2 the Charter is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > 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 once 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.

In addition a subcommittee of the Remuneration and Appointments Committee was established during the year, chaired by Trevor Burt, for the purpose of recruiting the new Chief Executive, culminating in the appointment of Ian Glasson,

The role of the Remuneration and Appointments Committee as set out in its Charter will be expanded to include the function of recommending remuneration packages for Directors to shareholders in future when such a recommendation to shareholders is put forward. NZX Code Recommendation 5.1 will continue to be complied with, being that director remuneration is put to shareholders for approval in a transparent manner.

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. In compliance with NZX Code Recommendation 4.3, PGG Wrightson considers that its financial reporting is balanced, clear and objective.

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. In compliance with NZX Code Recommendation 4.1, the Board has adopted a Continuous Disclosure Policy which is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance. In compliance with NZX Code Recommendation 4.3, PGG Wrightson provides non-financial disclosure in its Annual Report, including considering material exposure to environmental, economic and social sustainability risks and other key risks, risk management and relevant internal controls. The Company also 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 In compliance with NZX Code Recommendation 1.2, 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 Our Company > 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 In compliance with NZX Code Recommendation 2.5, the Board has a Diversity Policy which is available at www.pggwrightson.co.nz under Our Company > 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 2018 and comparative figures for 30 June 2017. 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 2018	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2017	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2018	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2017	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2018	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2017
Number of Males	7	7	11	12	1408	1327
Percentage of Males	100%	100%	91%	93%	65%	67%
Number of Females	0	0	1	1	753	657
Percentage of Females	0%	0%	9%	7%	35%	33%

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

Corporate
GOVERNANCE and BOARD CHARTER continued

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. In compliance with NZX Code Recommendation 5.1, the statutory disclosures section in the 2018 Annual Report lists the Company's Directors' actual remuneration including any Board Committee fees paid. There are no performance incentives for any Directors. 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.

6.3 The Board considers that it partially complies with NZX Code Recommendation 5.2, being that PGG Wrightson's remuneration policy for remuneration of Officers outlines the relative weightings of remuneration components and relevant performance criteria. Directors' remuneration does not have performance criteria attached to it.

6.4 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.

7. Risk Management

7.1 In compliance with NZX Code Recommendation 6.1, PGG Wrightson has in place a risk management framework for its business, the Board receives and reviews regular reports, and has in place a framework to manage any existing risks and to report the material risks facing the business and how these are being managed.

7.2 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.

7.3 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.

7.4 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.

7.5 In compliance with NZX Code Recommendation 6.2, PGG Wrightson has on page 7 of this 2018 Annual Report disclosed how it manages its health and safety risks and has reported on our health and safety risks, performance and management. In August 2017, we revised our governance structure for managing health and safety and formed a Group Health & Safety Committee represented by Senior management, including the Chief Executive and Chief Financial Officer, and two Board members.

8. Independent Auditors

8.1 In compliance with NZX Code Recommendation 7.1, the Board has established a framework as set out below for the Company's relationship with its external auditors. This includes procedures:

(a) for sustaining communication with the external auditors;

(b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;

(c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors; and

(d) to provide for the monitoring and approval by the Audit Committee of any service provided by the external auditors other than in their statutory audit role.

8.2 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.

8.3 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 2018 which was pre-approved by the Audit Committee. The nature of the types of work completed and the remuneration received is disclosed on page 46 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.

8.4 In compliance with NZX Code Recommendation 7.2, the external auditor attends the Annual Meeting to answer questions from shareholders in relation to the audit.

8.5 In compliance with NZX Code Recommendation 7.3, PGG Wrightson's internal audit functions are disclosed here. The internal audit function comprises a Team Leader and an Internal Audit Manager supported by a co-source partner. The internal audit function is responsible for carrying out audits in accordance with the internal audit plan approved by the Audit Committee. The function reviews and reports on the effectiveness of internal control systems and processes for the Company.

Corporate GOVERNANCE and BOARD CHARTER continued

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 In compliance with NZX Code Recommendation 8.1, PGG Wrightson's website www.pggwrightson.co.nz has an Investors Section where investors and interested stakeholders can access financial and operational information and key corporate governance information. This contains key governance documents and policies, contact details for investor matters, current and past Annual Reports, notices of meetings 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.

9.3 In compliance with NZX Code Recommendation 8.2, PGG Wrightson allows investors the ability to easily communicate with it, including providing the option to receive communications electronically. 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.

9.4 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.

9.5 In compliance with NZX Code Recommendation 8.3, shareholders have the right to vote on major decisions which may change the nature of the Company.

9.6 In compliance with NZX Code Recommendation 8.4, each shareholder has one vote per share equally with other shareholders.

9.7 In compliance with NZX Code Recommendation 8.5, the shareholders' Notice of Annual Meeting is posted on the website as soon as possible and at least 28 days prior to the meeting.

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.

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 2017 to 30 June 2018

DIRECTOR	INTEREST	ORGANISATION
G Lai		
Chairman	Chairman	Softpower International Limited (HKSE:0380) (Interest ceased during the year)
		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
		Market Gardeners Limited
		Silver Fern Farms Limited
	Director/Shareholder	Noblesse Oblige Limited *(previously known as Chambers at Hazeldean Limited)*
		Breakaway Investments Limited
		Eastern Dynasty Limited
		Hossack Station Limited
		Pile Bay Partners Limited
		Tai Tapu Partners Limited
	Trustee	Burt Family Trust
		Christs College
		Maia Health Foundation
B R Irvine		
	Director	Godfrey Hirst NZ Limited and Subsidiaries (interest ceased during the year)
		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

Statutory
DISCLOSURES continued

DIRECTOR	INTEREST	ORGANISATION
J H Lee	Director	Hayflux Limited Sinocloud Group Limited Agria Corporation Agria (Singapore) Pte Ltd Lung Kee (Bermuda) Holdings Limited Raffles United Holdings Limited
J E Nichol	Director Director/Shareholder	Watson & Son Limited Optica Life Accessories Limited
L S Seah	Chairman Director Sole Proprietor	Nucleus Connect Pte Limited M&C Reit Management Limited M&C Business Trust Management Limited Global Investments Limited Telechoice International Limited Yanlord Land Group Limited Soft Capital Sg
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.

Directors' Remuneration

The following persons held office, or ceased to hold office, as a Director during the year to 30 June 2018 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	Deputy Chairman	$120,000.00		–	$120,000.00
B R Irvine		$80,000.00	Chairman	$20,000.00	$100,000.00
J H Lee [1]		$53,260.87		$6,657.61	$59,918.48
J E Nichol		$80,000.00		$10,000.00	$90,000.00
L S Seah		$80,000.00		–	$80,000.00
W K Tsang [2]		$23,478.26		$2,934.78	$26,413.04
Kean Seng U		$80,000.00		–	$80,000.00

[1] Appointed 31 October 2018
[2] Resigned 16 October 2017

Directors' Shareholdings

No Directors of PGG Wrightson Limited hold shares in PGG Wrightson, however T J Burt, G Lai, J H Lee 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 2018 (379,068,619 as at 30 June 2017).

Directors' Share Transactions

No Directors of the Company have notified the Company of any share transactions between 1 July 2017 and 30 June 2018.

Directors' Independence

The Board has determined that as at 30 June 2018, 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, J H Lee and Kean Seng U.

NZX Waivers

No waivers have been granted and published by the NZX during the 12 months ending 30 June 2018.

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, J H Lee 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.

Statutory
DISCLOSURES continued

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 2018 that related to services provided in the 2018 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	REMUNERATION RANGE	NUMBER OF EMPLOYEES
$100,000 – 110,000	92	$300,001 – 310,000	1
$110,001 – 120,000	64	$310,001 – 320,000	2
$120,001 – 130,000	35	$320,001 – 330,000	4
$130,001 – 140,000	47	$330,001 – 340,000	4
$140,001 – 150,000	34	$340,001 – 350,000	4
$150,001 – 160,000	32	$350,001 – 360,000	1
$160,001 – 170,000	19	$360,001 – 370,000	4
$170,001 – 180,000	17	$370,001 – 380,000	1
$180,001 – 190,000	16	$380,001 – 390,000	1
$190,001 – 200,000	14	$410,001 – 420,000	2
$200,001 – 210,000	12	$430,001 – 440,000	1
$210,001 – 220,000	5	$440,001 – 450,000	1
$220,001 – 230,000	6	$500,001 – 510,000	1
$230,001 – 240,000	9	$540,001 – 550,000	1
$240,001 – 250,000	3	$620,001 – 630,000	1
$250,001 – 260,000	5	$680,001 – 690,000	1
$260,001 – 270,000	4	$720,001 – 730,000	1
$270,001 – 280,000	3	$750,001 – $760,000	1
$280,001 – 290,000	3	$2,180,001 – $2,190,000	1
$290,001 – 300,000	2		

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.

In compliance with the NZX Code Recommendation 5.3, the remuneration arrangements in place for PGG Wrightson's Chief Executive's over the relevant periods are:

- In the year ended 30 June 2018 payments totalling $2,186,736 were made to Mark Dewdney as follows:
  - $600,423.50 – part year base salary (incl. annual leave entitlements on termination).
  - $1,443,352 – payment received upon completion of employment contract.
  - $142,961 – 50% achieved of the on-target short term incentive with the following performance criteria - Financial Results (50%), Strategic Objectives (40%) and Health & Safety performance and culture (10%).
- As at 30 June 2018 remuneration arrangements in place for Ian Glasson for the FY2019 year are as follows:
  - Base salary - $1,250,000 (gross).
  - Annual Short Term incentive - $375,000 (gross). Performance criteria being Financial Results, Strategic Objectives and Health and Safety performance and culture.
  - Long Term incentive - $1,000,000 (gross) with an additional potential stretch payment up to a maximum of $250,000 (gross). Performance criteria being unlocking shareholder value.

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 (R), JD McKenzie, I Glasson (A)
Agriculture New Zealand Limited	JS Daly, MB Dewdney (R), I Glasson (A)
Ag Property Holdings Limited	JS Daly, MB Dewdney (R), I Glasson (A)
Agri Optics New Zealand Limited (33%)	JD McKenzie, DP Lynch (R), S Guerin (A)
AgriServices South America Limited	JS Daly, MB Dewdney (R), I Glasson (A)
Bloch & Behrens Wool (NZ) Limited[(1)]	JS Daly, CJ Bayly (R), MB Dewdney (R), I Glasson (A), G Edwards (A)
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[(1)]	JS Daly, MB Dewdney (R), SJ Guerin, I Glasson (A)
PGG Wrightson Consortia Research Limited	JS Daly, MB Dewdney (R), JD McKenzie, I Glasson (A)
PGG Wrightson Employee Benefits Plan Limited	Sir Selwyn Cushing (R), CD Adam, BR Burrough (R), JS Daly, GR Davis, SJ Guerin
PGG Wrightson Employee Benefits Plan Trustee Limited [(2)]	Sir Selwyn Cushing (R), CD Adam, BR Burrough (R), PR Drury, GR Davis, SJ Guerin
PGG Wrightson Investments Limited	JS Daly, MB Dewdney (R), I Glasson (A)
PGG Wrightson Real Estate Limited[(1)]	JS Daly, MB Dewdney (R), I Glasson (A)
PGG Wrightson Seeds Limited[(1)]	JS Daly, MB Dewdney (R), JD McKenzie, I Glasson (A)
PGG Wrightson Seeds Holdings Limited	JD McKenzie, MB Dewdney (R), I Glasson (A)

[(1)] P Scott was appointed as an Alternate director for M Dewdney
[(2)] J Daly resigned as a director however was appointed as an Alternate director.

Statutory **DISCLOSURES** continued

LEGAL COMPANY NAME	PGG WRIGHTSON DIRECTORS
New Zealand Companies – continued	
PGG Wrightson Seeds New Zealand Limited	JD McKenzie, MB Dewdney (R), I Glasson (A)
PGG Wrightson Seeds South America Holdings Limited	JS Daly, MB Dewdney (R), I Glasson (A)
PGG Wrightson Trustee Limited	Sir Selwyn Cushing (R), JS Daly, SJ Guerin
PGW Corporate Trustee Limited *(Voluntarily removed from the Companies Register)*	JS Daly, MB Dewdney
PGW Rural Capital Limited	JS Daly, MB Dewdney (R), I Glasson (A)
Sheffield Saleyards Co Limited (53.5%)	FA Fowler (R), RG Nordstom (A)
Wrightson Seeds Limited	MB Dewdney (R), JD McKenzie, I Glasson (A)
Australian Companies	
AGR Seeds Pty Limited *(Voluntarily removed from the Companies Register)*	MB Dewdney, JD McKenzie, J Stewart
Agricom Australia Seeds Pty Limited	MB Dewdney (R), JD McKenzie, J Stewart, I Glasson (A)
AW Seeds Pty Limited *(Voluntarily removed from the Companies Register)*	MB Dewdney, JD McKenzie, J Stewart
PGW AgriServices Australia Pty Limited *(Voluntarily removed from the Companies Register)*	MB Dewdney, J Stewart
PGG Wrightson Seeds Australia Holdings Pty Ltd	MB Dewdney (R), JD McKenzie, J Stewart, I Glasson (A)
PGG Wrightson Seeds (Australia) Pty Limited	MB Dewdney (R), JD McKenzie, J Stewart, I Glasson (A)
SP Seeds Pty Limited *(Voluntarily removed from the Companies Register)*	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 (R), I Glasson (A)
PGG Wrightson Seeds Argentina S.A.	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 (R), I Glasson (A)
Juzay S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney (R), I Glasson (A)
Kroslyn S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney (R), I Glasson (A)
Lanelle S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney (R), I Glasson (A)
PGW Sementes Ltda (97.22%) (Brazil)	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 (R), I Glasson (A)
PGW AgriTech South America S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney (R), I Glasson (A)
Wrightson Pas S.A. (Uruguay)	M Banchero, JD McKenzie, MB Dewdney (R), I Glasson (A)

Shareholder **INFORMATION**

PGG Wrightson Limited is quoted on the New Zealand Stock Market of NZX Limited (code PGW). As at 31 July 2018, PGG Wrightson Limited had 754,848,774 ordinary shares on issue.

Substantial Security Holders

At 31 July 2018, the following security holder had given notice in accordance with the then 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 2018 were:

	SHAREHOLDER	NUMBER OF SHARES HELD	% OF SHARES HELD
1.	Agria (Singapore) Pte Limited	379,068,619	50.22
2.	HSBC Nominees (New Zealand) Limited*	30,723,836	4.09
3.	Forsyth Barr Custodians Limited	23,804,989	3.16
4.	FNZ Custodians Limited	14,112,616	1.87
5.	Masfen Securities Limited	11,401,353	1.51
6.	Accident Compensation Corporation*	7,057,511	0.94
7.	Citibank Nominees (New Zealand) Limited*	4,861,934	0.59
8.	BNP Paribas Nominees (NZ) Limited	4,484,611	0.92
9.	Custodial Services Limited	3,704,544	0.49
10.	Leveraged Equities Finance Limited	3,459,301	0.46
11.	JP Morgan Chase Bank NA*	3,383,803	0.45
12.	Philip Carter	3,358,702	0.44
13	H & G Limited	3,067,323	0.41
14.	Michael Benjamin	3,000,000	0.40
15	Arden Capital Limited	2,004,605	0.27
16.	Nicolas Kaptein	2,000,410	0.27
17.	Woolf Fisher Trust Incorporated	1,850,000	0.25
18.	Totara Grove Investments Limited	1,800,000	0.24
19.	Gamma Trustee Limited	1,614,475	0.21
20.	Robert and Lesley Cottrell	1,609,144	0.21

* New Zealand Central Securities Depository Limited

Shareholder INFORMATION continued

Analysis of Shareholdings

Distribution of ordinary shares and shareholdings at 31 July 2018 was:

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
1 - 99	30	1,716	0.00
100 - 199	84	12,632	0.00
200 - 499	531	172,115	0.02
500 – 999	1,651	1,137,907	0.15
1,000 – 1,999	1,783	2,529,403	0.34
2,000 - 4,999	2,193	7,030,027	0.93
5,000 – 9,999	1,607	10,836,905	1.44
10,000 – 49,999	3,131	66,567,375	8.82
50,000 – 99,999	604	39,386,094	5.22
100,000 – 499,999	444	76,977,520	10.20
500,000 – 999,999	39	25,848,531	3.42
1,000,000 and above	34	524,349,089	69.46
Total	**12,131**	**754,848,774**	**100.00**

Registered addresses of shareholders as at 31 July 2018 were:

ADDRESS	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
Singapore	8	0.07	379,627,600	50.29
New Zealand	11,861	97.77	372,281,289	49.32
Australia	130	1.07	1,326,805	0.18
Other	132	1.09	1,613,080	0.21
Total	**12,131**	**100.00**	**754,848,774**	**100.00**

Corporate DIRECTORY

Company number 142962
NZBN 9429040323497

Board of Directors for the Year Ending 30 June 2018

Guanglin (Alan) Lai
Chairman

Trevor Burt
Deputy Chairman

Bruce Irvine

Joo Hai Lee
John Fulton is an Alternate Director for Joo Hai Lee

John Nichol

Lim Siang (Ronald) Seah

Kean Seng U

Chief Executive Officer

Ian Glasson

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 8042

PO Box 292
Christchurch 8140
Telephone:
0800 10 22 76 (NZ only)
+64 3 372 0800 (International)
Email: enquiries@pggwrightson.co.nz

Auditors

KPMG
Level 5
79 Cashel Street
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.

PGG Wrightson

Helping grow the country