PGG Wrightson

# Half Year Report

For the six months ended 31 December 2018

*Helping grow the country*

Greg, Ali, Alexa and Ben Morresey inspect one of Hunter Dairies herds with PGW Livestock Upper South Island Dairy Manager Barry Fox in South Canterbury in January 2019.

PGW Seeds Arable Representative Nicola Lee inspects an RGT Planet barley crop at J A Wright Ltd under the gaze of Mt Hutt near Methven in December 2018.

# Financial performance results

Operating EBITDA of

**$17.8m**

This result is down from the record $23.4 million for the previous corresponding period, but ahead of the first half of FY2017.

Net profit after tax of

**$0.3m**

This result includes a profit of $9.0 million from the Rural Services businesses and a loss of $8.6 million from the Seed and Grain business which is recorded as a discontinued operation.

Fully imputed interim dividend of

**0.75¢**

per share.

# Deputy Chair and Chief Executive Officer's Report


**Trevor Burt**
DEPUTY CHAIR

**Ian Glasson**
CHIEF EXECUTIVE OFFICER

**PGG Wrightson Limited ("PGW", "the Group" or "the Company") delivered Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) of $17.8 million for the six months ending 31 December 2018 (compared to the record $23.4 million for the corresponding period last year).**

While this result is back on the previous year it is slightly ahead of the 2017 financial year first half Operating EBITDA for the Rural Services businesses, which incorporates the Agency and Retail and Water operating groups, and Other (supporting corporate services). The factors impacting performance have been felt across the rural sector and we have confidence that we have held, and in some cases grown, our market share.

It is important to note that this Operating EBITDA result no longer includes any contribution from the Seed and Grain business, which is in the conditional process of being sold to DLF Seeds A/S. We are confident the transaction will settle in the near future and accordingly the Seed and Grain business is now treated as a discontinued operation in our financial reporting.

PGW delivered a net profit after tax (NPAT) of $0.3 million for the period. This result includes a profit of $9.0 million from Rural Services and a loss of $8.6 million from the discontinued Seed and Grain business.

## RURAL SERVICES

In December 2018 we advised that while our Rural Services businesses had been trading solidly for the first six months of FY2019, we signalled that it was likely the half year result would be behind the same period last year. That prediction has proven to be accurate. This softer result was largely due to a later start to spring sales and a delayed recovery following an unseasonably wet period in the last few months of 2018 across the country.

The National Institute of Water and Atmospheric Research (NIWA) reported in December 2018 that many eastern and inland parts of the South Island recorded double their normal rainfall for that time of the year. Wet spring conditions throughout the country have favoured milk and beef production, with an increase in production by six percent across both sectors due largely to strong pasture growth. In contrast, wet growing conditions in most regions have delayed pasture renovation and the establishment of both arable and winter feed crops. These wet conditions were felt across most of our Rural Services businesses impacting the sales mix and some delayed spending.

## RETAIL AND WATER

The Retail and Water group earnings are tracking broadly in line with last year. The first six months of the financial year are key for the Retail and Water group as it generally delivers more than 85 percent of its full year Operating EBITDA during this period. Despite some challenges with the weather and excluding the claim event noted below, year-on-year gains continue to be made by the Rural Supplies, Fruitfed Supplies and Agritrade businesses. However, the Water business continues to experience weak demand with the remainder of the year also looking extremely challenging.

Operating EBITDA was $23.0 million for the first half of FY2019, slightly back on last year's record $23.6 million, but well ahead of the $18.9 million recorded in the first half of FY2017. In addition, a claim event impacted the Retail and Water group's otherwise excellent trading result. In September 2018 a settlement was reached with a supplier, and settlements then reached with a number of growers, in relation to a defective spray that was supplied to PGW and resold to fruit growers. The supplier settlement partially compensated PGW for the customer settlements arising from the supply of the defective product with a financial impact to PGW of approximately $1.8 million that was not recovered from the supplier. Customers were fully compensated.

Our investment in the Retail business continues with key initiatives, such as the rollout of our new retail point of sale system in the first quarter of FY2019. The next phase in this digital journey is the establishment of an ecommerce solution which is currently in the discovery phase. In addition, our investment in technology infrastructure, our people, technical training and tools for our team continues.

## AGENCY

Our Agency business incorporates the Livestock, Wool, Real Estate, Insurance and Financial referral commission businesses. Trading for this group is weighted towards the second half and contributed $1.6 million Operating EBITDA for the six months ended 31 December 2018. This is back on the record first half result for FY2018 of $4.6 million.

Our Livestock business benefited from the favourable conditions for farmers due to good feed supply across most of the country which was buoyed by sustained high sheep and beef commodity pricing (with tallies for all stock and all sales channels similar to the prior year). However, this was offset by continued caution in the dairy sector due to the ongoing effect of Mycoplasma bovis (M bovis) and the lack of supply of good quality dairy livestock. Investment in the future continues to be a focus for this business with a number of digital initiatives and further supply chain developments scheduled to be implemented during FY2019. While Livestock is down on earnings at the half year mark, it rebounded in January 2019 and is on track to match the FY2018 full year result.

Despite holding its market share, our Wool business was materially impacted (circa $2.0 million) by several factors during the first six months of FY2019; mainly the reduction in the number of bales sold compared with the same period last year (a significant number of bales that had been stockpiled by growers were sold), wet conditions delaying shearing and the export business was adversely affected by weaker global demand which flowed through to soft international pricing for crossbred wools.

The Real Estate business again experienced a slow start to the spring and summer selling period overall, with the sheep and beef, horticultural and viticulture sectors proving to be the exception to this trend for the first half of FY2019. The lifestyle and residential segments of the business remained strong with the overall activity being ahead of the previous year's results.

## SEED AND GRAIN

As previously noted, the Seed and Grain business is now accounted for as a discontinued operation, therefore its performance does not impact PGW's Operating EBITDA. The Seed and Grain group's performance does impact net profit after tax, however. For the six months ending 31 December 2018 Seed and Grain reported a net loss after tax of $8.6 million, compared with a net profit after tax of $2.7 million in the same period in FY2018. This underperformance relates primarily to the South American operations, in particular the AgroCentro joint venture, of which Seed and Grain acquired the remaining 50 percent during the period and now wholly own the business. Conditions in the agricultural sector in Uruguay remain challenging given the continuing effects of the droughts and floods experienced in the region, combined with lower commodity prices.

For PGW shareholders it is important to note that once the sale of the Seed and Grain business completes the risks and rewards of this business will have passed to the purchaser effectively from 1 July 2018.

## BALANCE SHEET

For this reporting period there has been a number of technical changes due to the financial reporting rules as a result of the Seed and Grain sale.

In the balance sheet the assets and liabilities of Seed and Grain are now classified separately as held for sale.

The previous balance sheets as at 30 June 2018 and 31 December 2017 are not adjusted in line with the accounting rules so it is not possible to compare the latest PGW balance sheet with previous balance sheets on a like-for-like basis.

With that in mind, the cash flows of the Rural Services businesses and therefore the increase in debt, is broadly in line with the cash flows of the six months to December 2017.

We are a seasonal business and our working capital requirements increase significantly over spring and into summer in line with the demand for farming inputs in New Zealand. Over the six months to December 2018, the Rural Services businesses had a net outflow of cash from operating activities of $63 million, including a net working capital increase of $66 million. Net investment in fixed assets and intangibles was $2.9 million, while dividends were $9.8 million.

Once the sale of the Seed and Grain business completes and the proceeds are received, the net debt position will reverse into a net cash position of around $210 million (subject to transaction completion timing, working capital requirements that can fluctuate materially through the annual cycle and other transaction wash-up items). The capital return being contemplated by the Board therefore allows PGW to reset its debt position and right-size it for the remaining business going forward.

## HEALTH, SAFETY AND WELL-BEING

We continue to make progress in the transformation of our health, safety and well-being culture. Our goal is to continue to reduce injuries with a focus on preventative measures and initiatives that eliminate hazards and risks. To this end we are; continuing the Zero Incident Process (ZIP) programme (which has been delivered to over 1,000 employees to date) across the business, initiating hazard identification and elimination processes, and driving safety and engagement walks conducted by leaders throughout the Company.

We have already seen favourable outcomes from these initiatives. One positive result is the year-on-year reduction in our lost time injury frequency rate (LTIFR) of 12.76 percent (from 8.36 in 2017 to 7.31 in 2018). While we are pleased with this result, we are not complacent and will continue to focus on preventative measures.

Our concern for our people is not just about safety, it is also about well-being, particularly in the challenging rural environment in which we operate. In October 2018, we commenced a well-being assessment initiative with Dr Tom Mulholland and his KYND wellness programme across New Zealand.

## HOLIDAYS ACT REMEDIATION PROJECT

In early 2019 we concluded the Holidays Act remediation project. The goals of the project were to; comprehensively review calculations over the last seven years, and to update our systems and processes to ensure future calculations are correct and in line with the Holidays Act. A key outcome is that we have updated our systems and processes to ensure future calculations are in accordance with the legislation. As a result of this review we have remediated any arrears owed to employees and are now working on the remediation for registered ex-employees.

## DIVIDENDS

On the basis of the Rural Services' result, on 26 February 2019, the Board of Directors resolved to pay a fully imputed interim dividend of 0.75 cents per share to be paid to shareholders registered at the record date of 15 March 2019. The dividend will be paid to shareholders on 5 April 2019.

## SEED AND GRAIN TRANSACTION UPDATE

The sale of Seed and Grain to DLF Seeds A/S is now only conditional upon Overseas Investment Office approval.


Oranges at a De Costa Enterprises orchard near Gisborne are ready to pick in November 2018.

The agreed headline price of $434 million (including net debt of $21 million) will result in a sale price of $413 million for the Seed and Grain business. After sales proceeds are received on settlement and debt repaid, PGW would expect to have a cash surplus of circa $210 million (subject to transaction completion timing, working capital requirements that can fluctuate materially through the annual cycle and other transaction wash-up items).

Further guidance on the non-taxable capital distribution to shareholders will be provided after the remaining condition is confirmed.

## OUTLOOK

Looking ahead at market conditions for the remainder of FY2019 and beyond, the signals are somewhat mixed.

Given the weather-affected spring we have had, there should be some pent-up demand for agricultural inputs to come through in the approaching autumn and spring. Milk, beef and particularly lamb prices are strong versus long-term averages, suggesting that farm profitability should remain robust. Horticulture continues to go from strength to strength – for example in December the Ministry for Primary Industries expected horticulture to be the fastest-growing export sector, increasing revenues 12 percent for the FY2019 year.

There are several counterpoints to these positive signals. Farmer confidence surveys in New Zealand continue to reflect a degree of pessimism. Much of the country has been drier than usual for this time of year – particularly Taranaki and Tasman. M bovis remains a risk factor for the beef and dairy sectors, and abroad both Brexit and US-China trade relations have the potential to disrupt New Zealand's exports and therefore farmer returns.

On balance we are cautious for the remainder of the year. Weather and commodity prices will continue to be risk factors for the business, particularly during the months of May and June, which are important contributors to the earnings of our Livestock business.

## GOVERNANCE AND EXECUTIVE TEAM

The PGG Wrightson Limited Board had one change in membership due to retirement. On 30 October Guanglin (Alan) Lai retired as Chair. In the interim, existing Director Joo Hai Lee was appointed as Chair effective from 31 October 2018.

There were no changes to the executive team during the first six months of FY2019.

## ACKNOWLEDGEMENTS

Across the Company's business units, our people have worked with passion and commitment to deliver the high level of service and quality of products that our valued customers have come to expect.

On behalf of the Board and management team, we extend our thanks to the PGW team, our customers and our suppliers for their continued support and effort in contributing to our success.

**Trevor Burt**
Deputy Chair

**Ian Glasson**
Chief Executive Officer


PGW Livestock Upper South Island Dairy Manager Barry Fox with Greg Morresey of Hunter Dairies in South Canterbury in January 2019.

AGENCY

# *Ensuring our customers stay ahead of the game*

**A company as large and diverse as PGG Wrightson provides the opportunity for its employees to consider a range of career pathways across the organisation. Many employees transfer their skills across business units as they progress through their career.**

The path that Livestock Upper South Island Dairy Manager Barry Fox has taken is one example of the career opportunities that PGG Wrightson (PGW) offers.

Barry joined the company* in 2000 initially working in the Oamaru Rural Supplies store, then moved to a field role as a Technical Field Representative servicing customers in North Otago. In 2005 he took up the role of Livestock Dairy Agent servicing dairy farmers in North Otago. The opportunity arose for Barry to move into a management role in 2017 and he now oversees the dairy team from the Waitaki River north including Canterbury, the West Coast and Mid and South Canterbury.

Barry said, "I always saw myself as having a career in the rural sector and I enjoy working alongside farming families. While my role at PGW has changed over the years, I've been able to progress my career while staying with the same company. The long-term relationships you build, both within PGW and with customers, are hugely valuable."

"I began my career at PGW working in the rural supplies team, which provided me with a sound foundation in pasture management, animal health and a variety of farm systems. Having this background was an advantage when I joined the livestock team. If you continue to deliver the best outcome for your customers, you earn their trust over time. It's essential in our role, as farmers are seeking knowledge and opportunity as markets change and innovation is introduced to the agricultural sector."

"Over the last two years or so the dairy industry has gone through significant change, with an increased emphasis on biosecurity, traceability of animal movements and animal health. When put in a situation like the dairy industry is facing with M bovis, you call on all of your industry knowledge and networks to support your team and assist your customers."

"During this time of intense change, our dairy team has adjusted how we service our customers. We are still in a transitional period, so there's a new normal now, but its status continues to change. I'm very proud of the team and how they demonstrated agility and maintained a high standard of service despite significant challenges."

"We now have in place increased biosecurity measures, which we welcome. It gives our customers peace of mind and we need to do whatever is required to support the Government's goal of eradicating M bovis from New Zealand," said Barry.

Long term customers of Barry, primarily through his tenure as a Livestock Dairy Agent, are Greg and Ali Morresey of Hunter Dairies Ltd.

Greg and Ali have progressed through the industry from Greg's early days working on a Taranaki dairy farm, to sharemilking in Southland and North Otago. They are currently part equity owners in a South Canterbury dairy farm. Greg and Ali manage three Fraser Group dairy operations, milking 2,500 cows, and they have a 33 percent equity partnership in one of those farms.

Greg said, "our relationship with Barry goes back about 10 years. Barry took care of our livestock trading for us before we took up the role at Fraser Group about four years ago. Now that Barry is in a management role, one of the local Agents Neil Carter takes care of our livestock trading for us."

"We farm in the South Canterbury area which was one of the first areas where M bovis was detected. Our herd has not been affected by M bovis. In extraordinary situations like this having someone to call on with Barry's experience and industry connections was invaluable."

"Farming is a family business. I manage the team over the three farms. Ali and the team, along with help from our kids Alexa and Ben in the weekends, rear over 900 calves each year. So, we all have a part to play in the future of this property."

"We have an environmental farm plan which includes fencing off waterways and planting in key areas. The delivery of this plan not only helps the environment but provides for future generations."

"Our philosophy has always been to keep it simple and do it well. So that is the approach we take for our business and with the trusted advisors we choose to work with, such as Barry. He's not just a company rep, he's part of our team," concluded Greg.

* *The 'company' referred to is Reid Farmers Ltd, an organisation which merged with Pyne Gould Guinness Ltd in 2001, which subsequently merged with Wrightson Ltd in 2005 to form PGG Wrightson Ltd.*

**Hunter Dairies herd in South Canterbury in January 2019.**

RETAIL AND WATER

# A trusted relationship with benefits for the environment

**Marlborough is New Zealand's largest winegrowing region and has the variable soils and enviable climate that see it recognised as one of the premium wine regions of the world.**

For decades, the region has continued to increase wine production and in recognition of this ongoing growth PGG Wrightson opened a new purpose-built store and office building in July 2016. The site services the region's agricultural and horticultural businesses and producers.

Fruitfed Supplies' Phil Dasler has been with the Company for 15 years and has been in his current role of Marlborough Area Sales Manager for five years.

Phil said, "The new site has allowed us to better meet the needs of our customers and future proof our business in this thriving region. From the planning and design phase through until we moved into the building, we had a strong focus on sustainability and environmental impact. The consideration of building materials, lighting choices, energy sources, store layouts and how our team works has all contributed to the positive outcome we have had."

"We take this sustainability focus out in the field too. For example, in 2018 we installed our Fruitfed Supplies delivery trucks with global positioning system tracker (GPS) to allow us to be more efficient with delivery schedule and save fuel. We are pleased with the positive results we have achieved to date with this initiative, so we are exploring other ways to make savings in this area," said Phil.

Constellation Brands New Zealand Limited is one of Fruitfed Supplies' customers which has a focus on sustainability. Stephen Cheadle, VP Operations for Constellation, leads the viticulture, winemaking and production functions for one of the largest New Zealand wine companies.

Stephen said, "Our New Zealand business has a continuous improvement sustainability strategy, with a particular focus on water usage and waste management. This includes a lofty goal of zero percent landfill waste. Starting on this journey, we soon realised that in order to continue to improve we need an ongoing approach of chipping away at the small stuff around the outside."

Fruitfed Supplies' Marlborough Area Sales Manager Phil Dasler undertakes a site visit with Jacqueline MacLaurin, Regional Vineyard Manager at Constellation Brands NZ Ltd in October 2018 at the Giffords Creek Lane Vineyard where steel posts are used.

"We believe that Fruitfed Supplies have similar goals. They work hard for us and in recognition of the strength of that relationship they now provide the majority of our vineyard and winery supplies, agchem, fertiliser and hardware."

"We have undertaken 300 hectares of development over the last few years. Some of that development included the installation of steel posts, rather than the traditional treated wooden posts, to avoid leaching of possible toxins into the soil." An example of this is at the Giffords Creek Lane vineyard (pictured).

"We are also moving away from single use packaging to allow for 100 percent recycling of packaging material received. To assist us in achieving this goal Fruitfed Supplies are having conversations with supplier partners to get them to consider repackaging to avoid single use, non-recyclable packaging. Some products we use such as sulphur and yeast are in tinfoil packaging which we cannot recycle, but we would like to be able to," said Stephen.

Phil added, "Constellation Brands NZ is a large-scale business and an important customer for us. They rely on us to be there for them. We fit alongside their operation providing good technology, good product and good people."

"About two years ago Constellation Brands NZ switched to being solely reliant on us for agchem and farm supplies. This changed the dynamic of the relationship. It was a relationship no longer based on tender or price, but rather on trust. Our team must always be ahead of the game and we need to be working hard to provide solutions including auditing, disposal, storage solutions and stock management. We take a wider team approach calling on expertise across our business - if we don't have a solution, we need to find one," concluded Phil.

## *Constellation Brands New Zealand Limited*

Constellation Brands New Zealand Limited is a wholly owned subsidiary of Constellation Brands Inc which is a Fortune 500 company and listed on the New York Stock Exchange.

The company operates three wineries in Marlborough and Hawke's Bay, and grows grapes in Marlborough, Hawke's Bay and Central Otago.

AGENCY

# *Flexi-Wool contract: providing price certainty*

**Hawke's Bay is renowned for its highly productive plains and hill country. An outstanding example of a highly successful pastoral farm in this region is the Williams family's Otupae Station and Longacre Farm – a large-scale sheep and beef farming operation.**

Otupae Station has been in the Williams family since the 1930's. Located between Taihape and Napier, the 8,632 hectare Station (with 5,100 hectares of pasture) is hard high country with cold bleak winters, and a short damp but highly productive summer depending on favourable weather conditions.

Longacre Farm, located under the gaze of Te Mata Peak, was purchased by Leonard and Janet Williams (current owner Oscar's grandparents) in 1957. The 800 hectare farm combines steep hill country and flat paddocks.

They run Romney sheep and Angus cattle across both properties. On Otupae Station they run 21,000 Romney breeding ewes and 2,400 Angus breeding cows and heifers. The Station's ewes are shorn once a year in early February and the ewe hoggets are shorn in October and again in March, with lambs shorn at the end of January. Longacre Farm shears the farm's hoggets in September and the ewes and lambs in November.

The two farms, with their distinct and contrasting topography, complement each other operationally with Otupae Station primarily a breeding property and Longacre Farm a finishing unit. James Williams oversees Otupae Station, with his son Oscar running Longacre Farm and Gary Mead managing Otupae Station.

Together both farms produce approximately 175,000 kg (about 1,000 bales) of crossbred wool. The main shear produces 36 micron wool, hogget shear is 32-34 microns and the lamb shear is 28 microns.

James, Oscar and their teams work alongside the Napier based PGG Wrightson (PGW) Wool team to manage their wool clip.

James said, "We work hard to produce high quality crossbred wool but the marketing and selling of wool hasn't been straightforward for a while. Selling meat is highly profitable in comparison. In the 1950's wool was pound for a pound and was the primary contributor

PGG Wrightson Wool Representative and North Island Auctioneer Steve Fussell with James and Oscar Williams at Longacre Farm , inspect shorn hoggets, under the gaze of Te Mata Peak in Hawke's Bay in October 2018.

to the farm's income, but now wool's contribution to our annual revenue is minimal."

"Wool is a wonderful natural material and has a very viable reputation. The traditional use of wool has been compromised due to the increased use of petroleum-based products. Recently it has been heartening to see some interesting uses of wool, including protein and niche markets such as fabrication for surfboards, so there are many possibilities to explore," said James.

Otupae Station undertook its annual hogget shear on 24 October 2018. The hogget shear produced 16,240 kg of 32.5 micron wool. The 91 bales were auctioned in Napier on 8 November 2018.

PGW Wool Representative and North Island Auctioneer Steve Fussell has worked with the Williams family for over five years.

Steve said, "James and his team have a reputation for producing high quality crossbred wool. So despite challenging market conditions it came as no surprise that his wool was highly contested at the auction on 8 November 2018."

"Good quality, large individual lines of wool are favoured by buyers for the consistency over the offering. Hogget wool demand is very much micron driven and the 32 level is at the fine end of the crossbred range so is highly sought after."

"At the sale on 8 November the Otupae Station wool sold to strong bidding from the floor under what could be described as very trying conditions. The wool was presented with very good colour and 3-4 inches in length. The greasy price sold for $3.08 per kg. The wool was purchased by PGW Wool's export arm Bloch & Behrens Wool (NZ) Ltd (Bloch & Behrens) at auction and is destined for Sweden to be made into felted blankets," said Steve.

The PGW Wool team offers a range of contracts for wool producers. For example, the Otupae Station hogget wool was sold via auction, but James Williams has the Station's ewe wool signed up to a three-year Flexi-Wool contract.

Steve said, "It has been tough in recent years for crossbred wool producers and James is no exception. To assist James with planning and to provide him with greater price certainty for part of his wool clip, I offered him a long-term contract. As a result of those discussions, James signed up for a three-year Flexi-Wool contract for the Otupae Station ewe wool (which commenced in July 2018). There are only a limited number of three-year contracts available and the contracts are linked to selected international customers – thus providing all parties with supply chain price certainty. The contract price, as at the end of November 2018, is about 100 cents/kg above the current market."

James added, "When Steve suggested the Flexi-Wool contract for our wool clip it came at just the right time. I was getting pretty frustrated with the prices we were getting at auction over the last few years. It is tough on the team when they work hard to produce high quality wool and we get such low prices at auction. The contract also provides us with a bit more price certainty which allows us to plan long-term with more confidence. We are in our first year of the three-year contract for Otupae Station's ewe wool and I am happy with how it is going so far. Steve knows what he is doing and we know our wool, so it works well," said James.

While crossbred wool has had mixed fortunes in the global market in recent years, New Zealand wool producers are highly respected and are recognised throughout the world for producing high quality crossbred and fine wools. Wool is recognised as a natural insulator, naturally fire-retardant, naturally breathable, sustainable and biodegradable. With the New Zealand wool industry focused on innovative uses of the fibre, members of the wool supply chain including PGW Wool, remain optimistic for the future of this exceptional natural product.

### *PGW Flexi-Wool Contract*

PGW introduced the three-year Flexi-Wool contract in 2014 for producers who were becoming increasingly frustrated with receiving low prices for their crossbred wool despite the high quality of the wool being offered. The contracts, which are limited in number, are closely linked to sales made by Bloch & Behrens with their key international customers who were also welcoming the stabilising effect of the three-year flexi contracts, making the price of their raw material cost much less volatile. The clean wool price is set, based on a three-year moving average. This long-term contract has been well received by PGW Wool's crossbred wool growers due to the provision of greater price certainty.

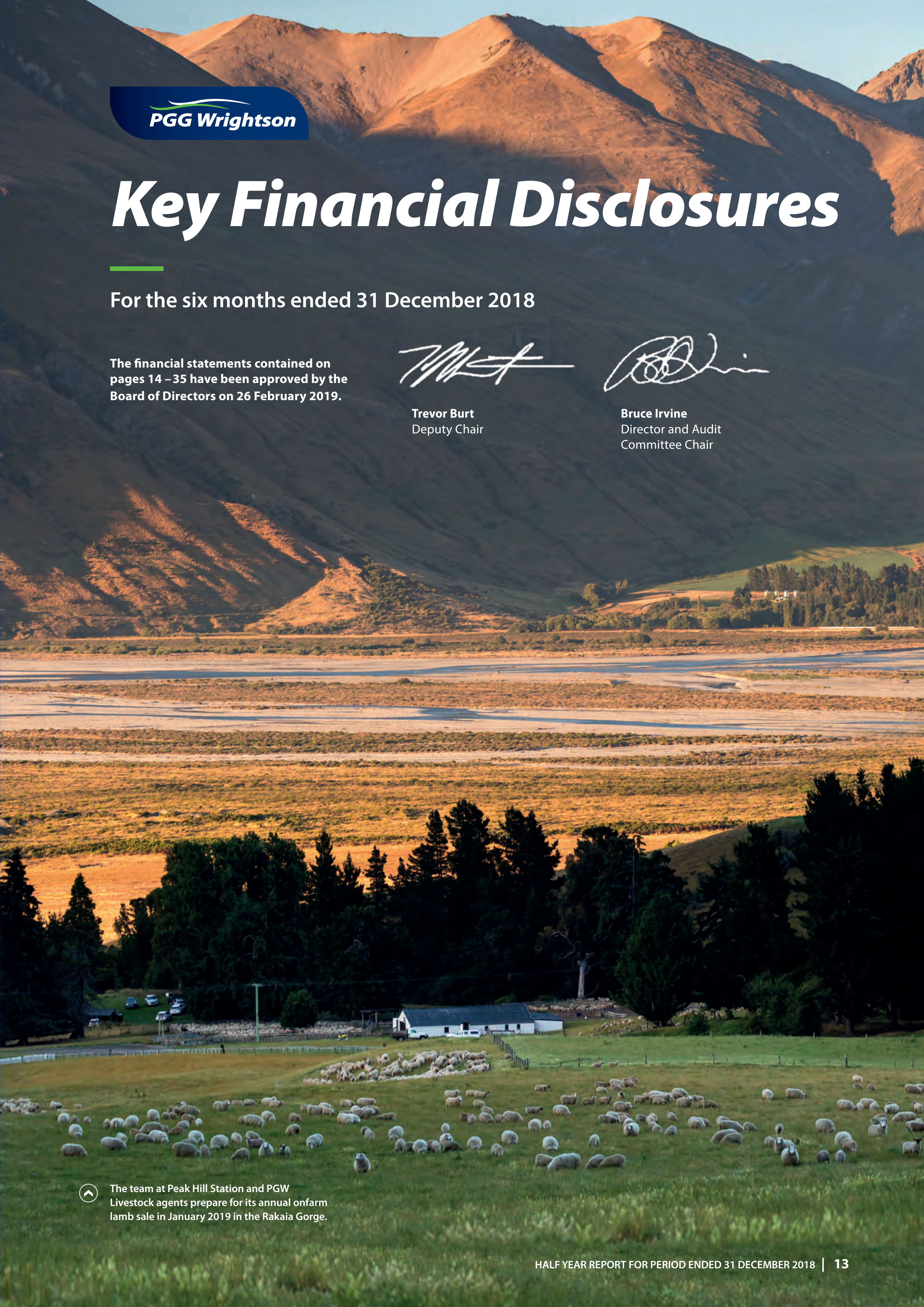
## *Changes to financial reporting*

Our financial reporting has changed as a result of the sale of the Seed and Grain business to DLF Seeds A/S.

The two key changes are:

- For the statement of profit and loss, we have removed the impact of Seed and Grain from the respective profit and loss lines and disclosed Seed and Grain's result in a separate discontinued operations line. Note that this treatment also applies to the comparative periods.
- For the statement of financial position (balance sheet) we have reclassified all of the Seed and Grain assets and liabilities to separate assets and liabilities in held for sale lines. It is important to note that this treatment only applies to the 31 December 2018 balance sheet, the comparative balance sheet lines include both the Rural Services and Seed and Grain businesses.

Please note that the statement of cash flows includes the Seed and Grain business.



PGG Wrightson

# Key Financial Disclosures

## For the six months ended 31 December 2018

**The financial statements contained on pages 14 – 35 have been approved by the Board of Directors on 26 February 2019.**

**Trevor Burt**
Deputy Chair

**Bruce Irvine**
Director and Audit Committee Chair

The team at Peak Hill Station and PGW Livestock agents prepare for its annual onfarm lamb sale in January 2019 in the Rakaia Gorge.

PGG WRIGHTSON LIMITED

# INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

| | NOTE | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Operating revenue | | 473,765 | 811,055 | 468,161 |
| Cost of sales | | (355,226) | (590,960) | (353,003) |
| **Gross profit** | | 118,539 | 220,095 | 115,158 |
| Other income/(expense) | | (8) | 221 | 4 |
| Employee benefits expense | | (63,812) | (117,935) | (57,559) |
| Research and development | | (17) | (97) | (22) |
| Other operating expenses | | (36,863) | (67,697) | (34,202) |
| Equity accounted earnings of investees | | - | (21) | (19) |
| | | (100,700) | (185,529) | (91,798) |
| **Operating EBITDA** | | **17,839** | **34,566** | **23,360** |
| Non-operating items | | (1,005) | 136 | 1,041 |
| Holidays Act 2003 remediation costs | | 2,478 | (7,160) | - |
| Fair value adjustments | 1 | 22 | (1,086) | (18) |
| Depreciation and amortisation expense | | (4,205) | (6,918) | (3,204) |
| **EBIT** | | 15,129 | 19,538 | 21,179 |
| Net interest and finance costs | 2 | (3,186) | (6,901) | (3,866) |
| **Profit from continuing operations before income taxes** | | 11,943 | 12,637 | 17,313 |
| Income tax expense | | (2,920) | (3,582) | (5,374) |
| **Profit from continuing operations** | | 9,023 | 9,055 | 11,939 |
| **Discontinued operations** | | | | |
| Profit/(loss) from discontinued operations (net of income taxes) | 3 | (8,703) | 9,832 | 2,701 |
| **Net profit after tax** | | **320** | **18,887** | **14,640** |
| **Profit attributable to:** | | | | |
| Shareholders of the Company | | 140 | 17,964 | 14,488 |
| Non-controlling interest | | 180 | 923 | 152 |
| **Net profit after tax** | | **320** | **18,887** | **14,640** |
| **Earnings per share** | | | | |
| Basic earnings per share (New Zealand Dollars) | 4 | 0.000 | 0.025 | 0.019 |
| **Continuing operations** | | | | |
| Basic earnings per share (New Zealand Dollars) | 4 | 0.012 | 0.012 | 0.016 |

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

# INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **Net profit after tax** | **320** | **18,887** | **14,640** |
| **Other comprehensive income/(loss) for the period** | | | |
| **Items that will never be reclassified to profit or loss** | | | |
| Remeasurements of defined benefit liability | (3,399) | 2,746 | 1,992 |
| Deferred tax on remeasurements and change of defined benefit liability | 803 | (961) | (550) |
| | (2,596) | 1,785 | 1,442 |
| **Items that are or may be reclassified to profit or loss** | | | |
| Foreign currency translation differences for foreign operations | (1,290) | 6,408 | 3,885 |
| | (1,290) | 6,408 | 3,885 |
| **Other comprehensive income/(loss) for the period, net of income tax** | (3,886) | 8,193 | 5,327 |
| **Total comprehensive income for the period** | **(3,566)** | **27,080** | **19,967** |
| | | | |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Shareholders of the Company | (3,875) | 26,307 | 19,818 |
| Non-controlling interest | 309 | 773 | 149 |
| **Total comprehensive income for the period** | **(3,566)** | **27,080** | **19,967** |

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

PGG WRIGHTSON LIMITED

# INTERIM SEGMENT REPORT

For the six months ended / as at 31 December 2018

**(a) Operating Segments**

Following the reclassification of Seed and Grain to discontinued operations, the Group has two primary operating segments: Agency and Retail and Water which are the Group's strategic divisions.

Agency and Retail and Water operate within New Zealand.

The two 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 Chair of the Board reviews internal management reports on each strategic business unit on at least a monthly basis.

– **Agency.** Includes rural Livestock trading activities, Wool, Insurance, Real Estate and Finance Commission.

– **Retail and Water.** Includes the Rural Supplies and Fruitfed retail operations, PGG Wrightson Water, PGW Consulting, Agritrade and ancillary sales support, supply chain and marketing functions.

– **Other.** Other non-segmented amounts relate to certain Group Corporate activities including Finance, Treasury, HR and other support services including corporate property services and include consolidation/elimination adjustments.

– **Discontinued operations.** The discontinued operations pertain to PGG Wrightson Seeds Holdings Limited together with its subsidiaries and investments in jointly controlled entities (formerly the Seed and Grain segment), and PGW Rural Capital Limited. Seed and Grain includes Australasia Seed (New Zealand and Australian manufacturing and distribution of forage seed and turf, sale of cereal seed and grain trading, international trading and seed production), 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 and corporate seeds).

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

The profit/(loss) for each business unit combines to form total profit/(loss) of the Agency and Retail and Water segments. Certain other revenues and expenses are held at the Corporate level for the Corporate functions noted above.

**Other cost allocation**

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

– IT hardware, support, licence and other costs attributed on a per user basis.

– Property costs allocated, where not directly attributable, on a property space utilisation basis.

– Business operations costs (Accounts Payable, Accounts Receivable, Credit Services, Call Centre) allocated based on FTE usage by each operating segment, transactional volumes or for Credit Services allocated based on the operating segment to which overdue accounts relate to.

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. The Group Finance, Risk and Assurance, Treasury, HR, Credit and the Executive Team functions continue to be reported outside of the operating segments.

**(b) Operating Segment Information**

| | AGENCY | | | RETAIL AND WATER | | |
|---|---|---|---|---|---|---|
| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
| Total external operating revenues | 85,767 | 200,574 | 84,304 | 385,866 | 606,176 | 381,732 |
| **Operating EBITDA** | **1,614** | **20,112** | **4,633** | **22,970** | **23,810** | **23,621** |
| Non–operating items | (10) | 688 | 350 | 151 | 590 | 600 |
| Holidays Act 2003 remediation costs | 752 | (2,441) | – | 1,724 | (3,422) | – |
| Fair value adjustments | 22 | (1,087) | (18) | – | – | – |
| Depreciation and amortisation expense | (715) | (1,086) | (513) | (1,793) | (3,097) | (1,445) |
| **EBIT** | 1,663 | 16,186 | 4,452 | 23,052 | 17,881 | 22,776 |
| Net interest and finance costs | 1,145 | (1,388) | (1,370) | (321) | 385 | 291 |
| **Profit/(loss) from continuing operations before income taxes** | 2,808 | 14,798 | 3,082 | 22,731 | 18,266 | 23,067 |
| Income tax (expense)/income | (559) | (4,366) | (584) | (6,003) | (4,680) | (6,354) |
| **Profit/(loss) from continuing operations** | 2,249 | 10,432 | 2,498 | 16,728 | 13,586 | 16,712 |
| Profit/(loss) from discontinued operations (net of income taxes) | – | – | – | – | – | – |
| **Net profit/(loss) after tax** | **2,249** | **10,432** | **2,498** | **16,728** | **13,586** | **16,712** |
| Segment assets | 144,546 | 161,378 | 142,539 | 314,375 | 149,107 | 275,372 |
| Investment in equity accounted investees | – | – | – | – | – | – |
| Assets held for sale | – | – | – | 218 | 218 | 218 |
| **Total segment assets** | **144,546** | **161,378** | **142,539** | **314,593** | **149,325** | **275,590** |
| Segment liabilities | (49,367) | (87,182) | (39,283) | (194,439) | (82,109) | (171,920) |
| Liabilities held for sale | – | – | – | – | – | – |
| **Total segment liabilities** | **(49,367)** | **(87,182)** | **(39,283)** | **(194,439)** | **(82,109)** | **(171,920)** |

| | OTHER | | | DISCONTINUED OPERATIONS | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
| Total external operating revenues | 2,132 | 4,305 | 2,125 | – | – | – | 473,765 | 811,055 | 468,161 |
| **Operating EBITDA** | **(6,745)** | **(9,356)** | **(4,894)** | – | – | – | **17,839** | **34,566** | **23,360** |
| Non–operating items | (1,146) | (1,142) | 92 | – | – | – | (1,005) | 136 | 1,041 |
| Holidays Act 2003 remediation costs | 2 | (1,297) | – | – | – | – | 2,478 | (7,160) | – |
| Fair value adjustments | – | 1 | – | – | – | – | 22 | (1,086) | (18) |
| Depreciation and amortisation expense | (1,697) | (2,735) | (1,246) | – | – | – | (4,205) | (6,918) | (3,204) |
| **EBIT** | (9,586) | (14,529) | (6,048) | – | – | – | **15,129** | **19,538** | **21,179** |
| Net interest and finance costs | (4,010) | (5,898) | (2,787) | – | – | – | (3,186) | (6,901) | (3,866) |
| **Profit/(loss) from continuing operations before income taxes** | (13,596) | (20,427) | (8,834) | – | – | – | 11,943 | 12,637 | 17,314 |
| Income tax (expense)/income | 3,642 | 5,464 | 1,565 | – | – | – | (2,920) | (3,582) | (5,373) |
| **Profit/(loss) from continuing operations** | (9,954) | (14,963) | (7,271) | – | – | – | 9,023 | 9,055 | 11,939 |
| Profit/(loss) from discontinued operations (net of income taxes) | – | – | – | (8,703) | 9,832 | 2,701 | (8,703) | 9,832 | 2,701 |
| **Net profit/(loss) after tax** | **(9,954)** | **(14,963)** | **(7,271)** | **(8,703)** | **9,832** | **2,701** | **320** | **18,887** | **14,640** |
| Segment assets | 22,207 | 16,599 | 39,429 | 1,209 | 414,603 | 361,062 | 482,337 | 741,687 | 818,402 |
| Investment in equity accounted investees | 59 | 59 | 62 | – | 14,264 | 24,234 | 59 | 14,323 | 24,296 |
| Assets held for sale | 2,290 | 2,398 | 2,398 | 446,451 | – | – | 448,959 | 2,616 | 2,616 |
| **Total segment assets** | **24,556** | **19,056** | **41,890** | **447,660** | **428,867** | **385,296** | **931,355** | **758,626** | **845,314** |
| Segment liabilities | (223,917) | (137,427) | (168,128) | – | (164,446) | (171,849) | (467,723) | (471,164) | (551,180) |
| Liabilities held for sale | – | – | – | (189,562) | – | – | (189,562) | – | – |
| **Total segment liabilities** | **(223,917)** | **(137,427)** | **(168,128)** | **(189,562)** | **(164,446)** | **(171,849)** | **(657,285)** | **(471,164)** | **(551,180)** |

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

PGG WRIGHTSON LIMITED

# INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

| | NOTE | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash was provided from: | | | | |
| Receipts from customers | | 644,442 | 1,214,939 | 543,007 |
| Dividends received | | 2 | 3 | 2 |
| Interest received | | 2,525 | 5,225 | 2,403 |
| | | 646,969 | 1,220,167 | 545,412 |
| Cash was applied to: | | | | |
| Payments to suppliers and employees | | (686,660) | (1,190,563) | (582,712) |
| Contributions to defined benefit plans (ESCT inclusive) | | (1,481) | (2,842) | (1,340) |
| Interest paid | | (4,894) | (8,550) | (4,049) |
| Income tax paid | | (12,535) | (12,446) | (7,090) |
| | | (705,570) | (1,214,401) | (595,191) |
| **Net cash inflow/(outflow) from operating activities** | | **(58,601)** | **5,766** | **(49,779)** |
| **Cash flows from investing activities** | | | | |
| Cash was provided from: | | | | |
| Proceeds from sale of property, plant and equipment and assets held for sale | | 612 | 3,407 | 2,426 |
| Cash acquired on purchase of investment | | 1,523 | – | – |
| Net proceeds from sale of investments | | – | 111 | 111 |
| | | 2,135 | 3,518 | 2,537 |
| Cash was applied to: | | | | |
| Purchase of property, plant and equipment | | (5,446) | (15,183) | (5,268) |
| Purchase of intangibles | | (1,964) | (7,974) | (3,940) |
| Net cash paid for purchase of investments | | – | (1,215) | (1,056) |
| | | (7,410) | (24,372) | (10,264) |
| **Net cash flow from investing activities** | | **(5,275)** | **(20,854)** | **(7,727)** |
| **Cash flows from financing activities** | | | | |
| Cash was provided from: | | | | |
| Increase in external borrowings and bank overdraft | | 83,857 | 42,499 | 84,298 |
| Repayment of loans from related parties | | – | 3,441 | 3,596 |
| | | 83,857 | 45,940 | 87,894 |
| Cash was applied to: | | | | |
| Dividends paid to shareholders | | (9,688) | (28,570) | (15,234) |
| Dividends paid to minority interests | | (138) | (759) | (310) |
| | | (9,826) | (29,329) | (15,544) |
| **Net cash flow from financing activities** | | **74,031** | **16,611** | **72,350** |
| Net increase in cash held | | 10,155 | 1,523 | 14,844 |
| Opening cash | | 10,926 | 9,403 | 9,403 |
| **Cash and cash equivalents** | 5 | **21,081** | **10,926** | **24,247** |
| Cash and cash equivalents attributable to continuing operations | 5 | 3,884 | 10,926 | 24,247 |
| Cash and cash equivalents attributable to assets held for sale | 6 | 17,197 | – | – |
| | | **21,081** | **10,926** | **24,247** |

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

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

For the six months ended 31 December 2018

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **Profit after taxation** | 320 | 18,887 | 14,640 |
| Add/(deduct) non-cash/non operating items: | | | |
| Depreciation, amortisation and impairment | 7,786 | 12,974 | 6,115 |
| Fair value adjustments | 2,028 | 3,877 | 106 |
| Net (profit)/loss on sale of assets/investments | (282) | (1,746) | (1,327) |
| Bad debts written off (net) | 925 | 429 | 561 |
| Change in deferred taxation | (5,714) | (1,114) | (3,834) |
| Earnings of equity accounted investees | 6,243 | 1,885 | 312 |
| Discontinued operations | – | (492) | 3 |
| Effect of foreign exchange movements | (2,389) | 3,618 | (98) |
| Pension contributions (operating cash) not expensed through profit and loss | (1,481) | (2,842) | (1,340) |
| Other non-cash/non-operating items | (2,002) | (1,857) | 117 |
| | 5,434 | 33,619 | 15,255 |
| Add/(deduct) movement in working capital items: | | | |
| Change in working capital due to sale/purchase of businesses | 5,741 | (2,683) | (2,683) |
| Change in inventories and biological assets | (25,998) | (7,374) | 10,634 |
| Change in accounts receivable and prepayments | (116,337) | (45,081) | (132,215) |
| Change in trade creditors, provisions and accruals | 86,293 | 19,360 | 53,479 |
| Change in income tax payable/receivable | (10,939) | 3,326 | 4,357 |
| Change in other current assets/liabilities | (2,795) | 4,599 | 1,394 |
| | (64,035) | (27,853) | (65,034) |
| **Net cash flow from operating activities** | **(58,601)** | **5,766** | **(49,779)** |

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

PGG WRIGHTSON LIMITED

# INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

| | NOTE | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | 5 | 3,884 | 10,926 | 24,247 |
| Short–term derivative assets | | 464 | 827 | 1,501 |
| Trade and other receivables | | 256,118 | 267,627 | 365,924 |
| *Go* livestock receivables | | 30,958 | 39,419 | 28,683 |
| Finance receivables | | – | 733 | – |
| Income tax receivable | | 4,139 | – | – |
| Assets classified as held for sale | 6 | 448,959 | 2,615 | 2,616 |
| Biological assets | | 264 | 911 | 1,897 |
| Inventories | | 114,313 | 262,538 | 242,677 |
| Other investments | 7 | 30 | 30 | 30 |
| Intangible assets | | 1,637 | 2,641 | – |
| **Total current assets** | | 860,766 | 588,267 | 667,575 |
| **Non–current** | | | | |
| Long–term derivative assets | | 400 | 20 | 122 |
| Biological assets | | 31 | – | 78 |
| Deferred tax asset | | 11,566 | 16,259 | 18,979 |
| Investments in equity accounted investees | | 59 | 14,323 | 24,296 |
| Other investments | 7 | 465 | 2,520 | 2,140 |
| Intangible assets | | 12,545 | 13,017 | 11,162 |
| Property, plant and equipment | 8 | 45,523 | 124,220 | 120,962 |
| **Total non–current assets** | | 70,589 | 170,359 | 177,739 |
| **Total assets** | | **931,355** | **758,626** | **845,314** |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Debt due within one year | 5 | 79,635 | 30,806 | 91,215 |
| Short–term derivative liabilities | | 476 | 3,645 | 2,724 |
| Accounts payable and accruals | | 244,385 | 267,096 | 301,837 |
| Income tax payable | | – | 6,751 | 8,115 |
| Liabilities classified as held for sale | 6 | 189,562 | – | – |
| Defined benefit liability | 10 | 969 | 905 | 1,046 |
| **Total current liabilities** | | 515,027 | 309,203 | 404,937 |
| **Non–current** | | | | |
| Long–term debt | 5 | 130,000 | 149,205 | 130,634 |
| Long–term derivative liabilities | | 492 | 966 | 824 |
| Other long–term liabilities | | 200 | 2,121 | 3,107 |
| Defined benefit liability | 10 | 11,566 | 9,669 | 11,678 |
| **Total non–current liabilities** | | 142,258 | 161,961 | 146,243 |
| **Total liabilities** | | **657,285** | **471,164** | **551,180** |
| **EQUITY** | | | | |
| Share capital | | 606,324 | 606,324 | 606,324 |
| Reserves | | 5,162 | 8,647 | 4,980 |
| Retained earnings | | (340,065) | (329,987) | (319,473) |
| Total equity attributable to shareholders of the Company | | 271,421 | 284,984 | 291,831 |
| Non–controlling interest | | 2,649 | 2,478 | 2,303 |
| **Total equity** | | **274,070** | **287,462** | **294,134** |
| **Total liabilities and equity** | | **931,355** | **758,626** | **845,314** |

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

# Additional Financial Disclosures

**including Notes to the Financial Statements for the six months ended 31 December 2018**

Grapes at an Indevin vineyard in Hawke's Bay are ready to be harvested in March 2018.

PGG WRIGHTSON LIMITED

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2018

## 1 FAIR VALUE ADJUSTMENTS

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| Property, plant and equipment impairment | – | (1,070) | – |
| Biological assets | 22 | (16) | (18) |
| | **22** | **(1,086)** | **(18)** |

## 2 NET INTEREST AND FINANCE COSTS

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| Finance income contains the following items: | | | |
| Other interest income | 42 | 214 | 177 |
| **Finance income** | 42 | 214 | 177 |
| Interest funding contains the following items: | | | |
| Interest on loans and overdrafts | (2,827) | (4,257) | (1,778) |
| Net interest on interest rate derivatives | (182) | (533) | (338) |
| Fair value change on interest rate derivatives | 59 | (42) | (75) |
| Effective interest on expected defined benefit pension ESCT payments | (166) | (401) | (208) |
| Other interest expense | (61) | 369 | (16) |
| Bank facility fees | (975) | (1,215) | (373) |
| **Interest funding expense** | (4,152) | (6,079) | (2,788) |
| Foreign exchange contains the following items: | | | |
| Net gain/(loss) on foreign denominated items | (23) | 12 | (327) |
| Fair value change on foreign exchange derivatives | 947 | (1,048) | (928) |
| **Foreign exchange income/(expense)** | 924 | (1,036) | (1,255) |
| **Net interest and finance costs** | **(3,186)** | **(6,901)** | **(3,866)** |

## 3 DISCONTINUED OPERATIONS

**Seed and Grain segment**

In 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 segment. The sale price was approximately $413 million subject to various adjustments until settlement. The sale is conditional on various approvals including:

- 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

## 3 DISCONTINUED OPERATIONS (CONTINUED)

As at 31 December 2018 and based on progress of the approvals, management is of the view that the sale is considered highly probable, with the sale expected to be settled before 30 June 2019. The Group has therefore reclassified the Seed and Grain segment as a disposal group and treated its assets and liabilities as held for sale as at 31 December 2018 (refer to Note 6).

The Group has also reclassified the Seed and Grain segment as a discontinued operation. The statement of profit or loss for the current and comparative periods have been restated to show the Seed and Grain segment within discontinued operations, disclosed separately from continuing operations.

**PGW Rural Capital Limited (PGWRC)**

The discontinued operations also pertain to the Group's wholly owned subsidiary 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.

**Results from discontinued operations were as follows:**

| | SEED AND GRAIN | | | PGWRC | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|
| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
| **Results of discontinued operations** | | | | | | | | | |
| **Total segment revenue** | **233,052** | **449,495** | **208,790** | – | **1** | – | **233,052** | **449,496** | **208,790** |
| Intersegment revenue | (44,045) | (63,532) | (46,954) | – | – | – | (44,045) | (63,532) | (46,954) |
| Total external operating revenue | 189,007 | 385,963 | 161,836 | – | 1 | – | 189,007 | 385,964 | 161,836 |
| Total external cost of sales | (127,488) | (256,369) | (104,237) | – | – | – | (127,488) | (256,369) | (104,237) |
| Gross profit | 61,519 | 129,594 | 57,599 | – | 1 | – | 61,519 | 129,595 | 57,599 |
| Other operating expenses | (54,068) | (92,123) | (47,117) | (110) | 690 | 4 | (54,178) | (91,433) | (47,113) |
| Equity accounted earnings of investees | (6,242) | (1,864) | 331 | | | | (6,242) | (1,864) | 331 |
| **Operating EBITDA** | **1,209** | **35,607** | **10,813** | **(110)** | **691** | **4** | **1,099** | **36,298** | **10,817** |
| Non–operating items | (612) | (217) | 253 | – | – | – | (612) | (217) | 253 |
| Holidays Act 2003 remediation costs | 323 | (1,066) | – | – | – | – | 323 | (1,066) | – |
| Fair value adjustments | (2,050) | (2,790) | (88) | – | – | – | (2,050) | (2,790) | (88) |
| Depreciation and amortisation expense | (3,581) | (6,056) | (2,912) | – | – | – | (3,581) | (6,056) | (2,912) |
| **EBIT** | **(4,711)** | **25,478** | **8,066** | **(110)** | **691** | **4** | **(4,821)** | **26,169** | **8,070** |
| Net interest and finance costs | (2,191) | (7,261) | (4,131) | – | – | – | (2,191) | (7,261) | (4,131) |
| **Profit/(loss) from discontinued activities before tax** | (6,902) | 18,217 | 3,935 | (110) | 691 | 4 | (7,012) | 18,908 | 3,939 |
| Income tax expense | (1,722) | (8,878) | (1,231) | 31 | (199) | (7) | (1,691) | (9,077) | (1,238) |
| **Profit/(loss) from discontinued activities, net of tax** | **(8,624)** | **9,339** | **2,704** | **(79)** | **492** | **(3)** | **(8,703)** | **9,831** | **2,701** |
| Basic and diluted earnings per share (New Zealand dollars) | (0.011) | 0.012 | 0.004 | (0.000) | 0.001 | (0.000) | (0.012) | 0.013 | 0.004 |

| | | | |
|---|---|---|---|
| **Cash flows from discontinued operations** | | | |
| Net cash from operating activities | 4,203 | (29,465) | (8,887) |
| Net cash from investing activities | (2,334) | (9,181) | (3,528) |
| Net cash from financing activities | 7,064 | 38,866 | 15,860 |
| **Net cash from/(used in) discontinued operations** | **8,933** | **220** | **3,445** |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2018

## 4 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

| | UNAUDITED DEC 2018 000 | AUDITED JUN 2018 000 | UNAUDITED DEC 2017 000 |
|---|---|---|---|
| **Number of shares** | | | |
| Weighted average number of ordinary shares | 754,849 | 754,849 | 754,849 |
| Number of ordinary shares | **754,849** | **754,849** | **754,849** |

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **Net Tangible Assets** | | | |
| Total assets | 931,355 | 758,626 | 845,314 |
| Total liabilities | (657,285) | (471,164) | (551,180) |
| less intangible assets | (27,886) | (13,017) | (11,162) |
| less deferred tax | (22,775) | (16,259) | (18,979) |
| | **223,409** | **258,186** | **263,993** |

| | UNAUDITED DEC 2018 $ | AUDITED JUN 2018 $ | UNAUDITED DEC 2017 $ |
|---|---|---|---|
| **Net tangible assets per share** | 0.296 | 0.342 | 0.350 |
| **Earnings per share** | 0.000 | 0.025 | 0.019 |

## 5 CASH AND FINANCING FACILITIES

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| Cash and cash equivalents | 3,884 | 10,926 | 24,247 |
| Current financing facilities | (79,635) | (30,806) | (91,215) |
| Term financing facilities | (130,000) | (149,205) | (130,634) |
| **Net interest bearing debt** | **(205,751)** | **(169,085)** | **(197,602)** |
| *Go* range of livestock product receivables | 30,958 | 39,419 | 28,683 |
| **Net interest–bearing debt less *Go* livestock receivables** | **(174,793)** | **(129,666)** | **(168,919)** |

**New Zealand facilities**

The Company has a syndicated facility agreement which 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:

- Term debt facilities 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. Excluding the finance facilities of the Seed and Grain segment classified as held for sale, these facilities amounted to $45.18 million as at 31 December 2018 providing:

- Overdraft facilities of $8.50 million
- A revolving credit facility of $30.00 million
- Guarantee and trade finance facilities of $6.68 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.

The Company intends to repay and cancel the syndicated facilities using the sale proceeds of approximately $413.00 million (refer to Note 3) from the conditional sale of the Seed and Grain segment. Settlement is expected by 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2018

## 6 ASSETS AND LIABILITIES HELD FOR SALE

**Properties**

The Group currently has four properties classified as held for sale. These properties are on the market and are valued at the lower of their carrying amount and fair value less costs to sell. The total value of the relevant properties is $2.51 million (30 June 2018: $2.62 million, 31 December 2017: $2.62 million).

**Seed and Grain segment**

In 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 segment (refer to Note 3). Accordingly, the assets and liabilities of that segment are presented as a disposal group held for sale.

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **Assets classified as held for sale** | | | |
| **Properties** | 2,508 | 2,616 | 2,616 |
| | 2,508 | 2,616 | 2,616 |
| **Seed and Grain segment** | | | |
| Cash and cash equivalents | 17,197 | – | – |
| Derivatives | 1,731 | – | – |
| Trade and other receivables | 135,383 | – | – |
| Biological assets | 7,784 | – | – |
| Inventories | 167,374 | – | – |
| Investments | 4,509 | – | – |
| Intangibles | 13,704 | – | – |
| Property, plant and equipment | 87,043 | – | – |
| Other assets | 11,726 | – | – |
| | 446,451 | – | – |
| **Total assets classified as held for sale** | **448,959** | **2,616** | **2,616** |
| **Liabilities classified as held for sale** | | | |
| **Seed and Grain segment** | | | |
| Debt | (68,956) | – | – |
| Derivatives | (1,571) | – | – |
| Accounts payable and accruals | (109,187) | – | – |
| Other liabilities | (9,848) | – | – |
| | (189,562) | – | – |
| **Total liabilities classified as held for sale** | **(189,562)** | **–** | **–** |

## 6 ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

**Acquisition of Agimol Corporation S.A. (AgroCentro Uruguay Group)**

Included within the assets and liabilities of the Seed and Grain segment above are all assets and liabilities pertaining to Agimol Corporation S.A. (AgroCentro Uruguay Group).

On 31 August 2018, the Group increased its investment in the AgroCentro Uruguay Group from 50% to 100% and obtained control of the AgroCentro Uruguay Group. The Group previously equity accounted its investment in the AgroCentro Uruguay Group. As a result of obtaining control of the company from 31 August 2018, the Group has consolidated the AgroCentro Uruguay Group.

Following an impairment of $6.00 million (USD 3.64 million) the fair value of the Group's pre–existing equity accounted interest in the AgroCentro Uruguay Group was $5.83 million (USD 3.95 million). This fair value was supported by the value attributed to the AgroCentro Uruguay Group as part of the conditional sale of PGG Wrightson Seeds Holdings Limited. Consideration provided for the remaining 50% of the investment amounted to $1.25 million (USD 0.85 million).

Upon consolidation, the Group recorded goodwill of $13.74 million (USD 9.27 million), representing the difference between the fair value of the net liability acquired of $6.66 million (USD 4.47 million), the pre–existing equity interest held of $5.83 million (USD 3.95 million) and the consideration provided of $1.25 million (USD 0.85 million). An impairment of $1.19 million (USD 0.85 million) was then recorded against the goodwill to align the carrying value of the AgroCentro Uruguay Group to that supported by the conditional sale of PGG Wrightson Seeds Holdings Limited of $5.83 million (USD 3.95 million). Goodwill of $12.55 million (USD 8.42 million) is included within the intangible assets held for sale above.

**Financing facilities**

The following financing facilities relate to the assets and liabilities classified as held for sale above:

**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 $11.18 million (USD 7.50 million) maturing on 17 September 2022
- A committed facility of $17.89 million (USD 12.00 million) maturing on 29 June 2021
- Finance lease facilities of $0.17 million

Separate to the club facility, the Group's South American operations have various financing facilities that amounted to $36.96 million (USD 24.80 million) as at 31 December 2018.

**New Zealand and Australia facilities**

The New Zealand and Australia facilities provide:

- An overdraft facility of $1.05 million.
- Guarantees of $15.91 million.
- Finance lease facilities of $2.76 million.

**Other investments**

During the period, the Group recorded an impairment of $1.57 million (USD 1.06 million) against the carrying value of its investments in the South American entities Arauca Seeds Sociedad Anonima and Patagonia Seeds Sociedad Anonima. These investments are held within the Seed and Grain segment and are included within the assets classified as held for sale above.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2018

## 6 ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

**Property Plant and Equipment**

Acquisitions and disposals

During the period to 31 December 2018, the disposal group acquired assets with a cost of $4.76 million, together with assets acquired through a business combination of $9.25 million. These assets are included within the assets classified as held for sale above.

Assets with a net book value of $0.12 million were disposed of by the disposal group during the period to 31 December 2018, resulting in a gain on disposal of $0.18 million.

**Commitments**

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **There are commitments with respect to:** | | | |
| Capital expenditure not provided for | 2,092 | 2,463 | 2,631 |
| Contributions to Primary Growth Partnership | 517 | 277 | 572 |
| | **2,609** | **2,740** | **3,203** |

**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. The programme, which was expected to end on 31 December 2018, has been varied and extended to 31 December 2019 during the period.

The extension to the programme resulted in an increase of the total contribution commitments to the partnership from $3.61 million to $4.11 million. As at 31 December 2018, total contributions of $3.59 million (30 June 2018: $3.33 million, 31 December 2017: $3.04 million) have been made to the programme.

**Forward purchase commitments**

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

**Contingent liabilities**

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **There are contingent liabilities with respect to:** | | | |
| Guarantees | 15,910 | 3,693 | 3,487 |
| | **15,910** | **3,693** | **3,487** |

The guarantees pertain to standby letters of credit issued by the Seed and Grain segment in respect of its New Zealand and South American operations.

## 7 OTHER INVESTMENTS

| | NOTE | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|---|
| **Current investments** | | | | |
| BioPacificVentures | 11 | 30 | 30 | 30 |
| | | **30** | **30** | **30** |
| **Non–current investments** | | | | |
| Sundry investments including saleyards | | 465 | 2,370 | 2,140 |
| Advances to equity accounted investees | | – | 150 | – |
| | | **465** | **2,520** | **2,140** |

### Sundry investments including saleyards

Saleyard investments, which do not have a market price in an active market and whose fair value can not be reliably determined, are carried at cost. The comparative period sundry investments include investments which have been reclassified to assets held for sale as at 31 December 2018 (refer to Note 6).

## 8 PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the period to 31 December 2018, the Group acquired assets with a cost of $7.25 million (30 June 2018: $15.18 million, 31 December 2017: $4.64 million), together with assets acquired through business combinations of $nil (30 June 2018: nil, 31 December 2017: $0.66 million). Refer to Note 6 for information on acquisitions and disposals of property, plant and equipment during the period to 31 December 2018 for the Seed and Grain disposal group.

Assets with a net book value of $0.19 million were disposed during the period to 31 December 2018 (30 June 2018: $0.90 million, 31 December 2017: $0.02 million), resulting in a gain on disposal of $0.27 million (30 June 2018 Gain: $1.69 million, 31 December 2017 Gain: $1.48 million).

## 9 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 the Australian and South American 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 maximise their income. 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. The Seed and Grain segment is presented as a discontinued operation and as assets held for sale as at 31 December 2018 (refer to Note 3).

## 10 DEFINED BENEFIT ASSET / LIABILITY

The Group made lump sum cash contributions of $1.48 million (gross including employer superannuation contribution tax) to the PGG Wrightson Employee Benefits Plan during the period (30 June 2018: $2.84 million, 31 December 2017: $1.34 million).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2018

## 11 COMMITMENTS

| | NOTE | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|---|
| **There are commitments with respect to:** | | | | |
| Capital expenditure not provided for | | 45 | – | 650 |
| Investment in BioPacificVentures | 7 | 51 | 51 | 51 |
| | | **96** | **51** | **701** |

**Forward purchase commitments**

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

Refer to Note 6 for commitments in relation to the Seed and Grain segment.

## 12 CONTINGENT LIABILITIES

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **There are contingent liabilities with respect to:** | | | |
| PGG Wrightson Loyalty Reward Programme | 92 | 102 | 100 |
| | **92** | **102** | **100** |

**Guarantees**

Refer to Note 6 for contingent liabilities in relation to the Seed and Grain segment.

**PGG Wrightson Loyalty Reward Programme**

PGG Wrightson operates the Max Rewards loyalty programme. A provision is retained for the expected level of points redemption. A contingent liability of $0.09 million represents the balance of unexpired points that do not form part of the provision (30 June 2018: $0.10 million, 31 December 2017: $0.10 million). Losses are not expected to arise from this contingent liability.

## 13 RELATED PARTIES

**Parent and ultimate controlling party**

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

**Transactions with key management personnel**

| | UNAUDITED DEC 2018 $000 | AUDITED JUN 2018 $000 | UNAUDITED DEC 2017 $000 |
|---|---|---|---|
| **Key management personnel compensation comprised:** | | | |
| Short–term employee benefits | 3,761 | 6,079 | 5,018 |
| Post–employment benefits | 73 | 151 | 95 |
| Termination benefits | – | – | – |
| | **3,834** | **6,230** | **5,113** |

## 14 EVENT SUBSEQUENT TO END OF INTERIM PERIOD

**Dividend**

On 26 February 2019 the Directors of PGG Wrightson Limited resolved to pay an interim dividend of 0.75 cents per share on 5 April 2019 to the shareholders on the Company's share register as at 5.00pm on 15 March 2019. This dividend will be fully imputed.

**Conditional sale of PGG Wrightson Seeds Holdings Limited**

On 13 February 2019 the New Zealand Commerce Commission issued clearance for DLF Seeds A/S to acquire PGG Wrightson Seeds Holdings Limited (PGW Seeds). On 14 February 2019 the Australian Competition and Consumer Commission (ACCC) released a statement noting that they had decided that they will not oppose DLF Seeds A/S proposed acquisition of PGW Seeds. On 15 February 2019 DLF Seeds A/S confirmed that counterparty consents required from research and development joint venture partners have been obtained.

The transaction for the sale of PGW Seeds now only remains conditional upon New Zealand Overseas Investment Office approval and the completion of required regulatory filings in Uruguay.

## 15 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 interim financial statements of PGG Wrightson Limited for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. Financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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

## 16 BASIS OF PREPARATION

**Statement of Compliance**

The interim 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, and in particular NZ IAS 34. The interim financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as applicable for profit oriented entities.

The interim financial statements do not include all of the information required for full annual financial statements. The same accounting policies and methods of computation are followed in the interim financial statements as applied in the Group's latest annual audited financial statements. Certain comparative amounts have been reclassified to conform with the current period's presentation.

**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 period ended 31 December 2018 and have not been applied in preparing these interim financial statements. The impact of these new standards and interpretations to the Group is as follows:

- 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.

These statements were approved by the Board of Directors on 26 February 2019.

PGG WRIGHTSON LIMITED

# INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 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 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 | – | – | – | – | – | – | – | 14,488 | 152 | 14,640 |
| **Other comprehensive income** | | – | | | | | | | | |
| Foreign currency translation differences | – | 3,888 | – | – | – | – | – | – | (3) | 3,885 |
| Defined benefit plan actuarial gains and losses, net of tax | – | – | – | – | – | 1,442 | – | – | – | 1,442 |
| Total other comprehensive income | – | 3,888 | – | – | – | 1,442 | – | – | (3) | 5,327 |
| **Total comprehensive income for the period** | – | 3,888 | – | – | – | 1,442 | – | 14,488 | 149 | 19,967 |
| **Transactions with shareholders, recorded directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | | | | |
| Dividends to shareholders | – | – | – | – | – | – | – | (15,234) | (310) | (15,544) |
| **Total contributions by and distributions to shareholders** | – | – | – | – | – | – | – | (15,234) | (310) | (15,544) |
| **Transfer to retained earnings** | – | – | – | – | – | 2,606 | – | (2,606) | – | – |
| **Balance at 31 December 2017** | **606,324** | **(6,393)** | **23,443** | **556** | **–** | **(10,039)** | **(2,587)** | **(319,473)** | **2,303** | **294,134** |
| | | | | | | | | | | |
| Balance at 1 January 2018 | 606,324 | (6,393) | 23,443 | 556 | – | (10,039) | (2,587) | (319,473) | 2,303 | 294,134 |
| **Total comprehensive income for the period** | | | | | | | | | | |
| Profit or loss | – | – | – | – | – | – | – | 3,476 | 771 | 4,247 |
| **Other comprehensive income** | | | | | | | | | | |
| Foreign currency translation differences | – | 2,670 | – | – | – | – | – | – | (147) | 2,523 |
| Defined benefit plan actuarial gains and losses, net of tax | – | – | – | – | – | 343 | – | – | – | 343 |
| Total other comprehensive income | – | 2,670 | – | – | – | 343 | – | – | (147) | 2,866 |
| **Total comprehensive income for the period** | – | 2,670 | – | – | – | 343 | – | 3,476 | 624 | 7,113 |
| **Transactions with shareholders, recorded directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | | | | |
| Dividends to shareholders | – | – | – | – | – | – | – | (13,336) | (449) | (13,785) |
| **Total contributions by and distributions to shareholders** | – | – | – | – | – | – | – | (13,336) | (449) | (13,785) |
| **Transfer to retained earnings** | – | – | – | – | – | 654 | – | (654) | – | – |
| **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

# INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 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 2018 | 606,324 | (3,723) | 23,443 | 556 | – | (9,042) | (2,587) | (329,987) | 2,478 | 287,462 |
| **Total comprehensive income for the period** | | | | | | | | | | |
| Profit or loss | – | – | – | – | – | – | – | 140 | 180 | 320 |
| **Other comprehensive income** | | | | | | | | | | |
| Foreign currency translation differences | – | (1,419) | – | – | – | – | – | – | 129 | (1,290) |
| Defined benefit plan actuarial gains and losses, net of tax | – | – | – | – | – | (2,596) | – | – | – | (2,596) |
| Total other comprehensive income | – | (1,419) | – | – | – | (2,596) | – | – | 129 | (3,886) |
| **Total comprehensive income for the period** | – | (1,419) | – | – | – | (2,596) | – | 140 | 309 | (3,566) |
| **Transactions with shareholders, recorded directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | | | | |
| Dividends to shareholders | – | – | – | – | – | – | – | (9,688) | (138) | (9,826) |
| **Total contributions by and distributions to shareholders** | – | – | – | – | – | – | – | (9,688) | (138) | (9,826) |
| **Transfer to retained earnings** | – | – | – | – | – | 530 | – | (530) | – | – |
| **Balance at 31 December 2018** | **606,324** | **(5,142)** | **23,443** | **556** | **–** | **(11,108)** | **(2,587)** | **(340,065)** | **2,649** | **274,070** |

# CORPORATE DIRECTORY

**Board of Directors**
**for the six months ended 31 December 2018**

Joo Hai Lee
*Chair*
*(appointed Chair 31 October 2018)*
*John Fulton is an Alternate Director for Joo Hai Lee*

Trevor Burt
*Deputy Chair*

Bruce Irvine

John Nichol

Lim Siang (Ronald) Seah

Kean Seng U

Guanglin (Alan) Lai
*(retired 30 October 2018)*

**Executive Team**
**for the six months ended 31 December 2018**

Ian Glasson
*Chief Executive Officer*

Julian Daly
*General Manager Strategy and Corporate Affairs / Company Secretary*

Grant Edwards
*General Manager Wool*

David Green
*General Manager New Zealand Seeds*

Stephen Guerin
*Group General Manager Retail and Water*

John McKenzie
*Group General Manager Seed and Grain*

Peter Moore
*General Manager Livestock*

Peter Newbold
*General Manager Real Estate*

Peter Scott
*Chief Financial Officer*

Rachel Shearer
*General Manager Human Resources*

Brent Sycamore
*General Manager Grain*

**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

**Company number 142962**
**NZBN 9429040323497**

## 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.

*“The factors impacting PGW’s performance have been felt across the rural sector and we have confidence that we have held, and in some cases grown, our market share.“*

**Ian Glasson**
**Chief Executive Officer**

PGW Chief Executive Ian Glasson on farm with Andy Innes of Innes Fields Ltd in Mid Canterbury in July 2018.

PGG Wrightson