PGG Wrightson

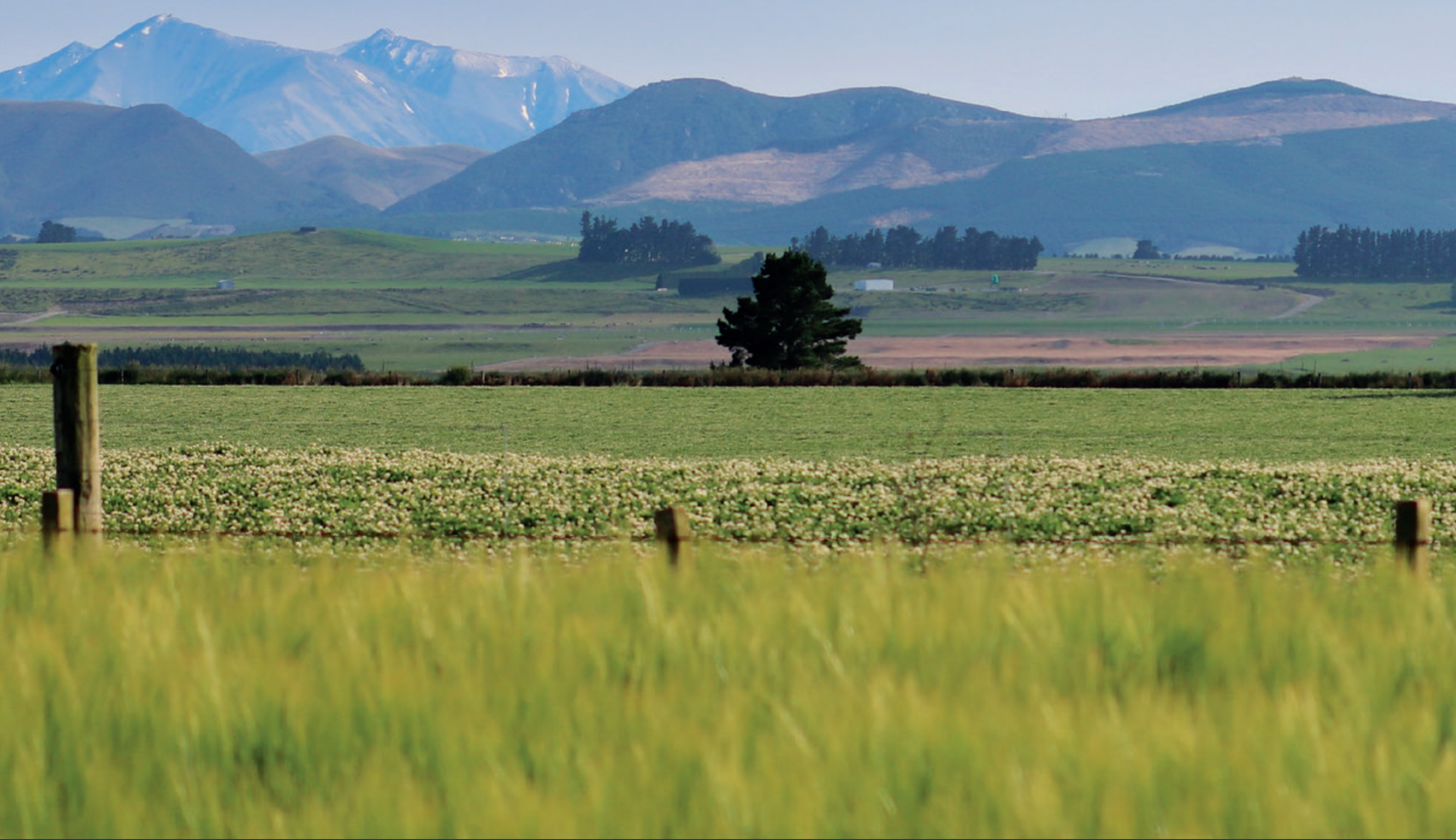
Key Financial Disclosures

For the year ended 30 June 2019

The financial statements contained on pages 1 – 44 have been approved by the Board of Directors on 12 August 2019.

Rodger Finlay
Chairman

David Cushing
Director and Audit Committee Chairman



Changes to financial reporting

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

The key change is:

- For the statement of profit or loss, we have removed the impact of Seed & Grain from the respective profit or loss lines and disclosed Seed & Grain's result in a separate discontinued operations line. Note that this treatment also applies to the comparative period.

Please note that the statement of cash flows includes the Seed & Grain business (up until the date of sale) and the comparative period statement of financial position (balance sheet) includes the Seed & Grain business.

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	NOTE	2019 $000	2018* $000
Continuing operations			
Operating revenue	1	809,255	808,695
Cost of sales	2	(589,714)	(588,600)
Gross profit		219,541	220,095
Other income		241	221
Employee expenses		(123,311)	(117,935)
Other operating expenses	3	(72,006)	(67,794)
Equity accounted earnings/(losses) of investees		(40)	(72)
Operating EBITDA		**24,425**	**34,515**
Non-operating items		(4,482)	136
Holidays Act 2003 remediation costs	18	2,303	(7,160)
Impairment and fair value adjustments	4	(3,187)	(1,086)
Depreciation and amortisation expense		(9,362)	(6,918)
EBIT		**9,697**	**19,487**
Net interest and finance costs	5	(6,067)	(6,901)
Profit from continuing operations before income tax		3,630	12,586
Income tax benefit/(expense)	6	370	(3,582)
Profit from continuing operations, net of income tax		4,000	9,004
Discontinued operations			
Results from discontinued operations, net of income tax	7	(6,475)	9,883
Gain on sale of discontinued operations, net of income tax	7	134,281	–
Profit from discontinued operations, net of income tax	7	127,806	9,883
Net profit after tax		**131,806**	**18,887**
Profit attributable to:			
Shareholders of the Company		131,123	17,964
Non-controlling interest		683	923
Net profit after tax		**131,806**	**18,887**
Earnings per share			
Basic earnings per share (New Zealand Dollars)	8	0.174	0.024
Continuing operations			
Basic earnings per share (New Zealand Dollars)	8	0.005	0.012

** The 2018 comparatives have been restated to present Seed & Grain as a discontinued operation and for NZ IFRS 15.*

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 2019

	NOTE	2019 $000	2018 $000
Net profit after tax		**131,806**	**18,887**
Other comprehensive income/(loss) for continuing operations			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments		21	–
Remeasurements of defined benefit liability	19	(6,101)	2,746
Deferred tax on remeasurements of defined benefit liability	6	703	(961)
		(5,377)	1,785
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(884)	6,408
		(884)	6,408
Other comprehensive income/(loss) for the period, net of income tax		(6,261)	8,193
Other comprehensive income/(loss) for discontinued operations			
Changes in asset revaluation reserve		403	–
		403	–
Total comprehensive income for the period		**125,948**	**27,080**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		125,282	26,307
Non-controlling interest		666	773
Total comprehensive income for the period		**125,948**	**27,080**

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

SEGMENT REPORT

For the year ended / as at 30 June 2019

(a) Operating Segments

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

The Group's segments are described below:

- **Agency:** Includes rural Livestock trading activities, Export Livestock, Wool, Insurance, Real Estate and Finance Commission.
- **Retail & 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:** Pertains to PGG Wrightson Seeds Holdings Limited together with its subsidiaries and investments in jointly controlled entities (formerly the Seed & Grain segment), and PGW Rural Capital Limited. Seed & Grain includes Australasia (New Zealand and Australian manufacturing and distribution of forage seed and turf, sale of cereal seed, 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 & Grain (research and development and corporate seeds).

Assets and liabilities allocated to each business unit combine to form total assets and liabilities for the Agency and Retail & Water business segments. Certain other assets and liabilities 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 & Water business segments. Certain other revenues and expenses are recorded at the Corporate level for the Corporate functions noted above.

"Other" cost allocation

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

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

Other costs including non-operating items, impairment and 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 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) Geographical Segment Information

Following the sale of Seed & Grain and its reclassification to discontinued operations, the Group operates within New Zealand only and its revenue is primarily derived from New Zealand.

PGG WRIGHTSON LIMITED

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2019

(c) Operating Segment Information

	AGENCY		RETAIL & WATER		OTHER		DISCONTINUED OPERATIONS		TOTAL	
	2019 $000	2018* $000	2019 $000	2018* $000	2019 $000	2018* $000	2019 $000	2018* $000	2019 $000	2018* $000
Total external operating revenues	193,843	200,574	611,732	603,816	3,680	4,305	–	–	809,255	808,695
Operating EBITDA	**15,394**	**20,112**	**19,626**	**23,810**	**(10,595)**	**(9,407)**	**–**	**–**	**24,425**	**34,515**
Non-operating items	(665)	688	(406)	590	(3,411)	(1,141)	–	–	(4,482)	136
Holidays Act 2003 remediation costs	752	(2,441)	1,724	(3,422)	(173)	(1,297)	–	–	2,303	(7,160)
Impairment and fair value adjustments	(2,286)	(1,087)	–	–	(901)	–	–	–	(3,187)	(1,086)
Depreciation and amortisation expense	(1,740)	(1,086)	(5,016)	(3,097)	(2,606)	(2,735)	–	–	(9,362)	(6,918)
EBIT	11,455	16,186	15,928	17,881	(17,686)	(14,580)	–	–	9,697	19,487
Net interest and finance costs	1,460	(1,388)	(357)	385	(7,170)	(5,898)	–	–	(6,067)	(6,901)
Profit/(loss) from continuing operations before income tax	12,915	14,798	15,571	18,266	(24,856)	(20,478)	–	–	3,630	12,586
Income tax benefit/(expense)	(3,315)	(4,366)	(3,926)	(4,680)	7,611	5,464	–	–	370	(3,582)
Profit/(loss) from continuing operations, net of income tax	9,600	10,432	11,645	13,586	(17,245)	(15,014)	–	–	4,000	9,004
Discontinued operations	–	–	–	–	–	–	127,806	9,883	127,806	9,883
Net profit after tax	**9,600**	**10,432**	**11,645**	**13,586**	**(17,245)**	**(15,014)**	**127,806**	**9,883**	**131,806**	**18,887**
Segment assets	168,921	161,378	156,643	149,107	236,391	16,599	1,202	414,603	563,157	741,687
Investment in equity accounted investees	–	–	–	–	71	59	–	14,264	71	14,323
Assets held for sale	–	–	218	218	2,108	2,398	–	–	2,326	2,616
Total segment assets	168,921	161,378	156,861	149,325	238,570	19,055	1,202	428,867	565,554	758,626
Total segment liabilities	(82,021)	(87,182)	(75,214)	(82,109)	(10,055)	(137,728)	–	(164,145)	(167,290)	(471,164)
Capital expenditure	2,857	3,212	5,064	9,689	2,736	3,326	7,251	13,204	17,908	29,431

** The 2018 comparatives have been restated to present Seed & Grain as a discontinued operation and for NZ IFRS 15.*

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

PGG WRIGHTSON LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	NOTE	2019 $000	2018 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		1,226,807	1,214,939
Dividends received		2	3
Interest received		6,399	5,225
		1,233,208	1,220,167
Cash was applied to:			
Payments to suppliers and employees		(1,248,659)	(1,190,563)
Lump sum contributions to defined benefit plans (ESCT inclusive)		(10,274)	(2,842)
Interest paid		(8,322)	(8,550)
Income tax paid		(14,954)	(12,446)
		(1,282,209)	(1,214,401)
Net cash inflow/(outflow) from operating activities		**(49,001)**	**5,766**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		624	3,407
Cash acquired on purchase of investments		1,523	–
Net proceeds from sale of investments		425,851	111
		427,998	3,518
Cash was applied to:			
Purchase of property, plant and equipment		(11,571)	(15,183)
Purchase of intangibles		(4,934)	(7,974)
Investment sale costs		(6,799)	–
Cash disposed on sale of investments		(25,414)	–
Net cash paid for purchase of investments		–	(1,215)
		(48,718)	(24,372)
Net cash inflow/(outflow) from investing activities		**379,280**	**(20,854)**
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft		–	42,499
Repayment of loans by related parties		–	3,441
		–	45,940
Cash was applied to:			
Share repurchase and cancellation		(6)	–
Dividends paid to shareholders		(15,267)	(28,570)
Dividends paid to minority interests		(1,189)	(759)
Repayment of external borrowings and bank overdraft		(114,252)	–
		(130,714)	(29,329)
Net cash inflow/(outflow) from financing activities		**(130,714)**	**16,611**
Net increase/(decrease) in cash held		199,565	1,523
Opening cash		10,926	9,403
Cash and cash equivalents	9	**210,491**	**10,926**

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

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

For the year ended 30 June 2019

	2019 $000	2018 $000
Net profit after tax	131,806	18,887
Add/(deduct) non-cash/non-operating items:		
Depreciation, amortisation and impairment	13,891	12,974
Fair value adjustments	4,079	3,877
Net (profit)/loss on sale of assets/investments	(134,218)	(1,746)
Bad debts written off (net)	2,519	429
Change in deferred taxation	2,111	(1,114)
Earnings from equity accounted investees	6,412	1,885
Defined benefit expense	(817)	142
Effect of foreign exchange movements	(5,879)	3,618
Pension contributions (operating cash) not expensed through profit and loss	(10,274)	(2,842)
Other non-cash/non-operating items	(2,357)	(2,491)
	7,273	33,619
Add/(deduct) movement in working capital items:		
Change in working capital due to sale/purchase of businesses	(199,376)	(2,683)
Change in working capital due to balance sheet reclassification	(24,957)	–
Change in inventories and biological assets	176,575	(7,374)
Change in accounts receivable and prepayments	110,893	(45,081)
Change in trade creditors, provisions and accruals	(112,759)	19,360
Change in income tax payable/receivable	(4,997)	3,326
Change in other current assets/liabilities	(1,653)	4,599
	(56,274)	(27,853)
Net cash flow from operating activities	**(49,001)**	**5,766**

The accompanying notes form an integral part of these financial statements

PGG WRIGHTSON LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTE	2019 $000	2018 $000
ASSETS			
Current			
Cash and cash equivalents	9	210,491	10,926
Short-term derivative assets	10	614	827
Trade and other receivables	11	145,881	267,627
Finance receivables		–	733
Go livestock receivables	12	47,754	39,419
Assets classified as held for sale		2,326	2,616
Biological assets		35	911
Inventories	13	85,969	262,538
Other investments	15	–	30
Intangible assets	16	2,222	2,641
Total current assets		495,292	588,268
Non-current			
Long-term derivative assets	10	387	20
Biological assets		12	–
Deferred tax asset	6	9,976	16,259
Investments in equity accounted investees		71	14,323
Other investments	15	470	2,520
Intangible assets	16	14,644	13,017
Property, plant and equipment	17	44,702	124,220
Total non-current assets		**70,262**	**170,359**
Total assets		**565,554**	**758,626**
LIABILITIES			
Current			
Debt due within one year	9	2,680	30,806
Short-term derivative liabilities	10	280	3,645
Accounts payable and accruals	18	155,903	267,096
Income tax payable		851	6,751
Defined benefit liability	19	–	905
Total current liabilities		159,714	309,203
Non-current			
Long-term debt	9	–	149,205
Long-term derivative liabilities	10	62	966
Other long-term provisions	18	1,631	2,121
Defined benefit liability	19	5,883	9,669
Total non-current liabilities		7,576	161,961
Total liabilities		**167,290**	**471,164**
EQUITY			
Share capital	30	606,318	606,324
Reserves	30	10,424	8,647
Retained earnings	30	(218,478)	(329,987)
Total equity attributable to shareholders of the Company		398,264	284,984
Non-controlling interest		–	2,478
Total equity		**398,264**	**287,462**
Total liabilities and equity		**565,554**	**758,626**

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

PGG Wrightson

Additional Financial Disclosures

including Notes to the Financial Statements for the year ended 30 June 2019

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1 OPERATING REVENUE

	2019 $000	2018* $000
Sales	677,453	666,855
Commissions	105,355	107,368
Construction contract revenue	20,985	29,627
Interest revenue on *Go* livestock product receivables	3,900	3,397
Debtor interest charges	1,562	1,448
Total operating revenue	**809,255**	**808,695**

Income Recognition Accounting Policies

NZ IFRS 15 Revenue from Contracts with Customers

The Group has initially applied NZ IFRS 15 from 1 July 2018. Comparatives have been restated to reflect the requirements for this new standard.

The effect of applying this standard is the reclassification of $2.16 million of rebate expense from Cost of Sales to Sales Revenue for the year ended 30 June 2019 (2018: $2.36 million). There is no impact to Retained Earnings upon the adoption of this standard.

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 at a point in time when the single performance obligation is satisfied and control has been transferred to the buyer, which is generally upon delivery. Control is transferred when the risks and rewards of ownership has been transferred to the customer, the 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.

The Group offers a range of payment terms, and in some cases can be up to 12 months. The Company does not recognise a financing element for contracts with terms of 12 months or less.

When part of the Group's performance obligation in selling its products is to arrange freight and/or insurance, the Group is considered to be acting as an agent and these costs are recognised net against freight recoveries.

The Group offers warranties and returns as required by New Zealand law and/or per the terms and conditions of the contracts with customers. The Group recognises the obligations under these warranties as a provision.

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.

Revenue is recognised at a point in time upon completion of service.

Construction Contract Revenue

Construction services are provided to customers in the Water business. Most contracts contain a single performance obligation. The size and duration of the contracts can vary significantly and customers are invoiced as work progresses.

The Group accounts for revenue over time, which best depicts the pattern of transfer of the construction services to the customer. The Group uses an input method to recognise revenue based on a percentage of cost completed.

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.

* *The 2018 comparatives have been restated to present Seed & Grain as a discontinued operation and for NZ IFRS 15.*

2 COST OF SALES

	NOTE	2019 $000	2018* $000
Cost of Sales includes the following items by nature:			
Depreciation and amortisation		182	172
Employee benefits including commissions		30,710	32,420
Inventories, finished goods, work in progress, raw materials and consumables	13	483,853	472,912
Other		74,969	83,096
		589,714	**588,600**

3 OTHER OPERATING EXPENSES

	2019 $000	2018* $000
Other operating expenses includes the following items:		
Audit of annual financial statements of the Company - KPMG**	290	276
Other non-audit services provided by KPMG:		
– Trust account audit of PGG Wrightson Real Estate Limited	12	12
– Review of charging group consolidation for bank syndicate	2	2
Directors' fees	718	767
Donations	1	1
Doubtful debts – (decrease)/increase in provision for doubtful debts	1,072	529
Net doubtful debts – bad debts written off/(recovered)	485	(543)
IT & telecommunications costs	9,829	10,719
Marketing	4,037	4,195
Motor vehicle costs	6,588	5,700
Rental and operating lease costs	21,904	22,041
Occupancy costs (excluding rental and operating lease)	5,027	5,129
Other staff costs	7,546	6,416
Other expenses	14,495	12,550
	72,006	**67,794**

** *The Group has paid additional fees to KPMG which have been disclosed separately within the results of discontinued operations. These additional amounts are:*

– FY19: $0.34 million for the audit of PGG Wrightson Seeds Holdings Limited's balance sheets as part of the sale of the Seed & Grain segment and for the audit of annual financial statements of the subsidiaries and equity accounted investees within the Seed & Grain segment.

– FY18: $0.13 million for the audit of annual financial statements of the subsidiaries and equity accounted investees within the Seed & Grain segment.

4 IMPAIRMENT AND FAIR VALUE ADJUSTMENTS

	2019 $000	2018* $000
Biological assets	(26)	(16)
Impairment – Property, plant and equipment	(2,260)	(1,070)
Impairment – Assets held for sale	(181)	–
Impairment – Investment in equity accounted investee	(720)	–
	(3,187)	**(1,086)**

* *The 2018 comparatives have been restated to present Seed & Grain as a discontinued operation and for NZ IFRS 15.*

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

5 INTEREST – FINANCE INCOME AND EXPENSE

	2019 $000	2018* $000
Finance income contains the following items:		
Other interest income	771	214
Finance income	771	214
Interest funding contains the following items:		
Interest on loans and overdrafts	(4,928)	(3,857)
Net interest on interest rate derivatives	(761)	(533)
Fair value change on interest rate derivatives	535	(42)
Effective interest on defined benefit pension ESCT payments	(299)	(401)
Other interest expense	(312)	(32)
Bank facility fees	(1,885)	(1,215)
Interest funding expense	**(7,650)**	**(6,080)**
Foreign exchange contains the following items:		
Net gain/(loss) on foreign denominated items	(423)	13
Fair value change on foreign exchange derivatives	1,235	(1,048)
Foreign exchange income/(expense)	812	(1,035)
Net interest and finance costs	**(6,067)**	**(6,901)**

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 or 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.

* *The 2018 comparatives have been restated to present Seed & Grain as a discontinued operation and for NZ IFRS 15.*

6 INCOME TAXES

	2019 $000	2018* $000
(a) Income tax expense recognised in Profit or Loss		
Current tax benefit/(expense)		
Current year	1,982	(5,898)
Adjustments for prior years	612	40
	2,594	(5,858)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	(2,559)	1,999
Adjustments for prior years	335	277
	(2,224)	2,276
Income tax benefit/(expense)	**370**	**(3,582)**

	2019 $000	2018* $000
Profit from continuing operations before income tax	3,630	12,586
Income tax using the Company's domestic tax rate	(1,016)	(3,524)
Non-deductible expenditure	(768)	(1,157)
Tax exempt income and defined benefit scheme contributions	1,037	501
Tax credits	170	281
Over/(under) provided in prior years	947	317
Income tax benefit/(expense)	**370**	**(3,582)**

(b) Income tax recognised directly in equity

	2019 $000	2018* $000
Deferred tax on movement of actuarial gains/losses on employee benefit plans	703	(961)
Deferred tax on transition adjustment upon adoption of NZ IFRS 9	126	–
Total income tax (expense)/benefit recognised directly in equity	**829**	**(961)**

* *The 2018 comparatives have been restated to present Seed & Grain as a discontinued operation and for NZ IFRS 15.*

Refer to Accounting Policies – page 15.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

6 INCOME TAXES (CONTINUED)

(c) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2019 $000	ASSETS 2018 $000	LIABILITIES 2019 $000	LIABILITIES 2018 $000	NET 2019 $000	NET 2018 $000
Property, plant and equipment	818	–	–	(162)	818	(162)
Intangible assets	–	–	(759)	(97)	(759)	(97)
Employee benefits	6,294	10,689	–	–	6,294	10,689
Provisions	3,623	5,596	–	(718)	3,623	4,878
Other items	–	951	–	–	–	951
Deferred tax asset/(liability)	**10,735**	**17,236**	**(759)**	**(977)**	**9,976**	**16,259**

	BALANCE 1 JUL 2018 $000	RECOGNISED IN PROFIT OR LOSS (CONTINUING) $000	RECOGNISED IN IN PROFIT OR LOSS (DISCONTINUED) $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	RECOGNISED IN RETAINED EARNINGS $000	ACQUISITION / SALE OF SUBSIDIARIES $000	BALANCE 30 JUN 2019 $000
Property, plant and equipment	(162)	1,175	(983)	–	–	788	818
Intangible assets	(97)	(524)	2,600	–	–	(2,738)	(759)
Employee benefits	10,689	(3,973)	(329)	703	–	(796)	6,294
Provisions	4,878	1,098	(2,582)	–	126	103	3,623
Other items	951	–	–	–	–	(951)	–
	16,259	**(2,224)**	**(1,294)**	**703**	**126**	**(3,594)**	**9,976**

	BALANCE 1 JUL 2017 $000	RECOGNISED IN PROFIT OR LOSS (CONTINUING) $000	RECOGNISED IN IN PROFIT OR LOSS (DISCONTINUED) $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	RECOGNISED IN RETAINED EARNINGS $000	ACQUISITION / SALE OF SUBSIDIARIES $000	BALANCE 30 JUN 2018 $000
Property, plant and equipment	(518)	236	120	–	–	–	(162)
Intangible assets	(455)	269	89	–	–	–	(97)
Employee benefits	9,635	1,421	594	(961)	–	–	10,689
Provisions	5,096	350	(568)	–	–	–	4,878
Other items	1,387	–	(436)	–	–	–	951
	15,145	**2,276**	**(201)**	**(961)**	**–**	**–**	**16,259**

Refer to Accounting Policies – page 15.

6 INCOME TAXES (CONTINUED)

(d) Unrecognised tax losses and temporary differences

At 30 June 2019, the Group has no unrecognised deferred tax assets relating to tax losses and temporary differences (2018: $7.44 million and $2.64 million, respectively). The unrecognised deferred tax assets in the comparative period relate to the Australian and South American subsidiaries of the Group sold during the current period.

(e) Imputation credits

The Group has $7.1 million imputation credits as at 30 June 2019 (2018: $3.58 million). This balance includes the third provisional tax instalment made in July 2019 in respect of the year ended 30 June 2019.

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.

7 DISCONTINUED OPERATIONS

(a) Seed & Grain segment

On 1 May 2019, the Group settled the sale of shares of its subsidiary, PGG Wrightson Seeds Holdings Limited. The share sale represents the sale of the Group's Seed & Grain segment. The sale price was $425.82 million and included interest of $12.58 million. The gain on sale (net of tax) of $134.28 million is included within profits from discontinued operations.

In the Statement of Profit or Loss for both the current and comparative periods, the result for the Seed & Grain segment is shown within discontinued operation and is disclosed separately from continuing operations.

(b) 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.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

7 DISCONTINUED OPERATIONS (CONTINUED)

(c) Results from discontinued operations were as follows:

	SEED & GRAIN		PGWRC		TOTAL	
	PERIOD TO 30 APRIL 2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Total segment revenue	434,338	449,495	–	1	434,338	449,496
Intersegment revenue	(63,675)	(63,532)	–	–	(63,675)	(63,532)
Total external operating revenue	370,663	385,963	–	1	370,663	385,964
Total external cost of sales	(259,681)	(256,369)	–	–	(259,681)	(256,369)
Gross profit	110,982	129,594	–	1	110,982	129,595
Other operating expenses	(90,503)	(92,123)	(117)	690	(90,620)	(91,433)
Equity accounted earnings/(losses) of investees	(6,372)	(1,812)	–	–	(6,372)	(1,812)
Operating EBITDA	**14,107**	**35,659**	**(117)**	**691**	**13,990**	**36,350**
Non–operating items	(1,867)	(217)	–	–	(1,867)	(217)
Holidays Act 2003 remediation costs	338	(1,066)	–	–	338	(1,066)
Impairment and fair value adjustments	(892)	(2,790)	–	–	(892)	(2,790)
Depreciation and amortisation expense	(3,287)	(6,056)	–	–	(3,287)	(6,056)
EBIT	8,399	25,530	(117)	691	8,282	26,221
Net interest and finance costs	(4,481)	(7,261)	–	–	(4,481)	(7,261)
Result from discontinued activities before tax	3,918	18,269	(117)	691	3,801	18,960
Income tax benefit/(expense)	(10,309)	(8,878)	33	(199)	(10,276)	(9,077)
Result from discontinued activities, net of tax	(6,391)	9,391	(84)	492	(6,475)	9,883
Gain on sale of discontinued operations						
Gain on sale of discontinued operations before tax	137,802	–	–	–	137,802	–
Tax on gain on sale of discontinued operations	(3,521)	–	–	–	(3,521)	–
Gain on sale of Seed & Grain, net of tax	134,281	–	–	–	134,281	–
Total profit/(loss) from discontinued activities, net of tax	**127,890**	**9,391**	**(84)**	**492**	**127,806**	**9,883**
Basic earnings per share (New Zealand dollars)	0.169	0.012	(0.000)	0.001	0.169	0.013

(d) Cash flows from discontinued operations

	PERIOD TO 30 APRIL 2019 $000	2018 $000	2019 $000	2018 $000	2019 $000	2018 $000
Net cash from operating activities	2,210	(29,465)	(418)	(225)	1,792	(29,690)
Net cash from investing activities	(4,238)	(9,181)	758	5	(3,480)	(9,176)
Net cash from financing activities	19,178	38,866	(340)	220	18,838	39,086
Net cash from/(used in) discontinued operations	**17,150**	**220**	**–**	**–**	**17,150**	**220**

7 DISCONTINUED OPERATIONS (CONTINUED)

(e) Effect of disposal on the financial position of the Group

	2019 $000
Cash and cash equivalents	(25,414)
Trade and other receivables	(166,011)
Inventories	(207,875)
Fixed assets (including property, plant & equipment, intangibles and goodwill)	(103,027)
Other assets	(5,076)
Short-term debt	33,118
Accounts payables and accruals	163,458
Term debt	3,859
Other liabilities	30,921
Net assets and liabilities sold	(276,047)
less Minority interest	2,101
Foreign currency translation reserve gain/(loss) taken to profit or loss	(3,742)
	(277,688)
Consideration received satisfied in cash	425,851
Gain on sale	148,163
less Transaction costs	(10,361)
less Tax on interest received	(3,521)
Gain on sale, net of income tax	**134,281**

(f) Agimol Corporation S.A. (AgroCentro Group)

In the period to 31 August 2018, the Group impaired its investment in Agimol Corporation S.A. (AgroCentro Group) by $6.00 million (US$3.64 million). This brought the fair value of the Group's equity accounted interest in the AgroCentro Group as at 31 August 2018 to $5.83 million (US$3.95 million). This fair value was supported by the value attributed to the AgroCentro Group as part of the sale of PGG Wrightson Seeds Holdings Limited.

On 31 August 2018, the Group increased its investment in Agimol Corporation S.A. (AgroCentro Group) from 50% to 100% and obtained control of the AgroCentro Group. As a result of obtaining control of the company from 31 August 2018, the Group has consolidated the AgroCentro Group. 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 (US$4.47 million), the pre-existing equity interest held of $5.83 million (US$3.95 million) and the consideration provided of $1.25 million (USD 0.85 million). An impairment of $1.25 million (US$ 0.85 million) was then recorded against the goodwill to align the carrying value of the AgroCentro Group to that supported by the sale of PGG Wrightson Seeds Holdings Limited of $5.83 million (US$3.95 million).

The goodwill of $12.55 million (US$8.42 million), along with the assets and liabilities of the AgroCentro Group, were subsequently sold as part of the sale of PGG Wrightson Seeds Holdings Limited.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

8 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

Basic earnings per share (EPS)

The calculation of basic EPS is based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding. There are no dilutive shares or options (2018: Nil).

	2019 $000	2018 $000
Issued ordinary shares at 30 June	754,839	754,849
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	754,849	754,849
Effect of ordinary shares repurchased	(5)	–
Weighted average number of ordinary shares at 30 June	**754,844**	**754,849**

	2019 $000	2018* $000
Profit (net of tax) attributable to Shareholders of the Company	131,123	17,964
Profit from continuing operations (net of tax) attributable to Shareholders of the Company	4,000	9,004
Net tangible assets		
Total assets	565,554	758,626
Total liabilities	(167,290)	(471,164)
less intangible assets	(16,866)	(13,017)
less deferred tax	(9,976)	(16,259)
Net tangible assets	**371,422**	**258,186**

	2019 $	2018 $
Basic EPS	0.174	0.024
Basic EPS – continuing operations	0.005	0.012
Net tangible assets per share	0.492	0.342

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.

* *The 2018 comparatives have been restated to present Seed & Grain as a discontinued operation and for NZ IFRS 15.*

9 CASH AND FINANCING FACILITIES

	2019 $000	2018 $000
Cash and cash equivalents	210,491	10,926
Current financing facilities	(2,680)	(30,806)
Term financing facilities	–	(149,205)
Net interest-bearing (debt)/cash and cash equivalents	**207,811**	**(169,085)**
Go range of livestock product receivables	47,754	39,419
Net interest-bearing (debt less *Go* livestock receivables)/Cash and cash equivalents plus *Go* livestock receivables	**255,565**	**(129,666)**

New Zealand financing facilities

The Company fully repaid and cancelled its syndicated bank facilities during the year using the proceeds from the sale of the Seed & Grain segment.

As at 30 June 2019, the Group had the following financing facilities. These senior secured facilities, which amount to $9.58 million, comprise:

– Guarantee and trade finance facilities of $6.08 million.

– Overdraft facilities of $3.50 million.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	2019 $000	2018 $000
Derivative assets held for risk management		
Current	614	827
Non-current	387	20
	1,001	847
Derivative liabilities held for risk management		
Current	(280)	(3,645)
Non-current	(62)	(966)
	(342)	(4,611)
Net derivatives held for risk management	**659**	**(3,764)**

Derivatives held for risk management

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

Derivative Financial Instruments Accounting Policies

The Group uses derivative financial instruments to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. In accordance with Treasury policy, the Group does not hold or issue derivative instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

11 TRADE AND OTHER RECEIVABLES

	2019 $000	2018 $000
Accounts receivable	136,838	213,262
Trade receivables due from related parties	–	25,827
	136,838	239,089
less Provision for doubtful debts	(4,635)	(6,887)
Net accounts receivable	132,203	232,202
Other receivables and prepayments	13,678	35,425
	145,881	**267,627**
Analysis of movements in provision for doubtful debts		
Balance at beginning of year	(6,887)	(6,358)
Increase in provision upon adoption of NZ IFRS 9	(450)	–
Increase in provision due to acquisition of subsidiary	(4,956)	–
Reduction in provision due to sale of Seed & Grain	9,683	–
Movement in provision	(2,025)	(529)
Balance at end of year	**(4,635)**	**(6,887)**

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

	TOTAL DEBTORS 2019 $000	PROVISION 2019 $000	TOTAL DEBTORS 2018 $000	PROVISION 2018 $000
Not past due	125,625	(1,403)	192,533	(20)
Past due 1 – 30 days	6,474	(41)	18,702	(95)
Past due 31 – 60 days	978	(20)	12,391	(81)
Past due 61 – 90 days	1,523	(987)	1,070	(32)
Past due 90 plus days	2,238	(2,184)	14,393	(6,659)
	136,838	**(4,635)**	**239,089**	**(6,887)**

Trade and Other Receivables Accounting Policies

NZ IFRS 9 Financial Instruments

The Group has applied NZ IFRS 9 from 1 July 2018. The new standard changes how the impairment of financial assets are calculated from an 'incurred credit loss' model to an 'expected credit loss' model. Based on the Group's assessment of historical provision rates and forward-looking analysis, the Group has recognised an additional provision of $0.45 million as at 30 June 2018 which is expensed directly to Retained Earnings upon adoption of NZ IFRS 9.

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.

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

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.

12 *GO* LIVESTOCK PRODUCT RECEIVABLES

The Group holds receivables in respect of its *Go* range of livestock products. The *Go* range allows 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 is recognised by the Group as interest income over the respective contract period and is included within operating revenue of the Agency operating segment (refer to Note 1 Operating Revenue).

	2019 $000	2018 $000
Go livestock receivables – less than one year	47,754	39,419
Go livestock receivables – greater than one year	–	–
less Provision for doubtful debts – *Go* range of livestock receivables	–	–
	47,754	**39,419**

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

	NOT IMPAIRED 2019 $000	IMPAIRED 2019 $000	NOT IMPAIRED 2018 $000	IMPAIRED 2018 $000
Not past due – *Go* range of livestock receivables	47,754	–	39,419	–
Past due 0 – 90 days	–	–	–	–
Past due 91 – 365 days	–	–	–	–
	47,754	**–**	**39,419**	**–**

13 INVENTORY

	2019 $000	2018 $000
Merchandise/finished goods	88,016	266,471
Work in progress	562	842
Less provision for inventory write down	(2,609)	(4,775)
	85,969	**262,538**

During the year ended 30 June 2019, finished goods, work in progress, raw materials and consumables included in cost of sales in the Statement of Profit or Loss amounted to $483.85 million (2018: $472.91 million) (refer Note 2 Cost of Sales).

During the year ended 30 June 2019, inventories written down to net realisable value amounted to $0.66 million (2018: $2.34 million; $1.4 million excluding Seed & Grain). The write-downs are included in cost of sales in the Statement of Profit or Loss.

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.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

14 GROUP ENTITIES

SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	DIRECT PARENT	OWNERSHIP INTEREST 2019 %	2018 %
Bloch & Behrens Wool (NZ) Limited	New Zealand	PGG Wrightson Limited	100%	100%
NZ Agritrade Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Investments Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Real Estate Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW Rural Capital Limited	New Zealand	PGG Wrightson Limited	100%	100%
Agriculture New Zealand Limited	New Zealand	PGG Wrightson Limited	100%	100%
AgriServices South America Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Employee Benefits Plan Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
BIDR Limited	New Zealand	PGG Wrightson Limited	100%	0%
PGG Wrightson Employee Benefits Plan Limited	New Zealand	PGG Wrightson Employee Benefits Plan Trustee Limited	100%	100%
Ag Property Holdings Limited	New Zealand	PGG Wrightson Investments Limited	100%	100%

The subsidiaries of the Seed & Grain segment were sold on 30 April 2019 (refer to Note 7 Discontinued Operations) and are excluded from the above listing.

15 OTHER INVESTMENTS

	2019 $000	2018 $000
Current investments		
BioPacificVentures	–	30
	–	**30**
Non-current investments		
Advances to equity accounted investees	–	150
Sundry other investments	470	2,370
	470	**2,520**

Sundry other investments including saleyards

Sundry other investments including saleyards, which do not have a market price in an active market and whose fair value can not be reliably determined, are carried at cost. The comparative period included investments pertaining to the Seed & Grain segment that were sold during the current period.

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.

16 INTANGIBLE ASSETS

	SOFTWARE $000	TRADEMARKS, PATENTS & RIGHTS $000	GOODWILL $000	TOTAL $000
Cost				
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**
Balance at 1 July 2018	29,015	3,194	–	32,209
Additions	7,442	131	–	7,573
Added as part of a business combination/amalgamation	–	–	13,741	13,741
Disposals and reclassifications	(2,531)	–	–	(2,531)
Disposed as part of a business disposal	(4,983)	(1,479)	(13,741)	(20,203)
Effect of movement in exchange rates	(67)	(28)	–	(95)
Balance at 30 June 2019	**28,876**	**1,818**	**–**	**30,694**
Amortisation and impairment losses				
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**
Balance at 1 July 2018	14,768	1,783	–	16,551
Amortisation for the year	4,978	23	–	5,001
Impairment	–	–	1,190	1,190
Disposals and reclassifications	(2,647)	–	–	(2,647)
Disposed as part of a business disposal	(4,562)	(493)	(1,190)	(6,245)
Effect of movement in exchange rates	(8)	(14)	–	(22)
Balance at 30 June 2019	**12,529**	**1,299**	**–**	**13,828**
Carrying amounts				
At 1 July 2017	**7,434**	**1,695**	**–**	**9,129**
At 30 June 2018	**14,247**	**1,411**	**–**	**15,658**
At 1 July 2018	**14,247**	**1,411**	**–**	**15,658**
At 30 June 2019	**16,347**	**519**	**–**	**16,866**

The carrying amount includes software cost of $2.22 million included as a current asset (2018: $2.64 million).

Refer to Accounting Policies – page 24.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

16 INTANGIBLE ASSETS (CONTINUED)

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.

17 PROPERTY, PLANT AND EQUIPMENT

	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORKS PROJECT* $000	TOTAL $000
Cost					
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)
Effect of movements in exchange rates	233	1,829	1,753	–	3,815
Balance at 30 June 2018	**20,987**	**47,441**	**128,508**	**3,822**	**200,758**
Balance at 1 July 2018	20,987	47,441	128,508	3,822	200,758
Additions	6	700	10,812	54	11,572
Added as part of a business combination/amalgamation	1,306	6,584	3,019	–	10,909
Disposals and transfers to other asset classes	(71)	(164)	(2,142)	–	(2,377)
Disposed as part of a business disposal	(8,741)	(40,042)	(89,019)	(1,072)	(138,874)
Effect of movements in exchange rates	(304)	(274)	(1,500)	–	(2,078)
Balance at 30 June 2019	**13,183**	**14,245**	**49,678**	**2,804**	**79,910**
Depreciation and impairment losses					
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)
Impairment	–	1,070	–	–	1,070
Effect of movements in exchange rates	–	171	906	–	1,077
Balance at 30 June 2018	**–**	**7,997**	**68,541**	**–**	**76,538**
Balance at 1 July 2018	–	7,997	68,541	–	76,538
Depreciation for the year	–	848	6,800	–	7,648
Depreciation recovered to COGS	–	–	182	–	182
Added as part of a business combination/amalgamation	–	526	1,237	–	1,763
Disposals and transfers to other asset classes	–	(64)	(1,766)	–	(1,830)
Disposed as part of a business disposal	–	(5,119)	(44,686)	–	(49,805)
Impairment	–	2,256	–	–	2,256
Effect of movements in exchange rates	–	(104)	(1,140)	–	(1,544)
Balance at 30 June 2019	**–**	**6,340**	**28,868**	**–**	**35,208**
Carrying amounts					
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**
At 1 July 2018	**20,987**	**39,444**	**59,967**	**3,822**	**124,220**
At 30 June 2019	**13,183**	**7,905**	**20,810**	**2,804**	**44,702**

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

Capital gains on the sale of property, plant and equipment of $0.20 million were recognised in non-operating items in the current period (2018: $1.69 million).

Refer to Accounting Policies – page 26.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

17 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.

18 TRADE AND OTHER PAYABLES

	2019 $000	2018 $000
Trade creditors	96,802	147,134
Trade payables due to related parties	–	4,822
Loyalty reward programme	1,015	1,177
Deposits received in advance	1,042	3,196
Accruals and other liabilities	41,854	81,725
Employee entitlements	16,821	31,163
	157,534	**269,217**
Payable within 12 months	155,903	267,096
Payable beyond 12 months	1,631	2,121
	157,534	**269,217**

Holidays Act 2003 – Remediation Costs

During the year ended 30 June 2018 the Group recognised a $8.06 million provision for remediation costs of historical liabilities under the Holidays Act 2003. The Group has now completed the remediation work and as has made remediation payments to current staff and those terminated staff for which the Group has been able to make contact with. Following these payments the remaining provision has been released apart from an amount of $1.20 million which continues to be held in respect of terminated employees for which the Group is yet to make contact with.

Onerous lease

The Group has recognised a provision in respect of property leases entered into that are now considered onerous. An onerous provision of $1.88 million has been expensed within non-operating items and represents the Directors' best estimate of the expected excess of costs over benefits for the remaining term of the lease contracts.

Corporate Structure review

Following the divestment of the Seed & Grain business the PGW Board commenced a review of the corporate service model for the business. The Group has recognised costs of $3.02 million, expensed through non-operating items, in respect of the recalibration. As at 30 June 2019, a provision of $1.74 million was held and is included within accruals and other liabilities above.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

19 DEFINED BENEFIT ASSET / LIABILITY

	2019 $000	2018 $000
Present value of funded obligations	(61,624)	(66,814)
Fair value of plan assets	55,741	59,092
Net defined benefit asset / (liability)	**(5,883)**	**(7,722)**
ESCT on committed contributions – short-term	–	(905)
ESCT on committed contributions – long-term	–	(1,947)
Total defined benefit asset / (liability)	**(5,883)**	**(10,574)**

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.

During 2017, the Group made a commitment to provide certain contributions over a five year period in order to bring the underlying plan to an actuarial equilibrium position (calculated on a different basis to the IFRS amounts above). The plan reached actuarial equilibrium following the cash contributions made in the period to 30 June 2019. Accordingly, no provision for ESCT on committed contributions remain.

	2019 %	2018 %
Group / Company Plan assets consist of:		
Equities	54%	59%
Fixed interest	28%	31%
Cash	18%	10%
	100%	**100%**

Plan assets included exposure to the Company's ordinary shares of Nil (2018: Nil).

	2019 %	2018 %
Actuarial Assumptions:		
Principal actuarial assumptions at the reporting date (expressed as weighted averages):		
Discount rate used (10 year New Zealand Government Bond rate)	1.57%	2.85%
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:

	2019 YEARS	2018 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 2019, the weighted average duration of the defined benefit obligation is 12.4 years for the PGG Wrightson Employee Benefits Plan.

Refer to Accounting Policies – page 30.

19 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

Sensitivity analysis

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

	2019 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2019 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000	2018 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2018 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000
Change in assumption				
Discount rate (0.50% movement)	1,541	(1,849)	1,403	(1,537)
Salary growth rate (0.50% movement)	(185)	123	(200)	200
Pension growth rate (0.25% movement)	(801)	616	(601)	601
Life expectancy (1 year movement)	(1,787)	1,787	(1,470)	1,470

	2019 $000	2018 $000	2017 $000	2016 $000	2015 $000
Historical information					
Present value of the defined benefit obligation	(61,624)	(66,814)	(71,106)	(73,417)	(72,153)
Fair value of plan assets	55,741	59,092	58,835	52,702	57,498
(Deficit) / surplus in the plan	**(5,883)**	**(7,722)**	**(12,271)**	**(20,715)**	**(14,655)**

The Group expects to pay $1.01 million in contributions to defined benefit plans in 2020 (2019: expected $2.94 million and paid $6.68 million). Member contributions are expected to be $0.65 million in 2020 (2019: expected $0.86 million and paid $1.27 million).

Refer to Accounting Policies – page 30.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

19 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

	2019 $000	2018 $000
Movement in the liability for defined benefit obligations:		
Liability for defined benefit obligations at 1 July	66,814	71,106
Benefits paid by the plan	(14,044)	(8,914)
Current service costs	842	858
Interest costs	1,734	2,010
Member contributions	1,268	1,170
Actuarial (gains)/losses recognised in other comprehensive income arising from:		
(Gains)/losses from change in financial assumptions	3,797	510
Experience (gains)/losses	1,213	74
Liability for defined benefit obligations at 30 June	**61,624**	**66,814**
Movement in plan assets:		
Fair value of plan assets at 1 July	59,092	58,835
Contributions paid into the plan	8,455	3,011
Member contributions	1,268	1,170
Benefits paid by the plan	(14,044)	(8,914)
Current service costs	–	–
Interest costs	1,623	1,677
Other Actuarial items recognised in other comprehensive income:		
Expected return on plan assets	(653)	3,313
Fair value of plan assets at 30 June	**55,741**	**59,092**
Expense recognised in profit or loss:		
Current service costs	842	858
Interest	111	333
	953	**1,191**
Recognised in non-operating items	(817)	142
Recognised in Employee Expenses	1,770	1,049
	953	**1,191**
Movements recognised in equity:		
Cumulative gains/(losses) at 1 July	(33,090)	(34,645)
Net profit or loss impact from current period costs	(953)	(1,191)
Gains /(losses) recognised during the year	(5,663)	2,729
ESCT provision	(438)	17
Cumulative gains/(losses) at 30 June	**(40,144)**	**(33,090)**

Employee Benefits Accounting Policies

The Group's net obligation with respect to defined benefit pension plans is calculated by estimating the future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the lower of the net assets of the plan or the current value of the contributions holiday that is expected to be generated. Actuarial gains and losses 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.

20 FINANCIAL INSTRUMENTS

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

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

The Board of Directors is responsible for the review and ratification of the Group's systems of risk management, internal compliance and control, code of conduct and legal compliance. The Board maintains a formal set of delegated authorities (including policies for credit and treasury), that clearly define the responsibilities delegated to Management and those retained by the Board. The Board approves these delegated authorities and reviews them annually.

Liquidity Risk

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

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

– Ensure all financial obligations are met when due;
– Provide adequate protection, even under crisis scenarios; and
– Achieve competitive funding within the limitations of liquidity requirements.

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.

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 no interest rate derivatives at balance date (2018: $78.0 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 its aim to ensure the Group has a stable diversified funding base without over-reliance on any one market sector.

Credit Risk

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

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

Capital Management

The capital of the Group consists of share capital, reserves, and retained earnings. The policy of the Group is to maintain a strong capital base so as to maintain investor, creditor and market confidence while providing the ability to develop future business initiatives. This policy has not been changed during the period.

Refer to Accounting Policies – page 35.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

20 FINANCIAL INSTRUMENTS (CONTINUED)

Quantitative disclosures

(a) Liquidity Risk – Contractual Maturity Analysis

The following tables analyse the Group's 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
2019					
Liabilities					
Debt	2,813	–	–	2,813	2,680
Derivative financial instruments	280	62	–	342	342
Trade and other payables	96,802	–	–	96,802	96,802
	99,895	**62**	**–**	**99,957**	**99,824**
2018					
Liabilities					
Debt	41,041	163,231	–	204,272	180,011
Derivative financial instruments	3,645	62	–	4,611	4,611
Trade and other payables	151,956	–	–	151,956	151,956
	196,642	**163,293**	**–**	**360,839**	**336,578**

(b) 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
2019				
Cash and cash equivalents	–	1	1	1
Trade and other receivables	1,213	2,235	237	4,697
Trade and other payables	(565)	(5,122)	(1,758)	(1,991)
Net balance sheet position	**648**	**(2,886)**	**(1,520)**	**2,707**
Forward exchange contracts				
Notional forward exchange cover	9,483	1,585	(1,758)	21,356
Net unhedged position	**(8,835)**	**(4,471)**	**238**	**(18,649)**
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**

Refer to Accounting Policies – page 35.

20 FINANCIAL INSTRUMENTS (CONTINUED)

(c) 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
2019					
Liabilities					
Debt	2,680	–	–	–	2,680
Derivative financial instruments	–	–	–	342	342
Trade and other payables	–	–	–	96,802	96,802
	2,680	**–**	**–**	**97,144**	**99,824**
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**

(d) 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
2019					
Assets					
Cash and cash equivalents	–	–	210,491	210,491	210,491
Derivative financial instruments	–	1,001	–	1,001	1,001
Trade and other receivables	–	–	132,203	132,203	132,203
Other investments	–	–	470	470	470
Go livestock receivables	–	–	47,754	47,754	47,754
	–	**1,001**	**390,918**	**391,919**	**391,919**
Liabilities					
Debt	–	–	2,680	2,680	2,680
Derivative financial instruments	–	342	–	342	342
Trade and other payables	–	–	96,802	96,802	96,802
	–	**342**	**99,482**	**99,824**	**99,824**
2018					
Assets					
Cash and cash equivalents	–	–	10,926	10,926	10,926
Derivative financial instruments	–	847	–	847	847
Trade and other receivables	–	–	232,201	232,201	232,201
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**	**285,649**	**286,526**	**286,526**
Liabilities					
Debt	–	–	180,011	180,011	180,011
Derivative financial instruments	–	4,611	–	4,611	4,611
Trade and other payables	–	–	151,956	151,956	151,956
	–	**4,611**	**331,967**	**336,578**	**336,578**

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 35.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

20 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 2019.

	NOTE	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2019					
Assets					
Derivative financial instruments		–	1,001	–	1,001
Other investments	15	–	–	–	–
		–	**1,001**	**–**	**1,001**
Liabilities					
Derivative financial instruments		–	342	–	342
		–	**342**	**–**	**342**
2018					
Assets					
Derivative financial instruments		–	847	–	847
Other investments	15	–	–	30	30
		–	**847**	**30**	**877**
Liabilities					
Derivative financial instruments		–	4,611	–	4,611
		–	**4,611**	**–**	**4,611**

(e) Credit Risk

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 35.

20 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

21 OPERATING LEASES

	2019 $000	2018 $000
Non-cancellable operating lease rentals are payable as follows:		
Within one year	19,884	26,869
Between one and five years	45,871	68,281
Beyond five years	18,648	42,976
	84,403	**138,126**

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

The Group leases office and computer equipment. These 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 fifteen years with various rights of renewal. Where surplus properties are unable to be exited, sublease revenue is obtained where possible on a short-term temporary basis. During the year ended 30 June 2019, sublease revenue totalling $0.90 million (2018: $1.18 million) was received.

22 COMMITMENTS

	NOTE	2019 $000	2018 $000
There are commitments with respect to:			
Capital expenditure not provided for		111	2,463
Investment in BioPacificVentures	15	–	51
Contributions to Primary Growth Partnership – Seed and Nutritional Technology Development Programme		–	277
		111	**2,791**

Forward purchase commitments

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

23 CONTINGENT LIABILITIES

There are contingent liabilities with respect to:

	2019 $000	2018 $000
PGG Wrightson Loyalty Reward Programme	88	102
Guarantee	–	3,693
	88	**3,795**

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 $0.09 million represents the balance of live points that do not form part of the provision (2018: $0.10 million). Losses are not expected to arise from this contingent liability.

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. 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.

25 RELATED PARTIES

Transactions with Key Management Personnel

	2019 $000	2018 $000
Key management personnel compensation comprised:		
Short-term employee benefits	7,129	6,079
Post-employment benefits	151	151
Termination benefits	1,169	–
	8,449	**6,230**

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

Other Transactions with Key Management Personnel

Several Directors, Senior Executives or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group during the reporting period. The terms and conditions of these transactions with Key Management Personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Key Management Personnel related entities on an arm's length basis. The aggregate value of transactions and outstanding balances relating to Directors, Senior Executives and entities over which they have control or significant influence were as follows:

Key Management Personnel/Director	**Transaction**	TRANSACTION VALUE 2019 $000	BALANCE OUTSTANDING 2019 $000	TRANSACTION VALUE 2018 $000	BALANCE OUTSTANDING 2018 $000
John Nichol (retired 30 April 2019)	Purchase of retail goods	1	–	2	–
Trevor Burt (retired 30 April 2019)	Purchase of retail goods and livestock transactions	137	–	184	–
David Cushing (appointed 30 April 2019)	Purchase of retail goods, wool and livestock transactions. Also includes provision of defined benefit pension fund advisory services via related party Rural Equities Limited	392	37	–	–
David Green (to 30 April 2019)	Purchase of retail goods and rental receipts	–	–	87	–
Stephen Guerin	Purchase of retail goods and livestock transactions	7	1	9	–
John McKenzie (to 30 April 2019)	Purchase of retail goods, sale of seed under production contracts, sale of wool, water services and livestock transactions	3,911	(265)	3,345	(593)
Peter Newbold	Purchase of retail goods	27	2	35	3
Grant Edwards	Purchase of retail goods	1	–	1	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

26 EVENT SUBSEQUENT TO BALANCE DATE

New bank facilities

During July 2019, the Group arranged new bank facilities. These new facilities provide core facilities of up to $50.00 million and a working capital facility of up to $70.00 million.

Capital return

On 4 July 2019, the Group announced that a Special Shareholders Meeting would be convened to consider and vote upon a special resolution to approve a proposed capital distribution of approximately $234.00 million. On 23 July 2019, shareholders approved the special resolution for the Company to implement the scheme of arrangement and distribution of capital to shareholders. On 31 July 2019, the Company received final High Court orders approving the return of capital by way of the scheme of arrangement. The distribution of capital is to be made on 14 August 2019.

A consolidation of the Company's ordinary shares will be implemented following the capital distribution on a 1 for 10 basis, whereby every 10 existing shares in the Company (following completion of the scheme) will be consolidated into one share.

Dividend

On 12 August 2019, the Directors of PGG Wrightson Limited resolved to pay a final dividend of 7.5 cents per share (on a post share consolidation basis) on 2 October 2019 to shareholders on the Company's share register as at 5.00pm on 11 September 2019. This dividend will be fully imputed.

27 REPORTING ENTITY

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

Financial statements of PGG Wrightson Limited for the year ended 30 June 2019 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.

28 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 12 August 2019.

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.

28 BASIS OF PREPARATION (CONTINUED)

Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

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

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

Note	Judgement
1	Operating revenue – construction contracts
11	Carrying value of trade and other receivables
18	Estimates used in determining onerous lease provision

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

29 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

29 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 duration are not discounted.

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

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

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 and processes.

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.

(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.

29 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 2019 and have not been applied in preparing these consolidated financial statements. These include:

- NZ IFRS 16 Leases becomes effective for the Group from the period beginning 1 July 2019. The new standard replaces NZ IAS 17 and requires implementation of a new lessee accounting model. This is accomplished by recognising a new right of use asset and a corresponding lease liability. This is calculated as the present value of the remaining payments on the lease. Under the standard leases of less than 12 months, or of low value can be excluded from recognition.

  There will be a material impact on the group's financial statements from NZ IFRS 16. The impact to the Statement of Financial Position upon the recognition of right of use assets and liabilities is estimated to be $164.40 million subject to finalisation of the level of assumed leased roll overs. There is expected to be an increase in depreciation expense of approximately $16.00 million, and interest expense of approximately $6.00 million. This is subject to the transition modelling and assumptions used. Operating expenses are expected to reduce by an estimated $21.40 million resulting in a corresponding increase in Operating EBITDA.
- 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 2019

	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	REALISED CAPITAL AND REVALUATION RESERVES $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)	23,999	(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
Defined benefit plan actuarial gains/(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)**	**23,999**	**(9,042)**	**(2,587)**	**(329,987)**	**2,478**	**287,462**
Balance at 1 July 2018	606,324	(3,723)	23,999	(9,042)	(2,587)	(329,987)	2,478	287,462
Adjustment on adoption of NZ IFRS 9, net of tax	–	–	–	–	–	(324)	–	(324)
Adjusted balance at 1 July 2018	606,324	(3,723)	23,999	(9,042)	(2,587)	(330,311)	2,478	287,138
Total comprehensive income for the period								
Profit or loss	–	–	–	–	–	131,123	683	131,806
Other comprehensive income:								
Foreign currency translation differences	–	(867)	–	–	–	–	(17)	(884)
Changes in asset revaluation reserve	–	–	403	–	–	–	–	403
Changes in fair value of equity instrument, net of tax	–	–	–	–	21	–	–	21
Defined benefit plan actuarial gains/(losses), net of tax	–	–	–	(5,398)	–	–	–	(5,398)
Total other comprehensive income	–	(867)	403	(5,398)	21	–	(17)	(5,858)
Total comprehensive income for the period	-	(867)	403	(5,398)	21	131,123	666	125,948
Transactions with shareholders recorded directly in equity								
Contributions by and distributions to shareholders								
Share repurchase and cancellation	(6)	–	–	–	–	–	–	(6)
Dividends to shareholders	–	–	–	–	–	(15,267)	(1,189)	(16,456)
Total contributions by and distributions to shareholders	(6)	–	–	–	–	(15,267)	(1,189)	(16,462)
Sale of PGG Wrightson Seeds Holdings Limited								
Reclassification of reserves to Profit & Loss	–	3,741	–	–	–	–	(2,101)	1,640
Reclassification of reserves to Retained Earnings	–	849	260	–	–	(1,255)	146	–
Total reclassification to Profit of Loss	–	4,590	260	–	–	(1,255)	(1,955)	1,640
Transfer to retained earnings								
Other	–	–	–	2,768	–	(2,768)	–	–
Total transfer to retained earnings	–	–	–	2,768	–	(2,768)	–	–
Balance at 30 June 2019	**606,318**	**–**	**24,662**	**(11,672)**	**(2,566)**	**(218,478)**	**–**	**398,264**

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

30 CAPITAL AND RESERVES

	No. OF SHARES 2019 000	No. OF SHARES 2018 000	2019 $000	2018 $000
On issue at 1 July	754,839	754,849	606,318	606,324
Share capital on issue at 30 June	**754,839**	**754,849**	**606,318**	**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 and the translation of liabilities that hedge the Group's net investment in a foreign subsidiary. Following the sale of the Seed & Grain segment which includes all of the Group's foreign operations and subsidiaries, the amount in the translation reserve has been taken to the Profit or Loss (within gain on sale in discontinued operations) and the translation reserve was cleared to nil.

Realised capital and revaluation reserves

The realised capital reserve comprises the cumulative net capital gains that have been realised. The revaluation reserve relates to historic revaluations of property, plant and equipment. The balances relating to the Seed & Grain segment have been transferred to Retained Earnings.

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 2019, the amount of $2.77 million was transferred from the defined benefit reserve to retained earnings (30 June 2018: $3.26 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

A fully imputed 2019 interim dividend of 0.75 cents per share was paid on 5 April 2019 and a fully imputed 2018 final dividend of 1.25 cents per share was paid on 3 October 2018 (2018: 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).

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 audit of 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 1 to 44:

i. present fairly in all material respects the Group's financial position as at 30 June 2019 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 2019;
- the consolidated statements of profit and loss, 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 2019; 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 a special purpose audit of the Seed & Grain balance sheet, regulatory assurance 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 $2,200,000 determined with reference to a combination of Group revenue and 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
Sale of the Seed & Grain business ($134.3 million gain on sale – refer note 7)	
During the year, the Group completed the sale of the Seed & Grain business to DLF Seeds A/S. This resulted in a gain on sale of $134.3 million and the presentation of the Seed & Grain operating result prior to sale as a discontinued operation within the profit and loss. Following the completion of the sale there have been transactions and decisions which have had a significant impact on the financial statements. These include commencing the process of the corporate recalibration, a capital distribution to shareholders, and repayment of bank debt. This is considered a key audit matter given the significance and profile of the transaction and the judgement associated with recognition and presentation of expenses.	Our audit procedures included: — examining the Sale and Purchase Agreement and the receipt of funds; — challenging the accuracy and valuation of the net assets of the Seed & Grain business unit as at 30 April 2019, including the additional 50% investment in Agimol Corporation S.A. (AgroCentro), which resulted in the Group consolidating AgroCentro into Seed & Grain; — challenging the allocation of costs between transaction costs or the Seed & Grain business' results; — assessing the transactions to remove the net assets of Seed & Grain and eliminate Group consolidation balances such as the Foreign Currency Translation Reserve; — assessing the presentation of results from discontinued operations, including the restatement of comparative information; — assessing the presentation of subsequent events up to the date of the approval of the financial statements; and — challenging the timing of the recognition and accuracy of costs associated with the corporate recalibration. Our procedures did not identify any significant variances that would impact the cost allocation, gain on sale or disclosures related to the sale of the Seed & Grain business.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in 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 Group's 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 Group's 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

KPMG
Christchurch

12 August 2019