PGG Wrightson

Annual Report

For the year ended 30 June 2019

Helping grow the country

Contents

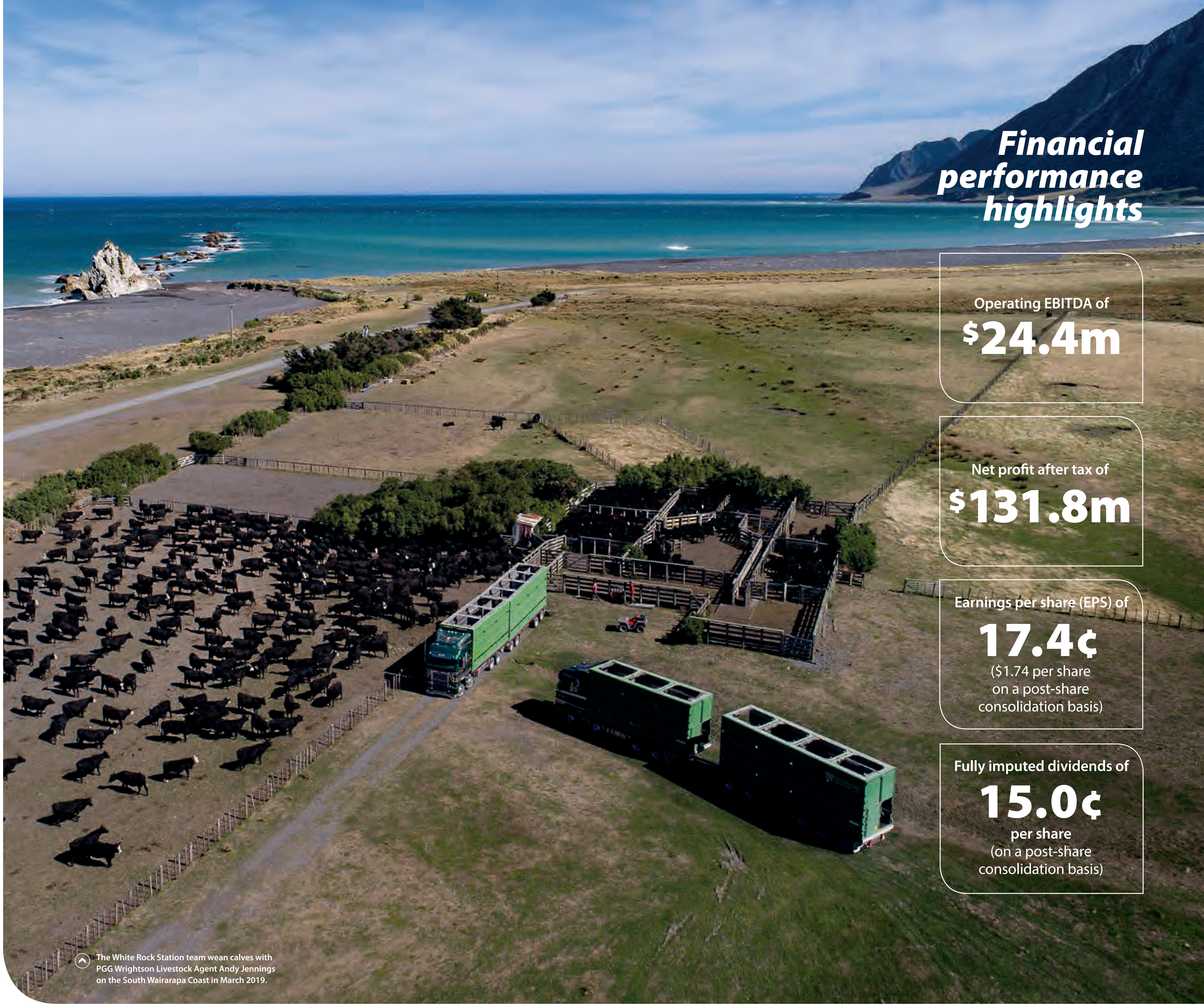
Calendar

Annual shareholders' meeting
22 October 2019

Half-year earnings announcement
26 February 2020

Year-end earnings announcement
18 August 2020

Front cover: LeaderBrand S.I. General Manager Mike Arnold monitors a young crop of broccoli with Fruitfed Technical Horticulture Representative Malcolm Duncan near Chertsey in the early morning in August 2019.



Financial performance highlights

Operating EBITDA of
$24.4m

Net profit after tax of
$131.8m

Earnings per share (EPS) of
17.4¢
($1.74 per share on a post-share consolidation basis)

Fully imputed dividends of
15.0¢
per share
(on a post-share consolidation basis)

The White Rock Station team wean calves with PGG Wrightson Livestock Agent Andy Jennings on the South Wairarapa Coast in March 2019.

2019 Highlights

Net profit after tax benefited from the gain on sale of the Seed & Grain business and led to a **record result for PGW of $131.8 million.**

The sale of Seed & Grain to DLF Seeds A/S was completed on 1 May 2019.

A capital distribution to shareholders of $234 million was completed on 14 August 2019.

***Go*-Beef and *Go*-Lamb** products continue to grow strongly with the balance peaking at $49.3 million during FY2019.

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

To date, over 1,000 PGW employees have completed the cognitive behavioural safety programme Zero Incident Process.

PGG Wrightson Livestock Auctioneers John Farrell and Greg Cook look for bids at the Mt Arrowsmith calf sale in the Ashburton Gorge in April 2019.

Rodger Finlay
CHAIRMAN

Stephen Guerin
CHIEF EXECUTIVE OFFICER

A transformational year for PGW

	2019 $M	2018* $M
Revenue	**809.3**	808.7
Gross Profit	**219.5**	220.1
Operating EBITDA	**24.4**	34.5
Net Profit After Tax	**131.8**	18.9
Net Cash Flow from Operating Activities	**(49.0)**	5.8

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

Chairman and Chief Executive Officer's Report

PGG Wrightson Limited ("PGW", "the Group" or "the Company") delivered Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) for the year ended 30 June 2019 of $24.4 million and net profit after tax (NPAT) of $131.8 million.

- **On 1 May 2019, PGW announced the completion of the sale of all of its shares in PGG Wrightson Seeds Holdings Limited to DLF Seeds A/S.**
- **Shareholders will receive a fully imputed dividend of 7.5 cents per share, which will be paid on 2 October 2019, making a total of 15.0 cents per share (on a post share consolidation basis) for the financial year.**

FY2019 has been a transformational year for PGW, both for the business and shareholders. The change brought about by the sale of the Seed & Grain business completed on 1 May 2019 was significant for PGW with the proceeds from the transaction paving the way for a capital distribution to shareholders of $234 million.

Our strategic relationship with the new owners of Seed & Grain, DLF Seeds A/S, is a positive one. While this deal has been transformational for PGW, it remains very much business as usual for our frontline staff and our customers. We will continue to work closely with the PGG Wrightson Seeds team to bring their products to our customers, and the seed category will continue to be profitable for our retail business.

Reflecting on FY2019, we believe it was one of the most operationally challenging of recent years. Farmer confidence in parts of the agriculture sector remains subdued, constraining farm spending and therefore our revenue growth over the year. This has also been evident in recent months with a discernible tightening in the credit environment. This has seen a small increase in our overdue debtors and increased provisions taken at year-end for doubtful debts.

As a result, PGW finished the year slightly under the lower end of our Operating EBITDA guidance range of $25 million. On the other hand, net profit after tax benefited from the gain on sale of the Seed & Grain business and at $131.8 million is a record result for PGW.

It is important to note that this Operating EBITDA result no longer includes any contribution from the Seed & Grain business which has been reported as a discontinued operation in our results for FY2019 and the comparative prior year.

Nevertheless, we've chosen to continue to invest in and build our business as we plan for farm spending to recover. Notably we've increased the pace of our IT spend as a number of key projects are being implemented.

We indicated in May that we expected to end the financial year near the bottom of our Operating EBITDA guidance range given that we were cautious about trading conditions through the last quarter. As is often the case, on farm conditions have had an influence on performance in the sector and in turn PGW and FY2019, was no exception.

The impact of Mycoplasma bovis (M bovis) was felt across the Livestock and Rural Supplies businesses. Most particularly with reduced dairy herd settlements, a reduction in tallies, a softening of demand for dairy beef, and a more cautious approach to spending in the dairy sector across a range of farm inputs.

Market conditions continued to challenge both our Real Estate and Wool businesses with results down on last year.

Commodity prices were generally strong, especially in New Zealand dollar terms, therefore many of our customers have enjoyed good returns even where production reduced. This flowed through to our Livestock business with sheep and beef markets remaining strong and continuing to strengthen. In addition, the horticulture sector continues to go from strength to strength with an increasing global demand and a growing trend of conversion of livestock farms to orchards and vineyards in key areas across the country including Northland and Marlborough which benefited Fruitfed Supplies (Fruitfed).

On farm and market conditions

Looking back on the 2018/2019 season, on farm conditions were positive for most of our customers.

Above-average rainfall and temperatures supported strong pasture growth across many regions. The weather was less kind to our horticultural and arable customers, though, with cool conditions during key times during spring affecting pollination and a hot, dry summer limiting the yield potential of harvests.

Consequently, production estimates are a mix of good and bad news compared to the 2017/2018 season. The Ministry for Primary Industries estimates dairy production increased, similar production levels in beef, lamb and pipfruit as 2017/2018, and reduced production in kiwifruit and wine. Commodity prices were generally strong, especially in New Zealand dollar terms.

However, the impact of M bovis on dairy and beef and the pace of regulatory change that affects the agriculture sector has kept farmer confidence low. More recently, the proposal to increase the amount of capital banks are required to hold has the potential to reduce the amount of debt capital that might be available to agriculture. As a result, we are seeing a more cautious approach to investment and expenditure from those customers most impacted by these factors.

Our people

At 30 June 2019 PGW employed 1,800 employees (including casual, fixed-term, commission and permanent staff).

In early 2019, we concluded the Holidays Act Remediation Project. The goals of this project were to; comprehensively review calculations back to March 2011, update our systems and processes to ensure future calculations are in line with the Holidays Act, and to remediate any arrears.

Health, safety and wellbeing

Our health, safety and wellbeing culture will continue to evolve as we move from a focus of compliance to genuine safety and wellbeing leadership. A key initiative, which supports this change in focus, is the Zero Incident Process (ZIP) programme (with over 1,000 employees completing the ZIP programme to date).

We have continued to see an improvement in our benchmark performance measures for safety incident events with a reduction in frequency rates for lost time of 35 percent and frequency rates for total recordable injuries of 29 percent for this year (compared to the year ended June 2018).

The wellbeing of our people and the communities in which they operate is a focus for PGW. Early in FY2019 we undertook an employee assessment initiative with Dr Tom Mulholland and his KYND wellness tool. Due to the positive feedback from employees regarding this initiative, we entered into a sponsorship partnership with Dr Tom's 'Walk the Talk' Wellness Tour, which commenced in early FY2020.

Corporate structure review

The PGW Board commenced a review of the corporate service model for the business, following the divestment of the Seed & Grain business in May 2019.

Outcomes from the review have been largely implemented as we recalibrate our corporate structure to capture efficiencies while also configuring our back office to best serve our customers and our re-sized operation. We expect to see the benefit of reduced costs flowing through progressively with savings in excess of $2.5 million expected in FY2020.

Harvesting Starfire Wheat at Haldon Pastures near Hororata in Canterbury in February 2019.

> ***"FY2019 has been a transformational year for PGW, both for the business and shareholders."***
>
> ***Rodger Finlay, Chairman***

Cash flow

Net Group cash flows were $199.6 million which predominantly relates to the cash received for the sale of Seed & Grain, leaving a cash balance of $210.5 million at 30 June 2019.

Net cash flow (including the Seed & Grain business), prior to sale, from operating activities was a $49 million outflow. This outflow results from investments in working capital including investment in *Go* livestock products of $8.3 million. In addition, lump sum funding payments of approximately $10.3 million were made to the Group's Defined Benefit Pension Scheme (Plan) to bring the Plan into actuarial equilibrium in June 2019.

PGW negotiated and entered into new bank facilities in July 2019 providing for core facilities of up to $50 million and a working capital facility of up to $70 million. It is pleasing to note that very competitive terms have been struck for these banking arrangements and this further underscores the confidence in the fundamentals of the business and PGW's future.

"Our health, safety and wellbeing culture will continue to evolve as we move from a focus of compliance to genuine safety and wellbeing leadership."

Stephen Guerin, Chief Executive Officer

Dividends

The Board has resolved to declare a fully imputed final dividend of 7.5 cents per share, which will be paid on 2 October 2019. This will effectively bring the total fully-imputed dividends paid for the year to 15.0 cents per share on a post share consolidation basis.

Outlook

As noted earlier, with the significant change that PGW has undergone over the last 12 months, we believe that we are well positioned for the current financial year and beyond.

As previously noted, we would anticipate that the impact of M bovis on dairy and beef and uncertainty regarding regulatory change affecting agriculture will continue to impact confidence levels in the rural sector. We are seeing a more cautious approach to investment and expenditure from our customers.

With continued strong global demand for protein, and as livestock farmers and the wider industry gain a better understanding and increased confidence in the management of M bovis, we believe we will see the positive effect of those factors flow through into improved trading. We are also buoyed by the ongoing confidence in the horticulture sector and we anticipate that the Fruitfed business will continue to go from strength to strength as this sector grows.

Whilst it is too soon to provide firm guidance about expectations for FY2020, the Board considers that post implementation of the corporate restructuring, and assuming a more normal trading year and continuing confidence in commodity prices, we expect to see PGW achieving Operating EBITDA in excess of $30 million (before adjusting for the impact from the new accounting standard for leases).

Strategy update

With the Seed & Grain transaction and the capital return behind us, we are sharpening our focus on the core PGW offerings that have made the business a key part of the New Zealand agricultural landscape for more than 160 years. The Board and management team will be reassessing our strategy and exploring opportunities to innovate and grow our business as we continue to demonstrate to our customers why PGW is their preferred partner for their agri-business needs.

Governance changes

The PGG Wrightson Limited Board had a number of membership changes:

- Guanglin (Alan) Lai retired as Director and Chairman of the Board effective 30 October 2018.
- Joo Hai Lee was appointed interim Chairman effective from 31 October 2018. Following the appointment of Rodger Finlay as Chairman, Joo Hai Lee became Deputy Chairman on 30 April 2019.
- Rodger Finlay joined the Board as an Independent Director and Chairman on 30 April 2019.
- David Cushing and Sarah Brown were appointed to the Board as Independent Directors on 30 April 2019.
- Trevor Burt retired as Director and Deputy Chairman of the Board effective 30 April 2019.
- Bruce Irvine and John Nichol retired from the Board effective 30 April 2019.
- Lim Siang (Ronald) Seah retired from the Board effective 31 August 2019.

Executive team changes

The PGW executive team had a number of changes:

- Natalie Thain was appointed into an acting role as General Manager Human Resources in February 2019 on a fixed term basis to cover a period of parental leave.
- Ian Glasson stepped down as Chief Executive Officer on 31 May 2019.
- Stephen Guerin was appointed as Chief Executive Officer on 1 June 2019, prior to this appointment he was the Group General Manager of Retail & Water.
- Nick Berry was appointed General Manager Retail & Water on 1 August 2019.

Acknowledgements

On behalf of the Board and management team, we extend our thanks to the 1,800 outstanding individuals who make up the PGW team, along with our customers and suppliers.

Rodger Finlay
Chairman

Stephen Guerin
Chief Executive Officer

Board of Directors

RODGER FINLAY
BCom, FCA, CFInstD
Chairman

Rodger Finlay joined the PGG Wrightson Limited Board on 30 April 2019 as an Independent Director and Chairman, and as a member of the Audit Committee. An experienced Chairman and Company Director, Rodger has governance skills specialising in finance, natural resources, agriculture, media and corporate recovery. Additionally, he has amassed significant knowledge of financial and jurisdictional systems globally having conducted investment banking activities in Australasia, South East Asia, Africa, the United Kingdom, continental Europe and North America.

After 26 years in the investment banking and fund management areas, Rodger, since 2008, now acts as a full time Company Director and Trustee with governance assignments in New Zealand and the UK. Rodger Chairs both the Independent Advisory Panel of the Provincial Growth Fund and NZ Post. He holds directorships in Ngāi Tahu Holdings Corporation, Moeraki Limited and Rural Equities Limited. Rodger previously served on the PGG Wrightson Agritech Governance Board and retired in 2013.

JOO HAI LEE
ACA (ICAEW), CPA (Australia), FCCA (UK), CA (ISCA)
Deputy Chairman

Joo Hai Lee was appointed as Deputy Chairman of PGG Wrightson Ltd on 30 April 2019 and has been a Director since 31 October 2017. He is a member of the Audit Committee. He was appointed as an Independent Director of Agria Corporation in November 2008.

Mr Lee, aged 63, has more than 30 years' experience in accounting and auditing. He was a partner of an international public accounting firm in Singapore until his retirement from the firm in 2012. He has serviced clients in the manufacturing, hospitality, insurance, insurance brokers and other service industries. His clients included large multinational corporations and listed entities. His professional memberships include those of the Institute of Chartered Accountants in England and Wales, CPA (Australia), ACCA (UK), Institute of Directors of both Hong Kong and Singapore. Mr Lee also sits on the Board of several listed companies in Singapore and one in Hong Kong.

DAVID CUSHING
B.Com ACA
Independent Director

David Cushing was appointed to the PGG Wrightson Limited Board as an Independent Director on 30 April 2019 and is Chairman of the Audit Committee. David is a former investment banker. He is Executive Chairman of Rural Equities Limited and a Director of Skellerup Holdings Limited, H&G Limited and Red Steel Limited and ASX listed Webster Limited. David has previously been a director of Williams & Kettle Limited, Fruitfed Supplies Limited, Tourism Holdings Limited, NPT Limited, New Zealand Farming Systems Uruguay Limited and Wakefield Health Limited.

SARAH BROWN
BA, LLB, CFInstD
Independent Director

Sarah Brown was appointed to the PGG Wrightson Limited Board on 30 April 2019 as an Independent Director. Sarah is from a rural background, having grown up on a Southland sheep farm. She is a former Commercial Lawyer who now holds a number of Independent Director roles. Sarah's directorships include PowerNet Limited, Electricity Invercargill Limited and OtagoNet Limited and she was previously on the Southern Institute of Technology Council for 11 years, six of them as Council Chair. She is a member of the Independent Advisory Panel for the New Zealand Provincial Growth Fund and a Director of the Southland Regional Development Agency. Sarah is a passionate Southlander, strongly committed to regional New Zealand's economic development.

U KEAN SENG
LLB (Hons), B.Ec

U Kean Seng was appointed to the PGG Wrightson Limited Board on 4 December 2012. He is Head of Corporate and Legal Affairs for Agria Corporation, a role he has held since December 2008. U Kean Seng previously practiced as a partner at Singaporean law firm, Shooklin & Bok LLP, focused on East Asia, and he led a corporate finance team in Allen & Overy Shooklin & Bok, JLV, an international law venture partnership with London based Allen & Overy LLP.

U Kean Seng previously sat as an Independent and Non-Executive Director of several public listed corporations. He received a Bachelor of Laws (Honours) degree from Monash University Australia. He is a Barrister and Solicitor, Supreme Court of Victoria, Australia; Advocate and Solicitor, Supreme Court of Singapore and Solicitor of England and Wales. In addition to his extensive legal knowledge, U Kean Seng is also a qualified economist, having completed his degree majoring in Economics and Accounting, B.Ec at Monash University, Australia.

GUANGLIN (ALAN) LAI

Alan retired as Director and Chairman of the Board of PGG Wrightson Ltd effective 30 October 2018.

TREVOR BURT

Trevor retired as Deputy Chairman of the Board of PGG Wrightson Ltd effective 30 April 2019.

BRUCE IRVINE

Bruce retired from the Board of PGG Wrightson Ltd effective 30 April 2019.

JOHN NICHOL

John retired from the Board of PGG Wrightson Ltd effective 30 April 2019.

LIM SIANG (RONALD) SEAH

Ronald retired from the Board of PGG Wrightson Ltd effective 31 August 2019.

Board of Directors; (left to right) Lim Siang (Ronald) Seah, David Cushing, Sarah Brown, Rodger Finlay, Joo Hai Lee and U Kean Seng.

Executive Team

PETER MOORE PETER NEWBOLD NATALIE THAIN NICK BERRY STEPHEN GUERIN GRANT EDWARDS PETER SCOTT JULIAN DALY

STEPHEN GUERIN
Chief Executive Officer

Stephen was appointed Chief Executive Officer of PGG Wrightson Limited in June 2019. Prior to this appointment he was responsible for all aspects of the Retail & Water group business which includes the Rural Supplies, Agritrade, Fruitfed Supplies and Water businesses. He has worked for PGG Wrightson Limited and its predecessor companies for 31 years. He holds a Bachelor of Business Studies (Accounting) from Massey University. Stephen is a Director of several Group subsidiaries and a Director of the PGG Wrightson Employee Plan Trustee Limited.

NICK BERRY
General Manager Retail & Water

Nick was appointed General Manager Retail & Water in August 2019. Nick joined PGW as New Business Growth Manager for Agritrade in 2014 and over the last five years has grown the business substantially. Prior to joining PGW, Nick was General Manager for RD1 for eight years and prior to that National Operations Manager. Nick has an extensive track record of experience at general management level. Nick's strengths are leadership, business management, along with strong sales and service focus, backed up with a strong affinity for retail and the agribusiness sector.

JULIAN DALY
General Manager Corporate Affairs

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

GRANT EDWARDS
General Manager Wool

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

Grant has spent over 20 years directly in the wool industry and states, "once you have a passion for wool it never leaves."

IAN GLASSON
Chief Executive Officer

Ian was Chief Executive Officer and stepped down on 31 May 2019.

PETER MOORE
General Manager Livestock

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

PETER NEWBOLD
General Manager Real Estate

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

PETER SCOTT
Chief Financial Officer

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

NATALIE THAIN
General Manager Human Resources (Acting)

Natalie was appointed into an acting role, to cover maternity leave, as General Manager Human Resources in February 2019. Natalie leads our Change Management, Human Resources Shared Services, Human Resources Business Partnering and Safety, Wellbeing and Environment functions. In this role she oversees the PGW People Strategy with the foundations of this being performance, leadership and culture. Natalie has worked in a wide range of senior human resource management consulting and in-house roles both in New Zealand and abroad with a specialist focus in working with Executive teams and Boards on Business Transformation, Organisational Design and Change Management and Leadership Development. In addition to her human resources and governance consulting, Natalie is also an Independent Director on a number of local Boards including that of the Crusaders.

The year in review

The Company has two operating groups; Retail & Water and Agency.

Harvest is complete at Matahiwi Estate, near Masterton in late March 2019.

PGW Livestock Area Manager Maurice Stewart auctions a pen of lambs at the Feilding Saleyards in January 2019.

	2019 $M	2018 $M
Revenue	**193.8**	200.6
Operating EBITDA	**15.4**	20.1

Agency group

Our Agency group incorporates the Livestock, Wool and Real Estate businesses, as well as our referral commissions for insurance and finance services.
Agency's Operating EBITDA was back 23.4 percent on last year.

Livestock

The largest business within the Agency group is Livestock.

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

The Operating EBITDA performance of the Livestock business was back 7.8 percent on their strong FY2018 result.

Livestock was down on earnings at the half year mark and did not recover to the extent expected over the second half, despite strong sheep and beef commodity pricing and demand.

Unfortunately, the effects of a wet spring lingered and the added impact of a dry autumn compounded already difficult feed supply conditions at that time across most of the country. This delayed the finishing of sheep and cattle, with many farmers holding onto stock through until the late-autumn and into the winter months.

Livestock tallies for all stock categories across all sales channels were marginally lower year on year. A key contributor to the lower tallies was the effects of M bovis on the dairy sector which impacted dairy herd settlements and farmers trading dairy beef.

The demand for *Go* products continues to grow strongly, with the balance peaking at $49.3 million during FY2019. As a consequence, the total number of stock cycling the scheme increased from FY2018, with 309,035 sheep and 44,862 cattle entering the scheme this year. We expect the demand for *Go* products to continue to grow in the years ahead, so we are considering alternative funding options.

Innovation continues to be a focus for the Livestock team with a major project coming to fruition during the year. PGW's new online livestock trading channel, bidr®, was delivered to market during the last quarter of FY2019. bidr® has the potential to be a gamechanger in the livestock trading market with strong interest from the industry to date. In addition, digital tools for the highly mobile Livestock team were delivered throughout the year to keep agents up to date with the latest market intelligence.

Livestock has continued its focus on its people during FY2019. This year saw the successful completion of the fourth Livestock Trainee programme allowing for graduates to take up positions around the country. Keeping our people safe was another key focus with resource added to further support the health, safety and wellbeing of the team.

The sale yards rationalisation project continues with the focus being to create efficiencies and enhance the welfare of animals and the safety of our people.

Real Estate

The Real Estate business has been challenged by a soft rural market due to a number of factors but particularly the changes to the application of the Overseas Investment Act resulting in a tightening of foreign investment requirements. In addition, high farm values, the impact of M bovis on the dairy sector, along with increasingly regulatory compliance requirements, and changes to bank lending criteria impacted the Real Estate result.

Despite these difficult conditions, the business completed a number of market leading sales in the horticulture and sheep and beef sectors. The Lifestyle and Residential sectors again performed well with continued growth in both areas.

Wool

This year the Wool business was negatively impacted by continued depressed crossbred wool prices globally, a reduction in the number of bales sold compared to FY2018, and poor trading conditions for the export business.

Last year's strong result was buoyed by the sale of stockpiled wool, whereas this year's result is more reflective of the subdued market of FY2017.

Insurance and Finance Commissions

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

	2019 $M	2018 $M
Revenue	**611.7**	603.8
Operating EBITDA	**19.6**	23.8

Retail & Water group

The Retail & Water business incorporates Rural Supplies, Fruitfed Supplies, Agritrade and Water. Retail & Water's Operating EBITDA was back $4.2 million on the record result of FY2018.

Our investment in technology and people continues. The roll out of our new retail point of sale system in the first quarter of FY2019, along with the team progressing the discovery phase of the e-commerce project reflects the group's focus on technology. A key aspect of the group's strategy is its continued investment in its people - with one of the key goals being to enhance technical expertise which in turn adds value to customers.

A factor in the reduction in Operating EBITDA for the group was a claim event noted in our half-year results in February 2019. A settlement was reached with our supplier that partially compensated PGW for the consequences arising from the supply of their defective product with a financial impact of approximately $1.8 million that was not recovered. In addition, higher fuel prices over the year also impacted earnings in Retail & Water along with other parts of our business.

Rural Supplies

The Rural Supplies business has a core foundation centred on the agronomy categories of agchem, seed and grain, and fertiliser. We proudly position ourselves as providing the best product and technical advice to our customers, which in turn adds value to the specific requirements of their farming operation. We believe the evidence of this is reflected in the continued strong performance of our market share in these agronomy input categories.

PGG Wrightson Technical Field Representative Nikki Barbarich-Waikari inspects a paddock of Clover Plantain with Rob Faulkner at Wairakaia Station near Young Nick's Head on the East Coast in November 2018.

Fruitfed Supplies

The strong performer within the Retail & Water group continues to be Fruitfed Supplies (Fruitfed).

Market conditions for the horticultural sector remained positive throughout the 2018/2019 season despite some adverse conditions at key pollination, growing and harvesting periods.

For example, our export onion grower customers in the Pukekohe area and Canterbury region received strong returns for their produce that market commentators say is the best price they have received in the last 30 years.

The development of orchards and vineyards around the country continue to drive revenue growth for Fruitfed. In particular we have seen significant development in Northland, a region ideally suited to grow avocados, grapes and pipfruit. This investment in development by many of our customers was offset slightly by a reduction in demand of inputs for winery ingredients for the 2019 vintage due to favourable autumn climatic conditions during the critical harvest period.

Agritrade

The Agritrade business continued its growth year on year with revenue up on the same period last year due to product acquisition and increased distribution services. Time Capsule sales were back on FY2018 as conditions were not conducive for facial eczema.

Looking forward, new product initiatives are expected to deliver increased margin to the group.

Water

The star performer in our Water business was Advanced Irrigation Systems (AIS). This business had an impressive year due to an established growth strategy around golf, landscape, sports turf and horticulture with major developments at prestigious sites such as the Royal Auckland and Grange Golf Club and the Millbrook Resort near Arrowtown. The pleasing performance of AIS is set to continue, with a number of major projects in the pipeline.

Elsewhere in the Water business, the performance continued to disappoint largely due to a lack of on farm development. Therefore, it was deemed prudent to re-size the Water business's cost base. We believe that the benefits of this restructuring will flow into FY2020.

AGENCY
LIVESTOCK

A long-lasting relationship continues

PGG Wrightson Livestock Agent Rihi Brown and Stuart Ross of Birch Hill Station wean and draft calves for the Masterton Weaner Sale in late March 2019.

The Wairarapa is a region of contrasts, featuring rugged coastlines, fertile plains and hard hill country. The region is well known for producing quality sheep and beef stock that move well off the hills.

Just a short drive from the township of Martinborough is the picturesque Birch Hill Station, a sheep and beef breeding operation. The 1604 hectare (1300 hectare effective) Station is owned by the Baigent family and has been managed by Stuart and Caroline Ross since March 1997.

Considered hard country, Birch Hill Station includes steep hill land with some flats. The Station runs 300 Hereford breeding cows and 70 replacement heifers, along with 6,100 Romney/Texel breeding ewes.

Birch Hill Station Manager Stuart Ross describes their farming operation as traditional sheep and beef breeding on summer dry country. The male lambs are all gone by the first week in December, approximately 45 percent of these lambs are sent to the works and the balance sent store (the 2018 lambing season was exceptional with 60 percent of the male lambs sent to the works). All the white face Angus Hereford steers are sold at auction, with Hereford bull calves sold on farm. Weaner white face heifers are retained until the spring and sold privately as a breeding proposition.

Stuart said, "Despite the land being prone to drying out, we have a strong focus on getting weight on capital stock and optimising pasture. Our investment in genetics over a number of years is really paying off with an increase in scanning and docking rates year on year, along with improvements in weaning weights. We keep pushing for better results and we need to work with people who can help us with that. That's where the PGG Wrightson (PGW) livestock team come into play with forward knowledge and expertise in the market."

"In the 22 years we have been here we have been lucky enough to have had a long-lasting relationship with Livestock Agent Jim Brasell who retired a few years ago, and more recently with Rihi Brown. It's good to work with a team you know and who knows how you operate. It helps when they understand how we like to get things done."

"Rihi worked alongside Jim for a couple of years before he became our agent, which included his trainee tenure, so we knew him well. The transition was seamless. Rihi is positive and proactive. He looks for opportunities," said Stuart.

PGW Livestock Agent Rihi Brown was born in Martinborough, so he knows the farming community well. Rihi entered the PGW livestock trainee programme in November 2015. After his trainee programme finished he remained working alongside Jim until August 2017. At that time, he took over the area formerly serviced by Jim, who retired. As a sheep and beef specialist, Rihi services customers in the South Wairarapa area from Carterton to Martinborough to the coast.

Rihi said, "It's a dream job for me. I really enjoy working alongside farmers and seeing a range of farming operations. Stuart and Caroline Ross are very good operators and they are respected in the community for producing exceptional stock at Birch Hill Station which attracts regular repeat buyers."

"To be a livestock agent you need to understand and respect how each customer operates. It's also important to seek out opportunities for customers, as every year brings different conditions - so they need to modify their farming operation to maximise those unique climatic and market conditions. It's definitely a career I would recommend. As I went through the training programme, I got great support from the local team. PGW have a network of agents throughout the country so it's good to have that back up too," Rihi said.

PGG Wrightson Livestock Trainee Programme

This highly competitive 18-month programme was developed to provide successful applicants with the exposure, education and hands-on training to support a career as a PGW Livestock Agent.

This nationally recognised programme, which has successfully attracted young people into the livestock industry since 2016, provides a well-rounded PGW experience with short term placements with livestock teams in other regions, along with time working alongside other PGW business units such as Wool, Real Estate, Water and Rural Supplies.

RETAIL & WATER
TECHNICAL

Large-scale operation demands technical expertise

PGW Technical Field Representative Nathaniel Turner inspects a crop of Sovereign kale at Awhi's Tawanui Station in May 2019. The crop is thriving at 700 metres above sea level in the Station's nutrient rich volcanic soil. The crop was sown in early January and will be utilised as winter feed in late July 2019.

Under the gaze of Mount Ruapehu in the Waimarino area in the central North Island lies the Ātihau Whanganui Incorporation (known as 'Awhi') farming operation.

Awhi is an extensive operation comprising sheep and beef, a dairy farm, forestry and an apiary. The operation incorporates eight stations with a total land area of 42,000 hectares (ha).

Awhi Business Manager Farming Siwan Shaw said, "we run a large operation with many moving parts, so we need to partner with technical experts who understand the complexity of our operation. We have been working with PGW for many years, across a number of business units, but primarily with the rural supplies (agronomy, pasture and cropping technical expertise) and livestock teams."

PGG Wrightson Technical Field Representative Nathaniel Turner has worked with Siwan and the station managers for over four years.

Nathaniel said, "located within the Central Plateau area, Awhi has the advantage of nutrient rich volcanic soil, however the topography ranges from flat highly productive land including Whanganui river flats (100 metres above sea level) through to hard hill country (with an altitude of up to 700 metres above sea level). I work with the team to plan and support a crop and agronomy programme to suit the variation in growing conditions across the farming operation. Climatic conditions can be extreme with very challenging summers and wet, cold winters, so that's another factor we need to consider."

"In early June every year, we start preparing a crop management plan for all eight stations for the year ahead. The programme includes pasture and winter cropping, along with trial crops. In mid/late spring we sow pasture and in late spring we sow winter feed including brassica and fodder beet."

"Collectively the eight stations annually sow 900 ha of both short and long-term pasture, and sow 650 ha of winter feed (brassica and fodder beet). So, it's busy all year round."

"Pasture and summer forages are grown to increase livestock performance. Chicory and clover swards provide a source of high-quality feed which has the ability to achieve higher growth rates in livestock compared with a straight grass-based system. A plantain/clover mix has been adapted for a rich source of feed for lambing and lactation to increase yields at weaning (it is also used in the finishing/fattening system)."

"Brassicas and fodder beet are sown for high quality bulk winter feed where feed demand is at its highest in periods of pasture feed deficit. Cropping is also part of Awhi's pasture renewal process which involves a two-year rotation from existing under-performing pasture back into a high performing pasture, which contributes to an overall lift in farm productivity," said Nathaniel.

Siwan Shaw said, "Nathaniel understands our business and provides technical expertise that we don't have within our team. However, due to the scale and complexity of our operation we don't expect Nathaniel to have all of the answers. So, it's great that PGW have a team of technical experts who provide Nathaniel with support when he needs it, so he is able to draw on that expertise and can come back to us with a solution quickly."

Nathaniel concludes, "Awhi's team are innovative and future focused, so we are always planning ahead and thinking of ways to further enhance what is already a high performing operation. This makes my job both challenging and rewarding and I wouldn't have it any other way."

Working with PGW

Nathaniel Turner joined the PGW team in a customer service role in the Ohakune rural supplies store in December 2011. He moved into a Technical Field Representative role four years later, servicing the wider Ohakune area. Along with Nathaniel, the Awhi team also work closely with Senior Livestock Agent Simon Luoni.

Ātihau Whanganui Incorporation

- Awhi, which was established in 1970, comprises eight stations.
- The operation covers 42,000 ha (20,000 ha in farming operation under pasture).
- The farm runs 75,000 Romney and Perendale breeding ewes, 4,200 Angus breeding cows and milks 700 Friesian cows.
- Produces its own brand of honey from 2,400 beehives.
- The farm's established woodlots cover 728 ha.
- Awhi represents the interests of over 9,000 shareholders.

AGENCY
REAL ESTATE

Trust and reputation results in a successful outcome

PGG Wrightson Southland Real Estate Manager Andrew Patterson takes a final look over Crosslea Farm with vendors Barry and Heather Gray, the day before their clearing sale in May 2019.

In 2008 Barry and Heather Gray, their son Richard, and his wife Juliet, bought Hakataramea Station near Kurow in South Canterbury.

It was a big change for the Gray family as they had been farming in Southland since 1975. However, the move to Canterbury gave them the opportunity to farm together as a family, as their previous properties had been spread over an area of 15 kilometres. Barry and Richard knew they could work smarter on one property, but it had to be the right one. Hakataramea Station was it.

When their move to Hakataramea Station was complete, they turned their attention to the sale of their remaining Southland property, Crosslea Farm. Located 30 minutes from Edendale, the 265 hectare farm was ideally suited to dairy support and grazing.

The Gray family contacted PGG Wrightson Southland Real Estate Manager Andrew Patterson to market the property on their behalf. Interest in the farm was muted due to a number of factors negatively impacting the dairy industry at that time. With that in mind, the Gray family decided to continue to farm the property until the market picked up, with Andrew continuing to monitor interest and identify opportunities for the sale of Crosslea Farm.

In 2016 the market picked up, so the Gray family listed the property. Interest in Crosslea Farm as a grazing unit to support local dairy farmers increased partly due to the effect of Mycoplasma bovis (M bovis) in the Southland region – as it allowed farmers to graze their animals on land that was M bovis free.

Andrew fielded a number of enquiries, resulting in the property being sold to a local dairy farmer in November 2018. Handover took place in May 2019.

Barry Gray said, "Southland is a close community and we only work with people who we trust and who have a good reputation. Andrew is one of those people. He's straight up front and given his extensive experience in the region we knew he could manage the complexity that M bovis may add to any potential sale. While the farm wasn't infected with M bovis, there were a number of conditions related to the sale that we had to comply with."

"We were all delighted with the outcome Andrew got for us. The proceeds of the sale will fund future development at Hakataramea Station. Since we bought the Station our family has grown with the arrival of Ben, Sophie and Phoebe so these funds will allow us to set up the farm for the next generation too," Barry said.

Andrew added, "Timing is everything in real estate. While the Gray family had a great property to market, the demand wasn't there in 2008. They were in a fortunate position of being able to retain and manage the land in the interim. When the market did pick up, we got a good price for the property, with both vendor and buyer pleased with the outcome."

Working with PGW

Andrew Patterson is the PGG Wrightson Southland Real Estate Manager and has sold rural real estate in Southland since 1993. Prior to that he held the role of Livestock Agent for 12 years with the company.

PGG Wrightson in the community

Luka Erikson enjoys spending time with a calf born on his aunty's Southland dairy farm.

PGW people have lived and worked alongside our customers throughout rural New Zealand for over 160 years. As a result, we have been part of and supported rural communities for multiple generations. Therefore, we are proud to support a range of community and industry events throughout the country.

Cash for Communities

The Cash for Communities programme is run by PGW and Ballance Agri-Nutrients. To date the programme has raised over $500,000 for rural communities throughout New Zealand. For every tonne of qualifying Ballance Agri-Nutrients fertiliser purchased by PGW customers who have registered for the programme, PGW and Ballance donated $1 to the customer's choice of community programme.

The ninth season of Cash for Communities ran in spring 2018, with over 300 farmers registering a community programme of their choice, raising over $19,000. Tatuanui School near Morrinsville was one of the recipients of this year's programme, with the students also receiving three iPads for being the school with the most nominations in the North Island.

Supporting the Horticulture Sector

Fruitfed Supplies has a long association with the Young Horticulturalist, Young Grower of the Year and Young Viticulturist of the Year competitions.

IHC Calf and Rural Scheme

PGG Wrightson Livestock and the IHC have enjoyed a close working relationship for over 30 years to jointly deliver the IHC Calf & Rural Scheme.

The Scheme provides funds which allow IHC to deliver services to people with intellectual disabilities and their families by facilitating donations from farmers throughout New Zealand. The amount raised to date totals more than $37 million.

However, the format of the Scheme which ran in FY2019 differed to previous years due to the risk of the Scheme spreading M bovis. In July 2018 the IHC, in consultation with the Ministry for Primary Industries and PGG Wrightson Livestock, made the difficult decision to ask farmers to donate a 'virtual calf' or to organise transport for calves to sale themselves. This new approach resulted in less funds achieved compared with previous years, yet despite those challenges $760,000 was donated by farmers to the IHC.

In addition to our support of IHC, the Livestock business supports a number of sheep and beef associations, along with a number of livestock competitions across New Zealand.

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

National Shearing Circuit

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

The PGG Wrightson Wool National Shearing Circuit is a prestigious competition celebrating excellence in the skill of shearing. The competition is made up of heats held across New Zealand between September and March, with the final held at the Golden Shears in Masterton in March each year.

The 2019 PGG Wrightson Wool National Shearing Circuit overall winner was Paerata Abraham from Masterton.

A&P Shows, regional field days and Fieldays NZ

PGW is proud to be involved with numerous Agricultural and Pastoral shows (A&P) and field days throughout the year. These events bring the local rural community together and provide us with the opportunity to acknowledge the ongoing support of our customers.

This year, we were delighted to win the award for the best large site and the Hamish Reid Memorial Trophy for the Best Overall Site at the South Island Agricultural Field Days.

Supporting Māori Excellence in Farming

The Ahuwhenua Trophy, Te Puni Kōkiri Excellence in Māori Farming Award acknowledges and celebrates business excellence in New Zealand's pastoral sector (to date alternating each year between dairy and sheep and beef with horticulture to be included from 2020).

The 2019 sheep and beef competition was won by Eugene and Pania King of Kiriroa Station near Gisborne.

Environmental, Social and Governance Reporting

PGG Wrightson's purpose is to help grow the country. To achieve this purpose, we must do the right thing by our shareholders, our people, our customers and ultimately for the benefit of our country and environment.

PGW has been part of rural New Zealand for over 160 years and we take pride in our stewardship role in conjunction with our customers and stakeholders to ensure that the agricultural sector continues to prosper in a sustainable way for the generations to come.

PGW's overall strategy and framework for environmental and social reporting remains under development as this area rapidly evolves, however PGW has a number of current initiatives in place to assist us in achieving our purpose.

Some of the initiatives we have in place across the three key areas of reporting are:

Environmental

- Using, trialling and investing in technological innovation and developments in both our own activities and in the products and services that we sell, to help reduce our own environmental impact and that of our customers, and improve efficient and sustainable agriculture methods.
- Investment in training and upskilling of our technical team, who are expert in the areas of agronomy, soil science, horticulture and animal health.
- Adopting and modelling best practice animal welfare methods in our Livestock business, including working closely with the Ministry of Primary Industries (MPI) to help develop industry policy and regulation and ensure compliance. An example is the development and use of MPI's fit for transport app to improve animal welfare.
- Launching our online livestock trading channel, bidr®, in the third quarter of FY2019 which we expect will contribute positively to reduced unnecessary transport of livestock, resulting in less disease transmission, enhanced animal welfare and better efficiencies.
- Embarking on a review of saleyard efficiency and utilisation.
- Making available the latest irrigation technology to allow for efficient use of water and technological innovation to reduce the operating noise of frost machines.
- Implementing a new supply chain risk assessment tool in our Agritrade wholesale product business regarding supplier selection and product sourcing and manufacturing, developed in accordance with New Zealand Food Safety Authority Good Manufacturing Practice and MPI compliance requirements.
- Refining our Approved Handler policies for hazardous chemicals.
- Reviewing our own energy use, waste, pollution and natural resource conservation in our procurement, property and fleet functions, including implementing a recycling process for cardboard and paper at all PGW and Fruitfed Supplies stores.
- Continuing to support the Agrecovery recycling programmes.

Social

- Health, safety and wellbeing is a key focus of our Board, our Executive team and our people, with a number of new initiatives as outlined on page 7.
- PGW has a series of human resources policies which reference and are actively compliant with current New Zealand employee and health and safety legislation, supported by our Code of Conduct and our core company values – accountability, leadership, integrity, smarter and teamwork.
- PGW proudly supports the rural communities in which we operate with a number of community and sponsorship arrangements as set out on page 27.
- In supply chain management, our supplier contracts insist on compliance with specified human and social standards including working conditions, ethical behaviour, anti-bribery, no child labour etc.

Governance

PGW applies best practice governance and risk management procedures, including:

- PGW uses accurate and transparent accounting methods.
- Shareholders are given an opportunity to vote on important issues.
- Governance measures as outlined in PGW's Corporate Governance and Board Charter on page 78.

Key Financial Disclosures

For the year ended 30 June 2019

RGT Planet barley (foreground) and Nomad white clover (background) thrive at the Redfern family's Aberdeen Farm on the banks of the Rakaia River in December 2018.

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.

PGG WRIGHTSON LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2019

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group as at 30 June 2019 and the financial performance and cash flows for the year ended on that date.

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

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

The Directors are pleased to present the financial statements for PGG Wrightson Limited and its controlled entities (together the "Group") set out on pages 31 to 74 for the year ended 30 June 2019.

The financial statements contained on pages 31 to 74 have been authorised for issue on 12 August 2019.

For and on behalf of the Board.

Rodger Finlay
Chairman

David Cushing
Director and Audit Committee Chairman

PGG Wrightson

PGG WRIGHTSON LIMITED

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.

PGG WRIGHTSON LIMITED

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 Governance, 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.

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.

PGG WRIGHTSON LIMITED

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

PGW Technical Field Representative Nathaniel Turner catches up with Keith Donald, Tawanui Station's Stock Manager on farm near Ohakune in 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.*

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 45.

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 45.

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 operations 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.

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
Cash and cash equivalents plus *Go* livestock receivables / (net interest-bearing debt less *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.

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 cannot 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 54.

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)	(1,440)	–	(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 56.

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.

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 60.

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 the defined benefit plan 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 60.

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 65.

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 65.

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 65.

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 65.

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 stages 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

	2019 $000	2018 $000
There are contingent liabilities with respect to:		
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:

- EBIT (a non-GAAP measure) represents earnings before net interest and finance costs, income tax 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	–	–	–	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.

KPMG

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 31 to 74:

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.

KPMG

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.

KPMG

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

Corporate Governance and Board Charter

Incorporating Disclosure of Compliance with the NZX Corporate Governance Code

Introduction

The Board of PGG Wrightson Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all of PGG Wrightson's officers and staff. As part of this commitment, the Board has adopted this Corporate Governance Code which incorporates the Board Charter in section 2 below.

This Code complies with the Recommendations in the NZX 2019 Corporate Governance Code (NZX Code) except where specifically disclosed in this annual report. This Corporate Governance section is current as at 30 June 2019 and has been approved by PGG Wrightson's Board of Directors.

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

1. Ethical Behaviour and Code of Conduct

1.1 Directors recognise that it is their role to set high standards of ethical behaviour, model this behaviour and hold management accountable for observing, fostering and delivering high ethical standards throughout the PGG Wrightson Group. In compliance with NZX Code Recommendation 1.1, the Board has several documents that codify minimum standards of ethical behaviour, being the Code of Conduct, Conflict of Interest Policy, Fraud Prevention Policy and Whistle-Blower Policy, and the Board Charter listed in section 2 below.

The Board has developed and adopted a written Code of Conduct which requires all members of the PGG Wrightson Group, including Directors and employees, to observe the highest of standards of ethics and conduct, in alignment with these PGG Wrightson Group Values:

Accountability:

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

Leadership:

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

Integrity:

- Operate ethically and with integrity.
- Treat others with respect.
- Act professionally.

Smarter:

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

Teamwork:

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

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

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

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

The Code of Conduct provides mechanisms to report breaches of the Code including unethical behaviour and specifies the disciplinary procedures in place for any breaches. It is the responsibility of the Board to review the Code of Conduct, to implement the Code and to monitor compliance. The Board receives reports on compliance with the Code of Conduct from its internal audit function. No instances of material breaches have been reported. PGG Wrightson has a Whistle-Blower policy that allows any reports of serious wrongdoing including material breaches of the Code of Conduct to be made on a protected disclosure basis, which contains a process for direct access to an independent director, to help encourage a culture of promoting ethical behaviour and being able to speak up.

PGG Wrightson Limited maintains a Directors and Officers Interests Register which is regularly updated, documenting interests disclosed by all Board members and senior management. The statutory disclosures section in the 2019 Annual Report is compiled from entries in the Directors Interests Register during the reporting period. Directors may not participate in Board discussions nor vote on matters in which they have a personal interest.

1.2 In compliance with NZX Code Recommendation 1.2, the Company has a detailed securities trading policy applying to all Directors and staff which incorporates insider trading restraints. The Securities Trading Policy is available at www.pggwrightson.co.nz under Our Company > Governance. The Securities Trading Policy specifies that no Director or employee may buy or sell PGG Wrightson shares while in possession of inside information. Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of PGG Wrightson shares. The policy also states that Directors and staff in possession of inside information cannot directly or indirectly advise or encourage any person to deal in PGG Wrightson shares. Compliance with the Securities Trading Policy is monitored through the consent process, by education and by notification by PGG Wrightson's share registrar Computershare when any Director or Officer engages in trading activities. Trading in PGG Wrightson shares by Directors and Officers is disclosed to the NZX.

2. Board Charter including Board Composition and Performance

2.1 This section 2 outlines the Board's Charter which is in compliance with NZX Code Recommendation 2.1. The Board is committed to the principle that there should be a balance of independence, skills, knowledge and experience among Directors so that the Board works effectively. Directors are, except where permitted by law, required to act in the best interests of PGG Wrightson Limited and to give proper attention to the matters before them. The Board is satisfied that the Directors commit the time needed to be fully effective in the role. Directors are entitled to seek independent professional advice to assist them in meeting their responsibilities. The Board is responsible for employing the Chief Executive and approving the business strategy. There is a clear understanding of the division of responsibilities between, and the respective roles of, the Board and management. To ensure efficiency, the Board has delegated to the Chief Executive and subsidiary company boards the day to day management and leadership of the PGG Wrightson Group operations. The Company has a formal delegated authority framework and policy that sets out matters reserved for the Board and sub-delegates certain authorities to the Chief Executive and Managers within defined limits.

Corporate **Governance and Board Charter** *continued*

2.2 In compliance with NZX Code Recommendation 2.2 that every issuer should have a procedure for the nomination and appointment of directors to the Board, this is done as circumstances require. PGG Wrightson Limited has a formal and transparent method for the nomination and appointment of directors to the Board – nominations are publicly called for by notice on the NZX and considered at the Annual Meeting. Checks will be done and key information about a candidate provided to shareholders in the Notice of Annual Meeting, including any material adverse information disclosed in the checks where a candidate is standing for the first time or the term of office if seeking re-election. Directors may be appointed by the Board between Annual Meetings as permitted by the Constitution but are required to seek re-election at the next Annual Meeting. The Constitution contains no provisions for compulsory retirement or a fixed tenure for Directors, although Directors must periodically retire and seek re-election in accordance with the Constitution and NZX Listing Rules.

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

2.4 In compliance with NZX Code Recommendation 2.4, information about each Director is disclosed in this annual report, including a profile of experience, length of service, independence, ownership interests and attendance at Board meetings. As at 30 June 2019 the Board had six Directors. Their experience, qualifications and the value that they contribute to the Board are listed in the Board of Directors biographies set out in the 2019 Annual Report. The full Board met in person seven times during the year ended 30 June 2019. Directors also meet on other occasions for strategic planning and held conference calls from time to time as required. The attendance at physical Board meetings of all Directors who served during the financial year to 30 June 2019 is set out below, including attendance in part:

DIRECTOR	NUMBER OF BOARD MEETINGS ATTENDED	NUMBER OF AUDIT COMMITTEE MEETINGS ATTENDED	NUMBER OF REMUNERATION COMMITTEE MEETINGS ATTENDED
Rodger Finlay (from 30 April 2019)	2	1	1
Sarah Brown (from 30 April 2019)	2		1
David Cushing (from 30 April 2019)	2	1	1
Joo Hai Lee	6	3	2
Ronald Seah	7	1	2
U Kean Seng	7		2
Alan Lai (until 30 October 2018)	2		1
Trevor Burt (until 30 April 2019)	5		1
Bruce Irvine (until 30 April 2019)	5	3	1
John Nichol (until 30 April 2019)	5	3	1

2.5 In compliance with NZX Code Recommendation 2.5, the Board has a Diversity Policy which is available at www.pggwrightson.co.nz under Our Company > Governance. Attributes that are particularly relevant to PGG Wrightson are culture, ethnicity/nationality, gender and skills. The Board has evaluated PGG Wrightson's performance against its Diversity Policy objectives which relate to the working environment, employment and selection opportunities, Board appointment recommendations, leadership training and HR management support, and considers that these objectives have been met.

The table below lists the numerical quantitative breakdown of the gender composition of PGG Wrightson's Board of Directors and its Officers as at 30 June 2019 and comparative figures for 30 June 2018. An Officer means a person, however designated, who is concerned or takes part in the management of PGG Wrightson Limited's business, but excludes a person who does not report directly to the Board or who does not report directly to a person who reports to the Board.

	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2019	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2018	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2019+	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2018	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2019+	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2018
Number of Males	5	7	7	11	989	1408
Percentage of Males	83%	100%	88%	91%	61%	65%
Number of Females	1	0	1	1	629	753
Percentage of Females	17%	0%	12%	9%	39%	35%

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

+ Note that 30 June 2018 Officers and Workforce figures include Seed & Grain employees whereas 30 June figures 2019 do not due to the sale of PGG Wrightson Seeds Holdings Ltd.

2.6 In compliance with NZX Code Recommendation 2.6, Directors are expected to undertake appropriate training to remain current on how best to perform their duties as a Director of a listed company. Directors are regularly updated on relevant industry and company issues, undertake visits to PGG Wrightson and customer branches and operations, and receive briefings from Executive Managers from all Business Units. Directors are able to attend PGG Wrightson Business Unit conference sessions to further their training.

2.7 In compliance with NZX Code Recommendation 2.7, the Board has a process to regularly assess the performance of each Director, the Board as a whole, and Board Committees.

2.8 In compliance with NZX Code Recommendation 2.8, a majority of the Board are Independent Directors, with four out of six Directors being independent. In accordance with NZX requirements, no less than one third of the total number of Directors are required to be Independent Directors. The Board meets this requirement. The Board defines an Independent Director as one who:–

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

The statutory disclosures section in the 2019 Annual Report lists the Company's Directors' independence status. The Board reviews any determination that it makes on a Director's independence on becoming aware of any information that indicates that a Director may have a relevant material relationship. Directors are required to immediately advise of any new or changed relationships so the Board can consider and determine its materiality. Directors' interests including other relevant directorships that they hold are listed on pages 87 to 88 of the 2019 Annual Report. None of the Directors sit on any PGG Wrightson Group companies apart from the parent PGG Wrightson Limited.

2.9 In compliance with NZX Code Recommendation 2.9, the Chairman Rodger Finlay is an Independent Director.

Corporate Governance and Board Charter *continued*

3. Board Committees

The Board has delegated some of its powers to Board Committees where it will enhance its effectiveness in key areas while still retaining Board responsibility. As at 30 June 2019 the Board had two standing Committees – the Audit Committee, the Remuneration and Appointments Committee.

The Committees are made up of a minimum of three non-Executive Director members and each Committee has a written Board-approved charter which outlines that Committee's role, rights, responsibilities, membership requirements and relationship with the Board. In compliance with NZX Code Recommendation 2.7, the Board has a process to formally review the performance of each Committee from time to time in accordance with the relevant Committee's written charter. Proceedings of Committees are reported back to the full Board to allow other Directors to question Committee members.

3.1 **Audit Committee**

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

The Audit Committee Charter has been recently reviewed and is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance.

The members of the Audit Committee are currently David Cushing (Chairman), Rodger Finlay and Joo Hai Lee. The majority of the members of the Audit Committee are Independent Directors. No member of the Audit Committee is an Executive Director. The Audit Committee has appropriate financial expertise, with all current members having an accounting or financial background. The Audit Committee met four times during the financial year.

The main responsibilities of the Audit Committee are:

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

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

3.2 In compliance with NZX Code Recommendation 3.2, employees only attend Committee meetings at the invitation of the Committee as is considered appropriate.

3.3 **Remuneration and Appointments Committee**

In compliance with NZX Code Recommendation 3.3, the Remuneration and Appointments Committee operates under a written Charter, and the majority of members are independent directors as the Committee is comprised of the full Board. In compliance with NZX Code Recommendation 4.2 the Charter is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance. The Remuneration and Appointments Committee is chaired by Rodger Finlay. The Remuneration and Appointments Committee met twice during the financial year as part of a full Board meeting. Employees only attend Committee meetings at the invitation of the Committee as is considered appropriate.

The main responsibilities of the Remuneration and Appointments Committee are:

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

A subcommittee of the Remuneration and Appointments Committee was established during the year, chaired by Rodger Finlay, for the purpose of recruiting the new Chief Executive. That culminated in the recommendation from the subcommittee to appoint Stephen Guerin, which was approved by a full Board resolution.

The role of the Remuneration and Appointments Committee as set out in its Charter will be expanded to include the function of recommending remuneration packages for Directors to shareholders in future when such a recommendation to shareholders is put forward.

3.4 In relation to NZX Code Recommendation 3.4, the Board does not have a nomination Committee to recommend director appointments to the Board as that is carried out by the whole Board.

3.5 In compliance with NZX Code Recommendation 3.5, the Board has considered but does not think it is currently necessary to have any other Board committees as standing Board committees. Other committees are formed as and when required.

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

4. Reporting and Disclosure

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

In compliance with NZX Code Recommendation 4.1, the Board has adopted a Continuous Disclosure Policy which is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance. The Company will provide timely and adequate disclosure of information on matters of material impact to shareholders and comply with the continuous disclosure and other listing requirements of the NZX relating to shareholder reporting. PGG Wrightson has established and will maintain processes for the provision of information to the Board by management of sufficient content, quality and timeliness, as the Board considers necessary to enable the Board to effectively discharge its duties.

4.2 In compliance with NZX Code Recommendation 4.2, PGG Wrightson's Code of Conduct, Board and Committee Charters, Diversity Policy and other key governance policies are available to view on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance.

4.3 In compliance with NZX Code Recommendation 4.3, PGG Wrightson considers that its financial reporting is balanced, clear and objective. The Board receives assurances from the Chief Executive Officer and Chief Financial Officer that the Directors' declaration provided in accordance with International Financial Reporting Standards (IFRS) and NZ IFRS is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

4.4 PGG Wrightson considers that its non-financial reporting is informative, contains forward-looking assessment, and aligns with key strategies and metrics monitored by the Board. Non-financial disclosure, including material environmental, economic and social sustainability factors and practices, risks and other key risks, risk management and relevant internal controls, is outlined in various sections of this annual report. The Company also communicates through the Interim and Annual Reports, releases to the NZX and media, and on its website at www.pggwrightson.co.nz.

Corporate Governance and Board Charter *continued*

5 Director and Officer/Executive Remuneration

5.1 The Board is committed to the policy that remuneration of Directors and Officers/Executives should be transparent, fair and reasonable. The Board's Remuneration Policy for Directors is that Directors' fees in aggregate must be formally approved by shareholders. In compliance with NZX Code Recommendation 5.1, the statutory disclosures section in the 2019 Annual Report lists the Company's Directors' actual remuneration including any Board Committee fees paid. There are no performance incentives for any Directors. The Board has not elected to create a performance-based Equity Security Compensation Plan. Further the Board supports Directors investing a portion of their Directors' remuneration in purchasing shares in the Company but it does not consider this should be mandatory.

5.2 The Board considers that it partially complies with NZX Code Recommendation 5.2, being that PGG Wrightson's policy for remuneration of Officers outlines the relative weightings of remuneration components and relevant performance criteria. Directors' remuneration does not have performance criteria attached to it. All executive remuneration incentives align with financial and non-financial performance measures relating to PGG Wrightson's objectives and are compatible with PGG Wrightson's risk management policies and systems.

5.3 In compliance with NZX Code Recommendation 5.3, the remuneration arrangements in place for the Chief Executives, during the year ended 30 June 2019 including disclosure of the base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance-based payments, are outlined on page 91 of this annual report.

6 Risk Management

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

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

In discharging this obligation, the Board has:

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

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

6.2 In compliance with NZX Code Recommendation 6.2, PGG Wrightson has on page 7 of this 2019 Annual Report disclosed how it manages its health and safety risks and has reported on our health and safety risks, performance and management.

7 Independent Auditors

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

(a) for sustaining communication with the external auditors;

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

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

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

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

To ensure there is no conflict with other services that may be provided by the external auditors, the Company has adopted a policy whereby the external auditors will not provide any other services unless specifically approved by the Audit Committee. The external auditors KPMG did provide some small value non-financial statement audit work in the year ended 30 June 2019 which was pre-approved by the Audit Committee. The nature of the types of work completed and the remuneration received is disclosed on page 41 of the Annual Report. The external auditors confirmed in their audit report on pages 75 to 77 of this Annual Report that those matters did not impair their independence as auditor of the Group.

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

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

Corporate Governance and Board Charter *continued*

8 Shareholder Rights & Relations

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

In compliance with NZX Code Recommendation 8.1, PGG Wrightson's website www.pggwrightson.co.nz has an Investors Section where investors and interested stakeholders can access financial and operational information and key corporate governance information. This contains key governance documents and policies, contact details for investor matters, current and past Annual Reports, notices of meetings and other key dates in the investor schedule, the constitution, media releases and NZX announcements, periodic financial information, dividend histories and other information. PGG Wrightson lists its Business Unit descriptions and key activities on its website, and its releases contain information on business goals and performance. The Company encourages shareholder participation at the Annual Meeting, by providing as an item of General Business, the conducting of a shareholder discussion, where a reasonable opportunity is given for shareholders to question, discuss or comment on the management of the Company.

8.2 In compliance with NZX Code Recommendation 8.2, PGG Wrightson allows investors the ability to easily communicate with it, including providing the option to receive communications electronically. The Company has continued to seek to improve shareholder participation, efficiency and cost effectiveness of communication with shareholders by offering them its e-comms programme, where shareholders can elect to receive their security holder communication by full electronic communications.

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

8.4 If PGG Wrightson was seeking additional equity capital in the future, it would consider the recommendation in NZX Code Recommendation 8.4 to offer further equity securities to existing equity security holders of the same class on a pro rata basis and no less favourable terms before further equity securities are offered to other investors.

8.5 In compliance with NZX Code Recommendation 8.5, the shareholders' Notice of Annual Meeting is posted on the website as soon as possible and at least 20 working days prior to the meeting.

9 Annual Review

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

Statutory Disclosures

The following particulars of notices were given by Directors of the Company pursuant to section 140(2) of the Companies Act 1993 for the year 1 July 2018 to 30 June 2019

DIRECTOR	INTEREST	ORGANISATION
R Finlay		
Chairman		
Appointed 30 April 2019	Chairman	Mundane Asset Management Limited (UK)
		Independent Advisory Panel of Provincial Growth Fund
		St Andrews College Foundation (Trustee)
	Deputy Chairman	Rural Equities Limited
	Director	Moeraki Limited
		Ngāi Tahu Holdings Ltd
		Mundane World Leaders Fund Limited (Cayman)
	Trustee	Burnett Valley Trust
	Governor	Radio New Zealand Ltd
J H Lee		
Deputy Chairman	Director	Hayflux Limited
		Sinocloud Group Limited
		Agria Corporation
		Agria (Singapore) Pte Ltd
		Lung Kee (Bermuda) Holdings Limited
		Raffles United Holdings Limited
S Brown		
Appointed 30 April 2019	Director	Electricity Invercargill Limited
		PowerNet Limited
		OtagoNet Limited
		OtagoNet Properties Limited
		Electricity Southland Limited
		Pylon Limited
		Southland Regional Development Agency Limited
	Panellist	Independent Advisory Panel for the Provincial Growth Fund
	Trustee	Southland Boys High School
		1000 Days Trust
		Turnbull Trust

Statutory
Disclosures *continued*

DIRECTOR	INTEREST	ORGANISATION
B D Cushing *Appointed 30 April 2019*	Executive Chairman Director	Rural Equities Limited Skellerup Holdings Limited H&G Ltd Red Steel Limited Makowai Farm Limited Webster Limited (ASX)
L S Seah	Chairman Director Non-Executive Director Sole Proprietor	Nucleus Connect Pte Limited M&C Reit Management Limited M&C Business Trust Management Limited Global Investments Limited Telechoice International Limited Yanlord Land Group Limited Life Health Group Ltd Life Clinic Ltd Soft Capital Sg
U Kean Seng	Head of Corporate and Legal Affairs	Agria Corporation

In addition, R Finlay and B D Cushing advised that they hold interests in farming operations that transact business with PGG Wrightson Limited companies on normal terms of trade.

Directors' Remuneration

The following persons held office, or ceased to hold office, as a Director during the year to 30 June 2019 and received the following remuneration (including the value of any benefits). Fees are not paid for membership of the Remuneration & Appointments Committee. Figures are gross and exclude GST (if any):

DIRECTOR	PGG WRIGHTSON LIMITED	DIRECTORS' FEES	AUDIT COMMITTEE	COMMITTEE FEES	TOTAL REMUNERATION
R J Finlay[1]	Chairman	$35,769.23		$1,703.30	$37,472.53
J H Lee[3]	Deputy Chairman	$106,739.13		10,000.00	$116,739.13
S Brown[1]		$13,626.37		–	$13,626.37
B D Cushing[1]		$13,626.37	Chairman	$3,406.59	$17,032.96
L S Seah		$80,000.00		–	$80,000.00
U Kean Seng		$80,000.00		–	$80,000.00
G Lai[2]	Previous Chairman	$69,619.57		–	$69,619.57
T J Burt[4]	Previous Deputy Chairman	$144,970.73		–	$144,970.73
B R Irvine[4]		$66,593.41	Previous Chairman	$16,648.35	$83,241.76
J E Nichol[4]		$66,593.41		$8,324.18	$74,917.59

1 Appointed 30 April 2019
2 Resigned 30 October 2018
3 Appointed Interim Chairman 31 October 2018 to 30 April 2019 and becoming Deputy Chairman from 1 May 2019
4 Resigned 30 April 2019

Directors' Shareholdings

As at 30 June 2019 no Directors of PGG Wrightson Limited held shares in PGG Wrightson. J H Lee and U Kean Seng are associated persons of substantial product holder Agria (Singapore) Pte Limited holding 33,463,399 shares post share consolidation as at 12 August 2019 (379,068,619 as at 30 June 2018).

B D Cushing is an associated person of H & G Limited holding 2,006,732 shares post share consolidation as at 12 August 2019.

Directors' Share Transactions

No Directors of the Company have notified the Company of any share transactions between 1 July 2018 and 30 June 2019 apart from interests in substantial product holder transactions separately disclosed.

Directors' Independence

The Board has determined that as at 30 June 2019:

- The following Directors are Independent Directors: R Finlay, B D Cushing, S Brown and L S Seah.
- The following Directors are not Independent Directors by virtue of their association with a substantial product holder: J H Lee and U Kean Seng.

NZX Waivers

No waivers have been granted and published by the NZX during the 12 months ending 30 June 2019.

Directors' Indemnity and Insurance

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

Use of Company Information by Directors

The Board has implemented a protocol governing the disclosure of Company information to its substantial product holders. In accordance with this protocol and section 145 of the Companies Act 1993, J H Lee and U Kean Seng have given notice that while directors they may disclose certain information to Agria Corporation in order to seek, and inform the Board of, its view as to the governance and operation of the Company and in order to enable Agria Corporation to comply with certain statutory obligations.

Statutory
Disclosures *continued*

Employee Remuneration

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

- all monetary payments actually made during the year, including termination payments and the face value of any at-risk long-term incentives granted, where applicable;
- the employer's contributions to superannuation funds, retiring entitlements, health insurance schemes and other payments to terminating employees (e.g. long service leave);
- livestock employees who are remunerated on a commission basis and whose remuneration fluctuates materially from year to year. Livestock remuneration includes incentives paid in the current year that were earned in respect of the prior year's performance; and
- Seed & Grain staff payments from 1 July 2018 until 1 May 2019 as they ceased to be part of the Group effective from settlement of the sale of PGG Wrightson Seeds Holdings Limited on 1 May 2019.

The schedule excludes:

- amounts paid post 30 June 2019 that related to services provided in the 2018/2019 financial year;
- telephone concessions to some employees that can include free telephone line rental, national and international phone calls and online services;
- independent real estate/livestock commission agents;
- any benefits received by employees that do not have an attributable value.

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

REMUNERATION RANGE	NUMBER OF EMPLOYEES
$100,000 – $110,000	67
$110,001 – $120,000	62
$120,001 – $130,000	55
$130,001 – $140,000	51
$140,001 – $150,000	30
$150,001 – $160,000	31
$160,001 – $170,000	21
$170,001 – $180,000	13
$180,001 – $190,000	13
$190,001 – $200,000	10
$200,001 – $210,000	16
$210,001 – $220,000	9
$220,001 – $230,000	8
$230,001 – $240,000	4
$240,001 – $250,000	7
$250,001 – $260,000	5
$260,001 – $270,000	6
$270,001 – $280,000	3
$280,001 – $290,000	3
$290,001 – $300,000	1

REMUNERATION RANGE	NUMBER OF EMPLOYEES
$300,001 – $310,000	1
$310,001 – $320,000	2
$320,001 – $330,000	4
$330,001 – $340,000	2
$340,001 – $350,000	4
$350,001 – $360,000	3
$360,001 – $370,000	3
$370,001 – $380,000	2
$380,001 – $390,000	1
$390,001 – $400,000	1
$410,001 – $420,000	1
$430,001 – $440,000	1
$630,001 – $640,000	1
$640,001 – $650,000	1
$670,001 – $680,000	1
$700,001 – $710,000	1
$730,001 – $740,000	1
$1,020,001 – $1,030,000	1
$3,830,001 – $3,840,000	1

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

In compliance with the NZX Code Recommendation 5.3, the remuneration arrangements in place for PGG Wrightson's Chief Executives during the year ended 30 June 2019 are set out below.

Ian Glasson received payments totalling $3,838,939 as follows:

- $1,506,939 - part year base salary (including annual leave entitlements on termination).
- $1,132,000 - termination payment received upon completion of employment contract.
- $1,000,000 - 100% of the long-term incentive with the following performance criteria - Financial Results, Strategic Objectives and Health and Safety performance.
- $200,000 - annual short term incentive for FY2018 with the following performance criteria - Financial Results, Strategic Objectives and Health and Safety performance.

Stephen Guerin in his role as Chief Executive received a payment of $57,538 for part year base salary.

The Board of Directors' general policy for Chief Executive remuneration is payment of a base salary and an annual short-term incentive based on achievement of performance criteria being Financial Results, Strategic Objectives and Health and Safety performance.

General
Disclosures

Subsidiary Company Directors

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

New Zealand Companies during the full year 1 July 2018 to 30 June 2019

LEGAL COMPANY NAME	PGG WRIGHTSON DIRECTORS
Agriculture New Zealand Limited	JS Daly, I Glasson (R), SJ Guerin (A)
Ag Property Holdings Limited	JS Daly, I Glasson (R), SJ Guerin (A)
AgriServices South America Limited	JS Daly, I Glasson (R), SJ Guerin (A)
Bidr Limited	SJ Guerin (A), PJ Moore (A), PC Scott (A)
Bloch & Behrens Wool (NZ) Limited	JS Daly, I Glasson (R), SJ Guerin (A), G Edwards
NZ Agritrade Limited	JS Daly, I Glasson (R), SJ Guerin
PGW Rural Capital Limited	JS Daly, I Glasson (R), SJ Guerin (A)
PGG Wrightson Employee Benefits Plan Limited	CD Adam, JS Daly, GR Davis, SJ Guerin
PGG Wrightson Employee Benefits Plan Trustee Limited	CD Adam, PR Drury, GR Davis, SJ Guerin
PGG Wrightson Investments Limited	JS Daly, I Glasson (R), SJ Guerin (A)
PGG Wrightson Real Estate Limited	JS Daly, I Glasson (R), SJ Guerin (A)
PGG Wrightson Trustee Limited	JS Daly, SJ Guerin

New Zealand Companies during the part year 1 July 2018 to 1 May 2019

These Companies ceased to be part of the PGG Wrightson Ltd Group from 1 May 2019.

LEGAL COMPANY NAME	PGG WRIGHTSON DIRECTORS
Agricom Limited	JS Daly (R), I Glasson (R), JD McKenzie
Forage Innovations Limited (51%)	DHF Green, JD McKenzie
Grasslands Innovation Limited (70%)	DHF Green, JD McKenzie, JD Stewart (A)
PGG Wrightson Consortia Research Limited	JS Daly (R), I Glasson (R), JD McKenzie
PGG Wrightson Seeds Holdings Limited	JD McKenzie, I Glasson (R)
PGG Wrightson Seeds Limited	JS Daly (R), I Glasson (R), JD McKenzie
PGG Wrightson Seeds New Zealand Limited	JD McKenzie, I Glasson (R)
PGG Wrightson Seeds South America Holdings Limited	JS Daly (R), I Glasson (R)
Wrightson Seeds Limited	JD McKenzie, I Glasson (R)

Australian Companies during the part year 1 July 2018 to 1 May 2019

These Companies ceased to be part of the PGG Wrightson Ltd Group from 1 May 2019.

LEGAL COMPANY NAME	PGG WRIGHTSON DIRECTORS
Agricom Australia Pty Limited (previously Agricom Australia Seeds Pty Limited)	I Glasson (R), JD McKenzie, J Stewart
PGG Wrightson Seeds Australia Holdings Pty Limited	I Glasson (R), JD McKenzie, J Stewart
PGG Wrightson Seeds (Australia) Pty Limited	I Glasson (R), JD McKenzie, J Stewart

** PGG Wrightson Ltd staff directors who resigned as at 1 May 2019.*

South American Companies during the part year 1 July 2018 to 1 May 2019

These Companies ceased to be part of the PGG Wrightson Ltd Group from 1 May 2019.

LEGAL COMPANY NAME	PGG WRIGHTSON DIRECTORS
Afinlux S.A. (51.2%) (Uruguay)	M Banchero, R Rodriguez, JD McKenzie
Agimol Corporation S.A.	M Banchero, JD McKenzie
Agrosan S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)
PGG Wrightson Seeds Argentina S.A.	M Banchero, JD McKenzie, R Moyano, E Beccar Varela, MD Auro
APL San Jose S.A. (60%) (Uruguay)	M Banchero, A Ponte, F Valverde
Escritorio Romualdo Rodriguez Ltda (99.6%)(Uruguay)	Administrator: Afinlux S.A.
Hunker S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)
Juzay S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)
Kroslyn S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)
Lanelle S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)
PGW Sementes Ltda (97.22%) (Brazil)	M Banchero, H De Boni
Patagonia Seeds Sociedad Anonima (75%) (Argentina)	M Banchero, JM Allonca
PGG Wrightson Uruguay Limited S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)
PGW AgriTech South America S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)
Wrightson Pas S.A. (Uruguay)	M Banchero, JD McKenzie, I Glasson (R)

Shareholder
Information

PGG Wrightson Limited is quoted on the New Zealand Stock Market of NZX Limited (code PGW). Post share consolidation, on 12 August 2019, PGG Wrightson Limited had 75,484,083 ordinary shares on issue. As at 30 June 2019, PGG Wrightson Limited had 754,839,050 ordinary shares on issue.

Substantial Product Holders

At 31 July 2019, the following security holders had given notices in accordance with the Financial Markets Conduct Act 2013 that they were, or in the case of Ngāi Tahu Capital Limited had ceased to be, a substantial product holder in the Company. The number of shares shown below are as advised in the substantial product holder notices to the Company.

SHAREHOLDER	NUMBER OF SHARES	DATE OF NOTICE
Agria (Singapore) Pte Ltd	334,633,994	10 April 2019
Agria (Singapore) Pte Ltd	351,633,994	1 April 2019
Agria Group*	351,633,994	17 December 2018
Ngāi Tahu Capital Limited	27,434,625	17 December 2018

* *Agria Group being Agria Group Limited, Agria Corporation, Agria Asia Investments Limited, Agria (Singapore) Pte Ltd, New Hope International and New Hope Group Co., Ltd as listed in the substantial security product notice.*

Twenty Largest Registered Shareholders

The 20 largest shareholders in PGG Wrightson Limited as at 12 August 2019 were:

SHAREHOLDER	NUMBER OF SHARES HELD	% OF SHARES HELD
1. Agria (Singapore) Pte Limited	33,463,399	44.33
2. Ngāi Tahu Capital Limited	2,743,463	3.63
3. HSBC Nominees (New Zealand) Limited*	2,508,838	3.32
4. Forsyth Barr Custodians Limited	2,357,017	3.12
5. H & G Limited	2,006,732	2.66
6. FNZ Custodians Limited	1,280,724	1.69
7. Masfen Securities Limited	1,240,000	1.64
8. Accident Compensation Corporation*	653,354	0.87
9. BNP Paribas Nominees (NZ) Limited	479,170	0.63
10. Gould Holdings Limited	430,000	0.57
11. Citibank Nominees (New Zealand) Limited*	420,773	0.56
12. Philip Carter	335,870	0.44
13. Arden Capital Limited	328,258	0.43
14. Leveraged Equities Finance Limited	306,991	0.41
15. Michael Benjamin	300,000	0.40
16. Custodial Services Limited	242,554	0.32
17. Nicolas Kaptein	200,041	0.27
18. JBWERE (NZ) Nominees Limited*	200,000	0.26
19. Woolf Fisher Trust Incorporated	185,000	0.25
20. Totara Grove Investments Limited	180,000	0.24

* *New Zealand Central Securities Depository Limited*

Analysis of Shareholdings

Distribution of ordinary shares and shareholdings at 12 August 2019 was:

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 – 499	6,082	1,044,188	1.38
500 – 999	1,510	1,016,627	1.35
1,000 – 1,999	1,452	1,917,174	2.54
2,000 – 4,999	1,410	4,205,499	5.57
5,000 – 9,999	574	3,745,091	4.96
10,000 – 49,999	464	8,370,338	11.09
50,000 – 99,999	36	2,393,346	3.17
100,000 – 499,999	39	7,470,003	9.90
500,000 – 999,999	2	1,293,433	1.71
1,000,000 Over	8	44,028,384	58.33
Total	**11,577**	**75,484,083**	**100.00**

Registered addresses of shareholders as at 12 August 2019 were:

ADDRESS	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
Singapore	11	0.1	33,526,403	44.42
New Zealand	11,300	97.60	41,133,288	54.49
Australia	142	1.23	647,682	0.86
Other	124	1.07	176,710	0.23
Total	**11,577**	**100.00**	**75,484,083**	**100.00**

Corporate Directory

Company number 142962
NZBN 9429040323497

Board of Directors
As at 30 June 2019

Rodger Finlay
Chairman
– appointed 30 April 2019

Joo Hai Lee
Deputy Chairman

David Cushing
– appointed 30 April 2019

Sarah Brown
– appointed 30 April 2019

Lim Siang (Ronald) Seah

U Kean Seng

Chief Executive Officer

Stephen Guerin
– appointed 1 June 2019

Chief Financial Officer

Peter Scott

General Manager Corporate Affairs/ Company Secretary

Julian Daly

Registered Office

PGG Wrightson Limited
57 Waterloo Road
Hornby
Christchurch 8042

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

Auditors
KPMG
Level 5
79 Cashel Street
PO Box 1739
Christchurch 8140
Telephone +64 3 363 5600

Managing your shareholding online:

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

www.investorcentre.com/nz

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

enquiry@computershare.co.nz

Private Bag 92119, Auckland 1142, New Zealand

Telephone +64 9 488 8777

Facsimile +64 9 488 8787

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