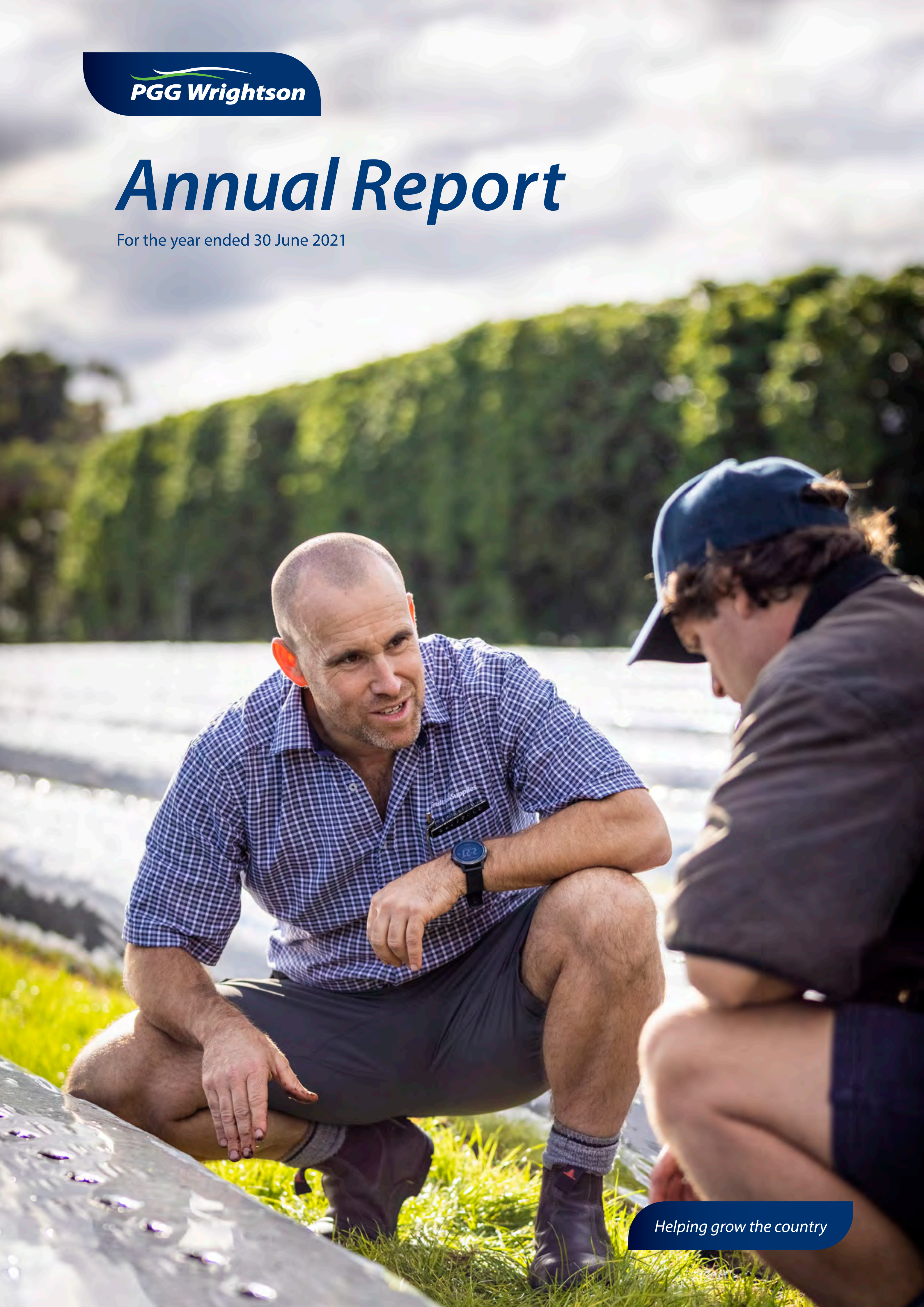
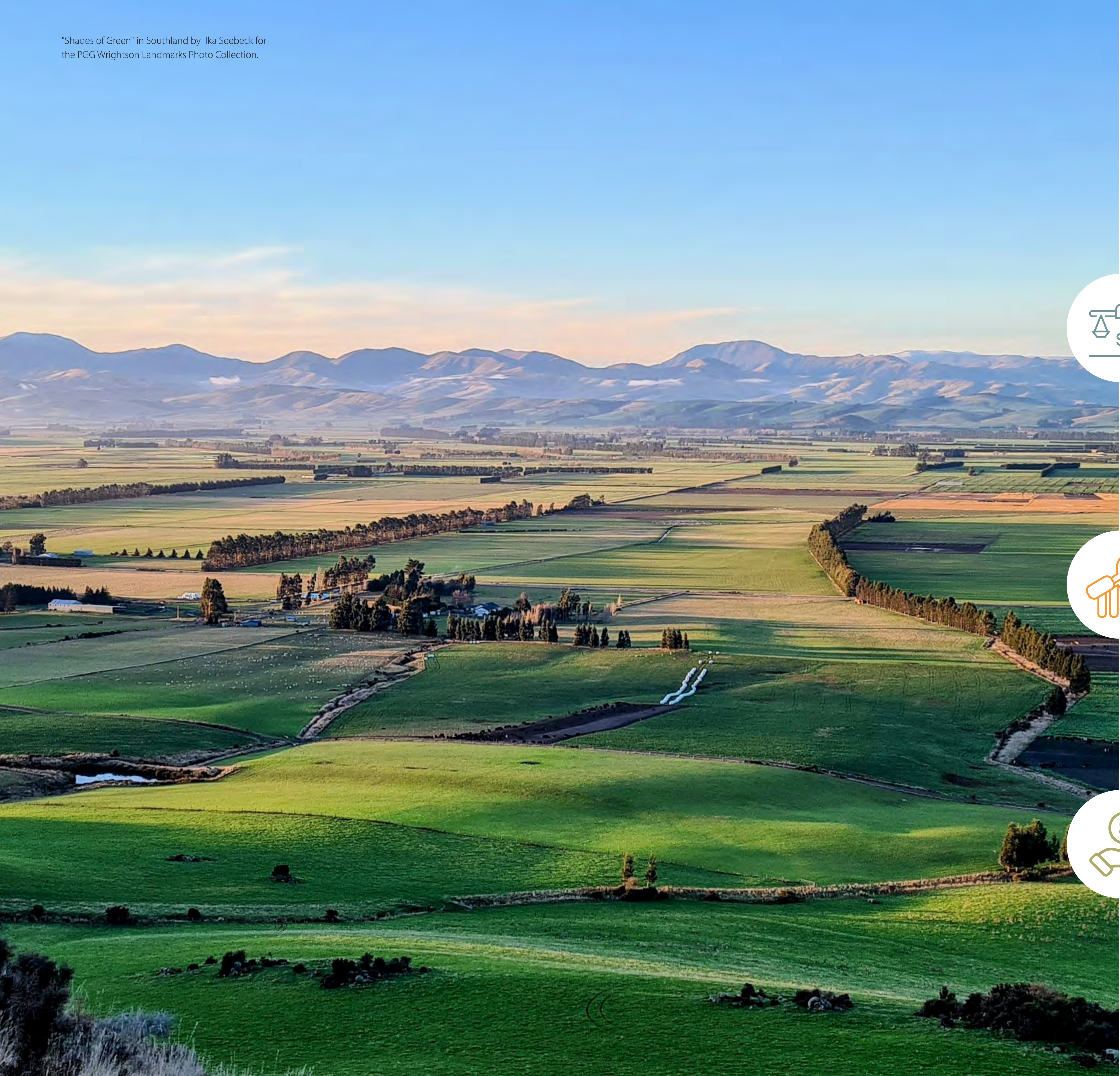
PGG Wrightson

Annual Report

For the year ended 30 June 2021



Helping grow the country



"Shades of Green" in Southland by Ilka Seebeck for the PGG Wrightson Landmarks Photo Collection.

2021 Financial Year

Performance Highlights

Net Profit After Tax ("NPAT") of

$22.7m

▲ $15m

Operating Earnings before interest, tax, depreciation and amortisation ("Operating EBITDA") of

$56.0m

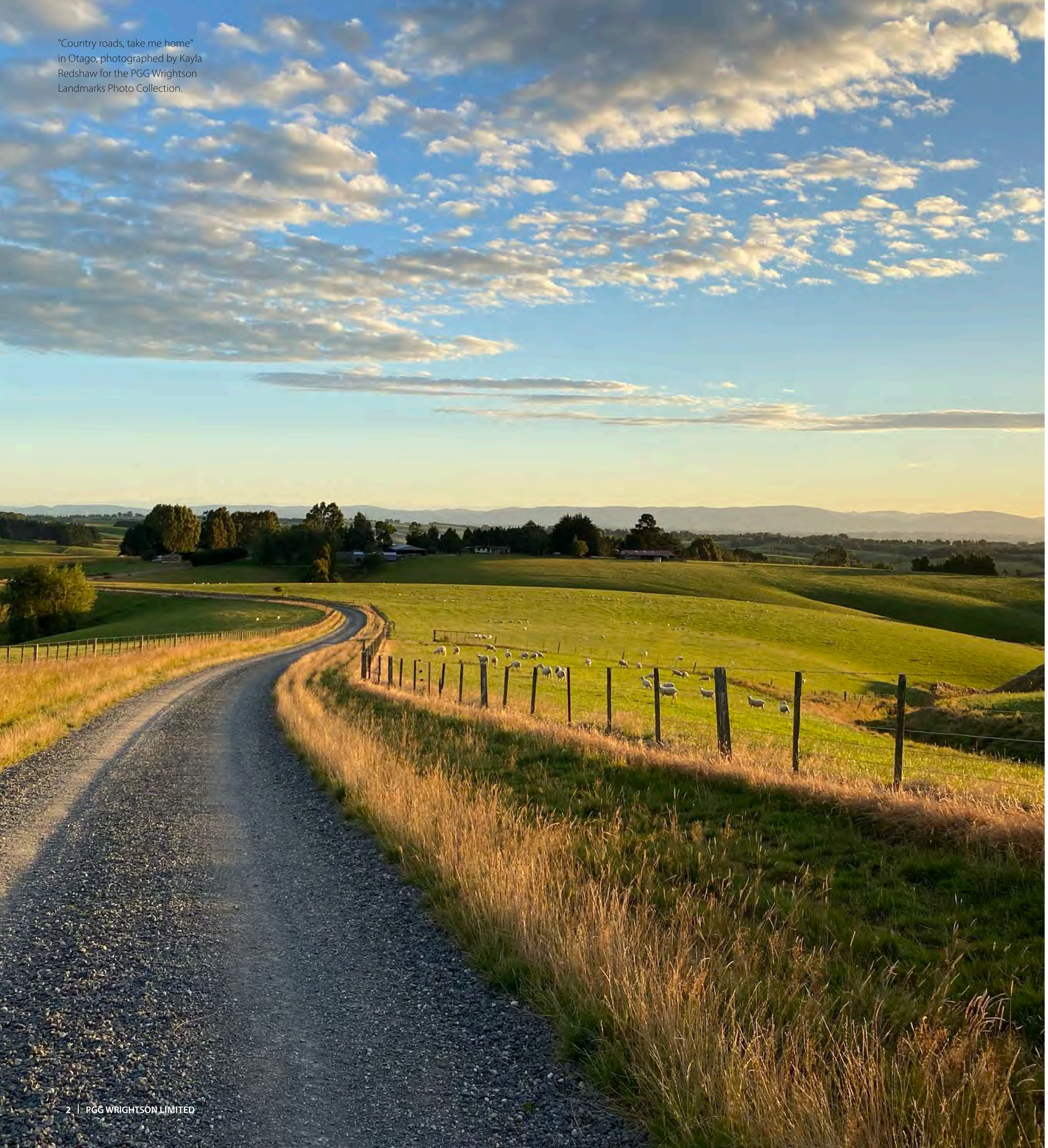
▲ $13.8m or 33%

Fully imputed dividends for the year of

28¢/share

Front cover image

PGG Wrightson Technical Horticultural Representative for Fruitfed Supplies, William Moss, discusses the benefits of growing grass between strawberry rows with Matt Ashby at Matakana Berry Co near Warkworth, Northern Auckland, in May 2021.



"Country roads, take me home" in Otago, photographed by Kayla Redshaw for the PGG Wrightson Landmarks Photo Collection.

2021 Achievements at a glance

Real Estate

↑ 31%

properties sold compared to FY20

Our people completed

> 9,000

online learning courses

Fruitfed R&D team conducted

> 70 trials

and facilitated

> 50 grower

meetings nationwide

Safety and wellbeing

TRIFR (total recordable injury frequency rate)

↓ 51%

since FY18 baseline

Contents

Calendar

Annual Shareholders' Meeting	19 October 2021
Half-year earnings announcement	22 February 2022
Year-end earnings announcement	16 August 2022

Sustainability

As part of our commitment to sustainability, this annual report is printed on environmentally responsible paper, produced using Elemental Chlorine Free (ECF), Third Party certified pulp from Responsible Sources, and manufactured under the strict ISO14001 Environmental Management System.

"This result reflects the collective efforts of our dedicated team who are passionate about the rural sector, supporting our customers, and the role the sector plays for New Zealand."

Rodger Finlay, Chairman

An impressive year for PGW

Operating revenue of

$847.8 m

^ 7.6%

Gross Profit of

$223.2 m

^ 9.4%

Total Shareholder Returns* of

+30%

Net Cash Flow from Operating Activities of

$57.7 m

^ 83.4%

* Total Shareholder Return (TSR) is calculated based on the movement in share price during the financial year, plus the dividend (cents per share) paid, divided by the opening share price.

Stephen Guerin
Chief Executive Officer

Rodger Finlay
Chairman

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 2021 of $56.0 million. Net profit after tax (NPAT) was $22.7 million.

- **Fully imputed dividends for the year of 28 cents per share.**
- **Total Shareholder Returns* of +30 per cent.**

Our team and the business have again proved that they are *"Leaders in the Field"* in supporting our customers, the agri-sector, and rural communities to deliver an excellent result. The financial year started and finished strongly with year-end Operating EBITDA at $56.0 million, up $13.8 million or 32.8 percent on last year's COVID-19 impacted result.

PGW also delivered a NPAT of $22.7 million which was up $15.0 million on the prior year. These results substantiate the decision taken to divest the Seed and Grain business, allowing us to recalibrate our cost base and systems, further develop our people, and extend our service offering and product range.

The Total Shareholder Return* was +30 per cent for the financial year ending June 2021. This represents impressive value creation for shareholders and reflects well on the health of the business and our trading performance.

The Directors are particularly pleased that the business has backed up our strong first half result and that we traded well over the second half. This result reflects the collective efforts of our dedicated team who are passionate about the rural sector, supporting our customers, and the role they and the sector plays for New Zealand. We have seen just how important to New Zealand's success the primary sector is and this has come into stark focus through the global pandemic.

As a business PGW is clear about our strategy of driving for growth by providing our customers with sector leading expertise and innovative solutions for their farming and production needs. We look to lead the market through the specialist knowledge and technical expertise of our people, which we foster through investing in their leadership and capability, and in identifying and bringing to market new products we source and trial in New Zealand conditions. Our customers value PGW's technical offering and see this as a distinguishing strength that we will continue to develop. Our strong balance sheet also allows us to contemplate earnings accretive growth ambitions, both internal and external.

There were periods during the year where our stores and operations in the greater Auckland area were impacted by COVID-19 restrictions due to various official pandemic alert levels. Some of our business units were deemed essential services and were able to continue to supply and service our customers. Our teams were outstanding in their response to these disruptions as they adapted to the strict protocols and continued to serve our customers in safe and innovative ways.

On-farm and market conditions

The outlook for the rural sector is positive, and farmer and grower confidence is encouraging. Pricing for New Zealand's key agricultural exports has held up well and is expected to remain strong in the foreseeable future, as exports are predicted to reach new highs next year. Continued strong demand is expected for lamb and sheep meat, with cattle prices also expected to remain high. Dairy farmers are more positive with a solid payout predicted next year.

The rural sector and farmer sentiment continues to see some challenges. Labour shortages are a concern with growers struggling to harvest all their fruit and crops this past harvest season. The uncertainty in the labour workforce has also seen some growers put development plans on hold until they can get some assurity around access to labour. Farmers, particularly dairy, are also impacted by the lack of skilled labour with many farmers needing to work longer hours to make up for the shortfall. Processors are also contending with fewer workers.

Shipping delays continue to cause disruption to the supply chain. Though there continues to be demand for New Zealand's primary products, farmers and growers are experiencing difficulty in getting their products to market. These constraints are also causing increased cost pressures on imported inputs. Our supply chain teams have a significant focus on mitigating these issues for our customers.

Regulatory change and compliance are increasing costs and putting pressure on the sector as farmers and growers grapple with how to respond and assess the level of investment needed to achieve compliance.

Land use change across the country is altering regional landscapes. An increase in horticulture and arable crops has seen a number of growers, including the corporate market, diversify their portfolios and invest in these areas, which creates significant sales opportunities for our Fruitfed Supplies business. It is also evident that farmland is being lost to forestry with sheep and beef farms being converted at a rate that is causing concern in some regions.

As is generally the case, our customers and their growing operations were impacted by a range of climatic conditions. Hailstorms caused severe damage in parts of the South Island, with a number of fruit crops completely written off. While drought conditions were experienced in the first half of the financial year with much of the East Coast experiencing low soil moisture levels, these conditions were abruptly ended in Canterbury, the West Coast, Marlborough, and Tasman following several significant flooding events.

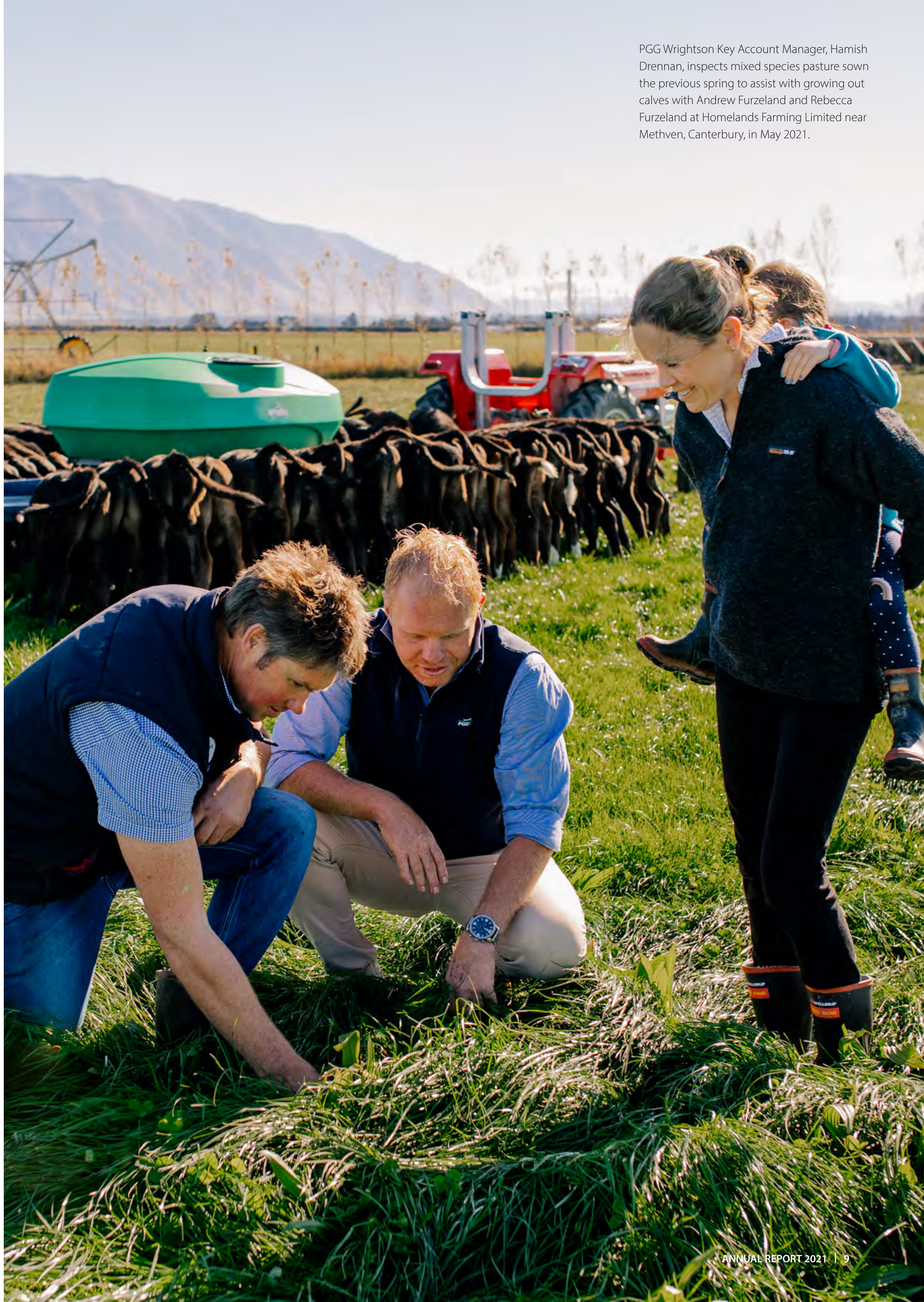
Our people

At 30 June 2021 PGW employed 1,755 employees (including casual, fixed-term, commission, and permanent staff).

Our continued investment in our people demonstrates our commitment to providing the tools and training for our team members to be safe and competent in their current roles, with an eye on their personal growth and succession opportunities.

Key programmes of work to enhance our culture and develop our people have continued over the past year with a focus on leadership, safety and wellbeing, and finessing people related systems and processes. With our revised "TO LEAD" leadership development programme, alongside other training and coaching, we are elevating leadership and capability by focusing on the behaviours, skills, and PGW values that ensure our people are the kind of leader that others wish to voluntarily follow.

Our PGW Academy, run in conjunction with the Primary Industry Training Organisation, once again provided a successful vehicle for highlighting our rising talent. The programme is designed to take some of our brightest and best from across the business and extend their knowledge and practical skills within the agricultural and horticultural sectors.



PGG Wrightson Key Account Manager, Hamish Drennan, inspects mixed species pasture sown the previous spring to assist with growing out calves with Andrew Furzeland and Rebecca Furzeland at Homelands Farming Limited near Methven, Canterbury, in May 2021.

Safety and wellbeing

Safety and wellbeing remains a key focus for PGW with reinforced commitment and visible leadership from the Executive team to ensure it stays front of mind for our people. Whilst it has been pleasing to see our total recordable injury frequency rate (TRIFR) reduce by 28 percent year-on-year, or 51 percent since the FY18 baseline we enter the new financial year with a revised Safety and Wellbeing roadmap and resourcing model to deliver on our vision.

Cashflow and debt

PGW experienced strong operating cash flows during the year which benefited from the excellent Operating EBITDA performance and a focus on working capital management including receivables in particular. This focus has seen PGW's overdue debtors balance track to historically low levels.

Capital expenditure of $6.8 million was $2.3 million lower than FY20 and was impacted by a slowing in the implementation of projects as a consequence of COVID-19 related disruption.

Net interest-bearing debt was $6.5 million as at 30 June 2021 and is the lowest recorded at 30 June in over a decade, excluding 30 June 2019 when the proceeds from the sale of the Seed and Grain business were held.

Distributions and total shareholder return

Based upon the strong full year earnings the Board declared a fully imputed final dividend of 16 cents per share. The dividend will be paid on 4 October 2021 to shareholders on PGW's share register as at 5pm on 10 September 2021. This will effectively bring the total fully imputed dividends for the year up to an impressive 28 cents per share which should delight shareholders.

The Total Shareholder Return* was +30 per cent for the financial year ending June 2021. This represents impressive value creation for shareholders and reflects well on the health of the business and our trading performance.

Outlook

As a business PGW is clear about our strategy of driving for growth by providing our customers with sector leading expertise and innovative solutions for their farming and production needs. We look to lead the market through the specialist knowledge and technical expertise of our people, which we foster through investing in their leadership and capability, and in identifying and bringing to market new products we source and trial in New Zealand conditions. Our customers value PGW's technical offering and see this as a distinguishing strength that we will continue to develop. Our strong balance sheet also allows us to contemplate earnings accretive growth ambitions, both internal and external.

Looking ahead, the Board is confident that PGW is well placed to continue to grow. We have recently undertaken an internal review of our PGW Group strategy and have reset our Group objectives and priorities, and we are embedding this into the business currently. This exercise has served to reconfirm the key themes that continue to drive improved performance for the business, namely our differentiated offering that lies in both the technical expertise of our people and the offering we successfully deliver (see pages 30 to 31).

There remains a degree of uncertainty globally with increasing geopolitical risks and as new variants of COVID-19 emerge. While the pandemic may continue to impact consumer markets and the global supply chain, PGW is committed to supporting our customers through these ongoing challenges and has demonstrated that we can do this effectively and profitably.

We hope to be in a position to provide further guidance about our expectations for FY22 at our Annual Shareholders' Meeting in October 2021, following early spring trading.

Governance changes

The PGW Board had two changes to its membership during the year. David Cushing retired from the Board on 30 April 2021, having served as a director and Chair of the Audit Committee for two years. The Board has previously acknowledged and thanked David for his excellent contributions as a director during that period.

Dr Charlotte Severne joined the Board as an independent director on 18 June 2021.

Insurance referrals / business

Our new joint venture relationship with BrokerWeb Risk Services Limited (BWRS) was launched in February 2021. The insurance referral relationship was struck given the strong strategic fit for us with BWRS already holding solid presence and capability in the rural insurance market. Many of BWRS's dedicated brokers were either raised or live rurally and they have local knowledge and access to market-leading insurance products and risk advice.

To demonstrate the confidence PGW has in its new insurance provider, BWRS has also been appointed as PGW's corporate insurance broker.

BWRS offers comprehensive, flexible, and tailored rural insurance solutions to meet the unique requirements of our customers. BWRS has created three bespoke products for our customers including Rural, Lifestyle, and Bull insurance. An additional benefit of this referral arrangement to our customers is that they have the convenient option of being able to pay their insurance policy premiums through their PGW customer account.

For further information please visit the insurance section of our corporate website (www.pggwrightson.co.nz).

Acknowledgements

Our impressive year would not have been possible without our exceptional team whose tireless work and commitment to our customers and rural communities is greatly appreciated. By living our values and seamlessly adapting to challenges faced, our team is truly promoting our vision of *"Helping grow the country".*

On behalf of the Board and Executive team, we thank our customers and shareholders for their loyalty, trust, and continued support of the Company. We would also like to acknowledge the extra lengths our suppliers have gone to in order to secure products for our customers during these testing times.

Rodger Finlay
Chairman

Stephen Guerin
Chief Executive Officer

* Total Shareholder Return (TSR) is calculated based on the movement in share price during the financial year, plus the dividend (cents per share) paid, divided by the opening share price.

Board of Directors

Rodger Finlay

BCom, FCA, CFInstD
Independent 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. He is a Chartered Fellow of the Institute of Directors, a Fellow of Chartered Accountants ANZ, and a graduate of the University of Otago.

After 24 years working principally for two large global investment banks based in London and Paris, Rodger, since 2008, moved into full-time director and trustee roles. Prior to chairing the board of Crown Regional Holdings Limited, Rodger was the Chair of the Independent Advisory Panel of the Provincial Growth Fund. He is also currently Chair of NZ Post Limited, Deputy Chair of Rural Equities Limited, Director and Audit Chairman of Ngāi Tahu Holdings, and a director or trustee of several other New Zealand and internationally based entities.

Previous governance roles held include Chair of New Zealand Oil and Gas, Director of Public Trust, and a Governor of Radio New Zealand.

Joo Hai Lee

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

Joo Hai Lee was appointed as Deputy Chairman of PGG Wrightson Limited 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 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 broking, 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.

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 and is Chair of the Audit Committee. 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.

U Kean Seng

LLB (Hons), B.Ec
Director

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.

Dr Charlotte Severne

MSc, PhD (Geology), ONZM
Independent Director

Dr Charlotte Severne (Tūwharetoa, Tūhoe) was a commercial scientist and executive for 20 years and was appointed to the PGG Wrightson Limited Board on 18 June 2021 as an Independent Director. She was also Deputy Vice Chancellor at both Lincoln and Massey Universities. In 2017 she received an ONZM for her contribution to Science and Māori. In 2018 she was appointed The Māori Trustee, with various governance and agency roles for whenua Māori across New Zealand.

Retired

David Cushing

David Cushing retired from the Board of PGG Wrightson Limited effective 30 April 2021.

Executive Team

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, Fruitfed Supplies, Agritrade, and Water businesses. He has worked for PGG Wrightson Limited and its predecessor companies since 1988. 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 Benefits Plan Trustee Limited.

Nick Berry

General Manager Retail & Water

Nick was appointed General Manager Retail & Water in August 2019. Nick joined PGG Wrightson Limited as New Business Growth Manager for Agritrade in 2014 and through his five-year period with Agritrade he grew the business substantially. Prior to joining PGG Wrightson Limited, 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 Limited 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 Limited being General Manager Regions and Otago Regional Manager. Grant has spent over 20 years directly in the wool industry and states, "once you have a passion for wool it never leaves."

Peter Moore

General Manager Livestock Ventures & Partnerships

Peter took up the role of General Manager Livestock Ventures & Partnerships in October 2020, having previously held the position of General Manager Livestock for PGG Wrightson Limited since August 2014. In this role Peter is focussed on adding value to the Livestock business through new initiatives and partnerships, including the stewardship of bidr®. Before joining PGG Wrightson Limited Peter headed up Fonterra's international farming ventures business from 2008 until 2013. 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 Livestock & Real Estate

Peter is General Manager Livestock & Real Estate. Peter has led the PGG Wrightson Limited Real Estate business since September 2013 and took responsibility for PGG Wrightson Limited Livestock in October 2020. Peter was previously General Manager of New Zealand Sotheby's International Realty. Peter was 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 and technology functions. Peter started his career at Fletcher Challenge and has broad multinational experience spending five years in Scandinavia where he was the Vice President of Accounting and Tax for Norske Skog, a large global newsprint and magazine paper producer. He relocated to Australia in 2005 and was appointed to the lead finance role for the Australasian region for Norske Skog. In 2008 Peter joined Gloucester Coal Limited, an Australian Securities Exchange listed mining company as the Chief Financial Officer. In 2010 he joined the majority shareholder Noble Group, a leader in managing the supply chain of agriculture, energy, metals, and mining resources, headquartered in Hong Kong and listed in Singapore. He was the Chief Financial Officer for Noble Group in Australia.

Rachel Shearer

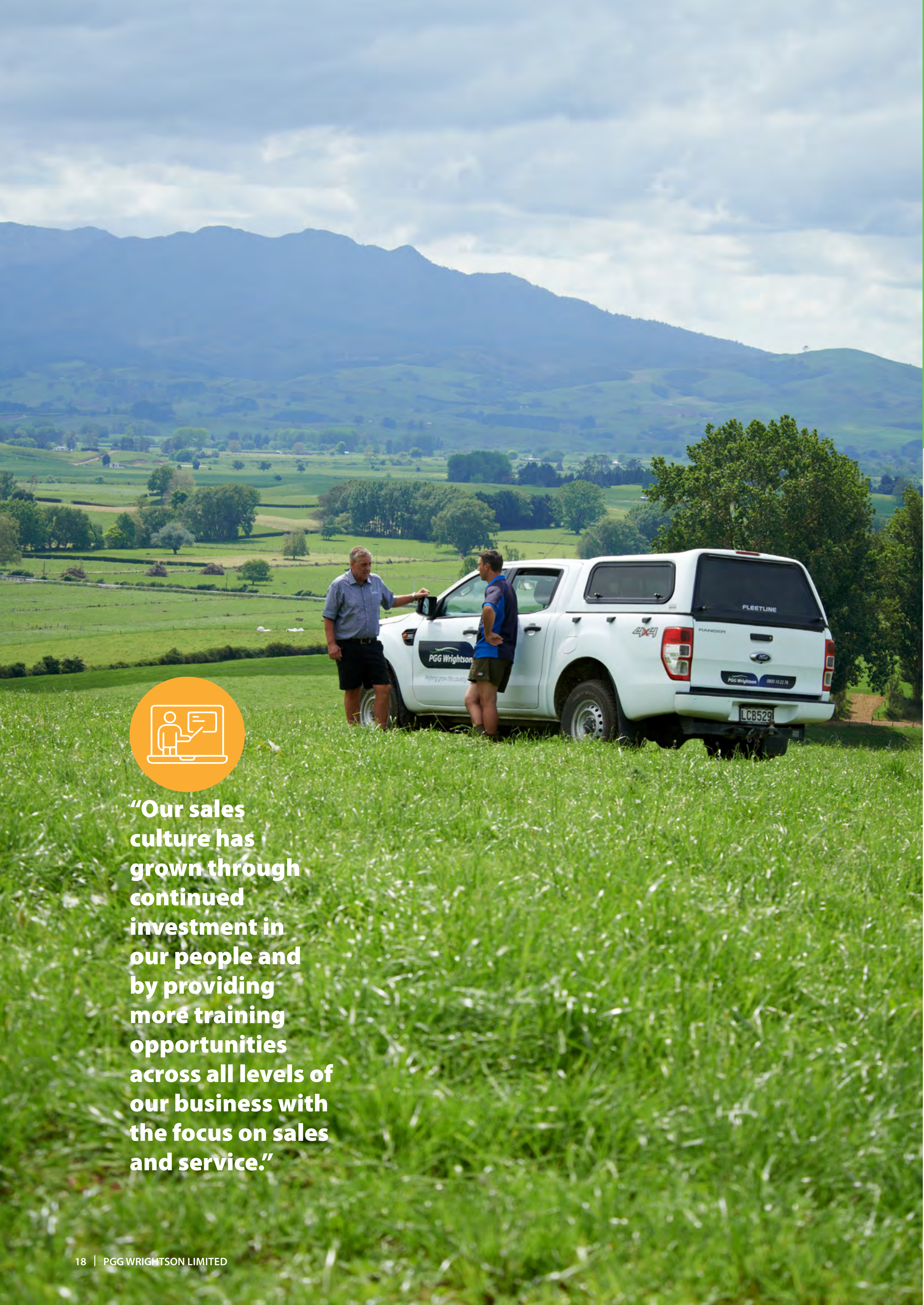
General Manager Human Resources

Rachel was appointed PGG Wrightson Limited's General Manager Human Resources in April 2016 to lead our Group Human Resources and Safety, Wellbeing, and Environment functions and teams. In this role she oversees the PGG Wrightson Limited People Strategy with the foundations of this being performance, leadership, and culture. Prior to joining PGG Wrightson Limited, Rachel was GM Human Resources at Solid Energy after gaining experience as a human resource consultant both abroad and in her hometown of Christchurch specialising in organisational design, change management and business transformation.

"Onions galore" in Canterbury, photographed by Rebekah Buchanan for the PGG Wrightson Landmarks Photo Collection.

The year in review

PGW has two operating groups: Retail & Water and Agency



"Our sales culture has grown through continued investment in our people and by providing more training opportunities across all levels of our business with the focus on sales and service."

$658.6M ▲ 6.4%

Revenue

$37.5M ▲ 13.0%

Operating EBITDA

Retail & Water group

The Retail & Water business incorporates Rural Supplies, Fruitfed Supplies, Agritrade, and Water. Retail & Water's Operating EBITDA was a very pleasing $37.5 million and was up $4.3 million on the prior year's result; an increase of 13.0%.

Both our Rural Supplies and Fruitfed Supplies businesses traded very well this year. We continue to increase market share and much of this growth can be attributed to the superior technical ability of our staff. We currently have a very stable rep force who are well supported by our specialist Technical and Research and Development (R&D) teams.

A significant challenge that we and many other businesses face is the much publicised supply chain disruption that is being felt around the world. This will continue to have an impact on the timelines for sourcing product and grower inputs as well as exports to offshore markets. Our team continues to work assiduously to proactively minimise supply disruption to our businesses and customers.

Our teams have been working collaboratively with our key suppliers, securing and taking product into stock earlier, and working with customers to lock in their seasonal requirements three to six months earlier than would ordinarily be the case.

Following the launch of our eCommerce website in June 2020, we have focused on improving our user experience and expanding our product range online. We are pleased with the way the new eCommerce channel has complemented our existing strong store and in-field representative network. The new online presence has contributed to an increase in PGW's customer base, both online and in-store. More functionality will be implemented next year, as we continue to strive to deliver value for our customers through our digital channel.

During the year we relocated to three new purpose built stores in Taupō, Darfield, and Alexandra, and we have also undertaken a store renovation in Mayfield in our continual programme to improve our store network. This has enhanced the retail experience for our customers and improved the working environment for our staff in those locations.

PGG Wrightson Technical Field Representative, Arnold van Straalen, discusses how the spring has gone with good pasture growth and how well the new crops are looking with Shane Duncan at Te Tumu Paeroa Dairies Limited near Te Awamutu, Waikato, in November 2020.

Rural Supplies

Our Rural Supplies business experienced particularly strong growth this year which is an excellent result in a highly competitive market. This success is attributable to both new customers who have brought new business to PGW and also growth in our market share as customers respond positively to our value-added technical offering and advice.

We have employed some great new talent in our business who have brought fresh ideas, and in some instances, new business. Our sales culture has grown through continued investment in our people and by providing more training opportunities across all levels of our business with the focus on sales and service.

We are advertising Rural Supplies and our locally based people more, by showcasing our expertise in the field and promoting our store network.

In support of the New Zealand wool industry, our PGW Retail and Wool teams collaborated with Norsewood Knitwear on a new apparel range. Manufactured from a blend of South Island merino and North Island lambs' wool, the Boundless range includes wool from Wool Integrity NZ™ growers.

"Our core focus remains to add value to our customers' businesses through the technical ability of our Technical Horticultural Representatives and by supplying specialist products and services."

Fruitfed Supplies

Our Fruitfed Supplies business has again registered another record year for both Operating EBIDTA and revenue. This business is diversified across a number of crops and we continue to adapt to customer and market needs. The horticulture sector is growing with increasing investment and development.

We enjoy impressive market share across a broad range of horticultural crops with particular strengths in the grape, pipfruit, stonefruit, and kiwifruit sectors, and we continue to grow in the avocado, cherry, and vegetable sectors.

Our core focus remains to add value to our customers' businesses through the technical ability of our Technical Horticultural Representatives and by supplying specialist products and services. Our technical expertise offering is differentiated by our expert Technical and R&D teams who support our field and store staff. This team conducts a number of product trials in New Zealand conditions across the industry, investigating new products and chemistry to assist our growers and suppliers engage with industry bodies (see pages 24 to 25).

The industry remains buoyant, which is driving investment and development in the horticultural industry. New developments across several different crops continue throughout the country. Corporate businesses are investing in the horticultural sector, as they look to diversify their portfolios which had previously focussed on beef and dairy operations. These developments continue to create sales growth opportunities for Fruitfed Supplies.

A reinvigorated Fruitfed Supplies marketing plan was implemented and delivered during the year. This has been a purposeful shift for Fruitfed Supplies as we move to increase the profile of the business and put a spotlight on our specialist expertise. A focus of this campaign was to increase brand awareness while also demonstrating our R&D capability and highlighting the value we add to our customers' businesses.

Agritrade

Our wholesale business division, Agritrade, which manufactures certain products, and sells and distributes a variety of other products, continues to demonstrate positive momentum.

Maintaining inventory during the worldwide supply chain disruption created by COVID-19 has presented challenges and caused Agritrade to place orders and receipt stock earlier than usual. Whilst the inability to travel internationally has hampered new product sourcing and development opportunities, it was nevertheless pleasing to note that five new products were registered by Agritrade for the New Zealand market during the year and are being commercialised.

Water

We have reshaped the Water business to align with market conditions. This has resulted in an improvement in EBITDA compared to the previous year. Our full-service water and irrigation packages to customers through Rural Water have seen improved sales. However, shipping delays will likely push out some delivery timelines in the short to medium term.

PGG Wrightson Technical Horticultural Representative for Fruitfed Supplies, Mike Treloar, discusses grape quality ahead of the 2021 vintage with John Flanagan, Viticulturist at Cloudy Bay Vineyards, Marlborough, in February 2021.

Territory Manager for bidr®, Jessica Davies, and National Territory Manager for bidr®, Caitlin Rokela, review the list of online buyers as they get ready to open online bidding for the Rangatira Angus Mixed Age Cow and Calf dispersal sale, near Gisborne, Poverty Bay, in March 2021.

"bidr®, our virtual saleyard has run over 400 auctions and sold more than $50 million worth of livestock since its launch in June 2019."

$186.5M ▲ 12.4%

Revenue

$25.2M ▲ 60.6%

Operating EBITDA

Agency group

Our Agency group incorporates the Livestock, Wool, and Real Estate businesses. Trading for this group is weighted towards the second half of the financial year. Operating EBITDA was $25.2 million and was up $9.5 million on the prior year's result, an increase of 60.6%.

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.

Our Livestock business has maintained market share throughout the country, with the South Island achieving a very solid result. During the year strong values were achieved for sheep farmers, and dairy farmers also received increased pay-outs which in turn underpinned market fundamentals for our Livestock business. Our Deer business experienced a good velvet season where values offset lower venison prices.

We expanded our GO-BEEF and GO-LAMB product offering and launched GO-DEER. Next year we expect to add to our GO-STOCK range with GO-STOCK DAIRY, which we anticipate will be well received and grow our GO-STOCK offering further.

bidr®, our virtual saleyard has run over 400 auctions and sold more than $50 million worth of livestock since its launch in June 2019. bidr® continued its software development and in FY22 live streaming from Fielding, Stortford, Wellsford, and Frankton saleyards will be launched with others to follow as we roll out this technology. Excellent Livestock Genetics results throughout the year culminated in the bull sales auction series where bidr®'s hybrid platform came to the fore. bidr® ran a number of charity auctions raising money for causes such as New Zealand Land Search and Rescue, Cystic Fibrosis NZ, and Rural Support Trust.

Wool

PGW Wool has done a good job navigating the ongoing challenges that have been accentuated by COVID-19. Our team worked closely with growers to reduce their stockpiles of crossbred wool and did see some benefit from improved pricing in the second half of the financial year. PGW Wool sold an additional 46,700 bales as compared to the previous year. Our export subsidiary, Bloch & Behrens Wool (NZ), worked diligently with overseas customers to ensure contracted obligations to our growers were fulfilled.

We are passionate about supporting the wool industry and we are working closely with industry bodies on initiatives to tell the wool story to the world. Our commitment is recognised by our investment in the Strong Wool Action Group, becoming a founding wool member of the NZ Farm Assurance Programme. We continue to grow our PGW Wool Integrity Programme which is a quality standard providing assurances to the international marketplace around important consumer expectations.

As global consumers increasingly recognise the positive attributes of wool and its associated products and they become more discerning in their purchases, we anticipate an increasing shift from synthetics to natural fibres which will ultimately result in stronger returns for our growers.

Real Estate

The Real Estate business has seen particularly strong demand across all sectors of the rural property market, which has also been fuelled by low interest rates. This resulted in the Real Estate business experiencing its best returns in over a decade at both an Operating EBITDA and gross commission income level.

During the year we acquired the Reid and Wilson Limited Real Estate business in Timaru and opened a new office in Lincoln, Canterbury.

We see early signs of a positive spring for rural sales, with more appraisals than usual taking place with a larger number of listings coming to the market, which we expect will turn into continuing solid demand for the first six months of FY22. With strong commodity values in rural we anticipate a number of retirement and succession initiated listings coming to the market. We are experiencing strong buyer enquiry for rural properties. The shortage of residential and lifestyle listings is expected to continue in the current low interest rate environment.

PGW Wrightson Technical Team members for Fruitfed Supplies, Technical Advisor, Catherine James, Crop Monitoring Coordinator, Carmen Pieterse, and Technical Specialist, Daniel Sutton, identify tuber moth larvae within leaves of a potato crop with Chris Nicholson and Simon Greer at Hinemoa, near Pukekawa, Northern Waikato, in May 2021.

Fruitfed Tech Team

Hinemoa Quality Producers Limited

Fruitfed was established in 1916 as a grower-owned organisation and although the ownership structure has changed over its more than 100 year history, the name Fruitfed has remained. Today Fruitfed Supplies is the horticultural trading division of PGW and for over 60 years our Technical Team has been an integral part of the business.

The PGW Technical Team is made up of three distinct divisions: Crop Monitoring, Research and Development (R&D), and our Agricultural and Horticultural Extension teams. Crop Monitoring is our in-field data collection service providing a valuable tool to help growers understand their production systems to a greater degree. The R&D team is dedicated to trialling new products for growers to manage existing and emerging agronomic threats. The Horticultural Extension team is responsible for taking the captured field data from Crop Monitoring and the scientific results from R&D and translating this data into information our Technical Horticultural Representatives and customers can base their decisions on.

Chris and Vikki Nicholson are third generation farmers on their 212 hectare property at Pukekawa, in Northern Waikato. Over the past 30 years the farm has been commercially growing vegetables and the Nicholsons developed the Hinemoa Produce brand which is known for its quality produce. They have invested heavily in sustainability initiatives and in 2012 they won the Ballance Farm Environment Awards Waikato Supreme Title.

The family's relationship with Fruitfed Supplies dates back to when they started growing vegetables. Chris sees the value in being part of the development of new products for the industry, so he regularly opens his property to host R&D trials. Chris says "I enjoy taking part in trials as it is important for the industry to get pests under control and any information I receive from the trials is a bonus. Hosting visits and visiting other trials is the best way to see results first-hand. The team is great to deal with, they get on and do the job and their results add value to my business."

Chris grows late season potato crops which can experience high disease, so he was keen to be involved in the R&D potato blight trial run by Catherine James, Technical Advisor. The trial resulted in the development of new tools for early potato blight control.

A developing threat to Pukekohe potato growers is the Potato Tuber Moth (PTM), *Phthorimaea operculella* which causes significant loss. Fruitfed Supplies supported growers in the region with greater information and control strategies for their crops and Chris was part of this regional survey which is tackling PTM on multiple fronts.

Carmen Pieterse, Crop Monitoring Coordinator, was responsible for setting up the PTM survey in the field. By proactively tracking the arrival, development, and peaks in PTM numbers across the region, growers could track the PTMs progress and make proactive well-informed control decisions. Results were recorded on a weekly basis and Daniel Sutton, Technical Specialist - Vegetables, analysed and distributed the anonymised data to those involved in the survey.

Monitoring and tracking pests, disease, and beneficial insects allows for the use of softer control measures to remove the pests and keep beneficial insects in the crop. This is the cornerstone of a beneficial Integrated Pest Management (IPM) system. Carmen says, "nature does the work for you with the good helping to remove the bad, without having to introduce harsher chemicals and pay for sprays that are not required."

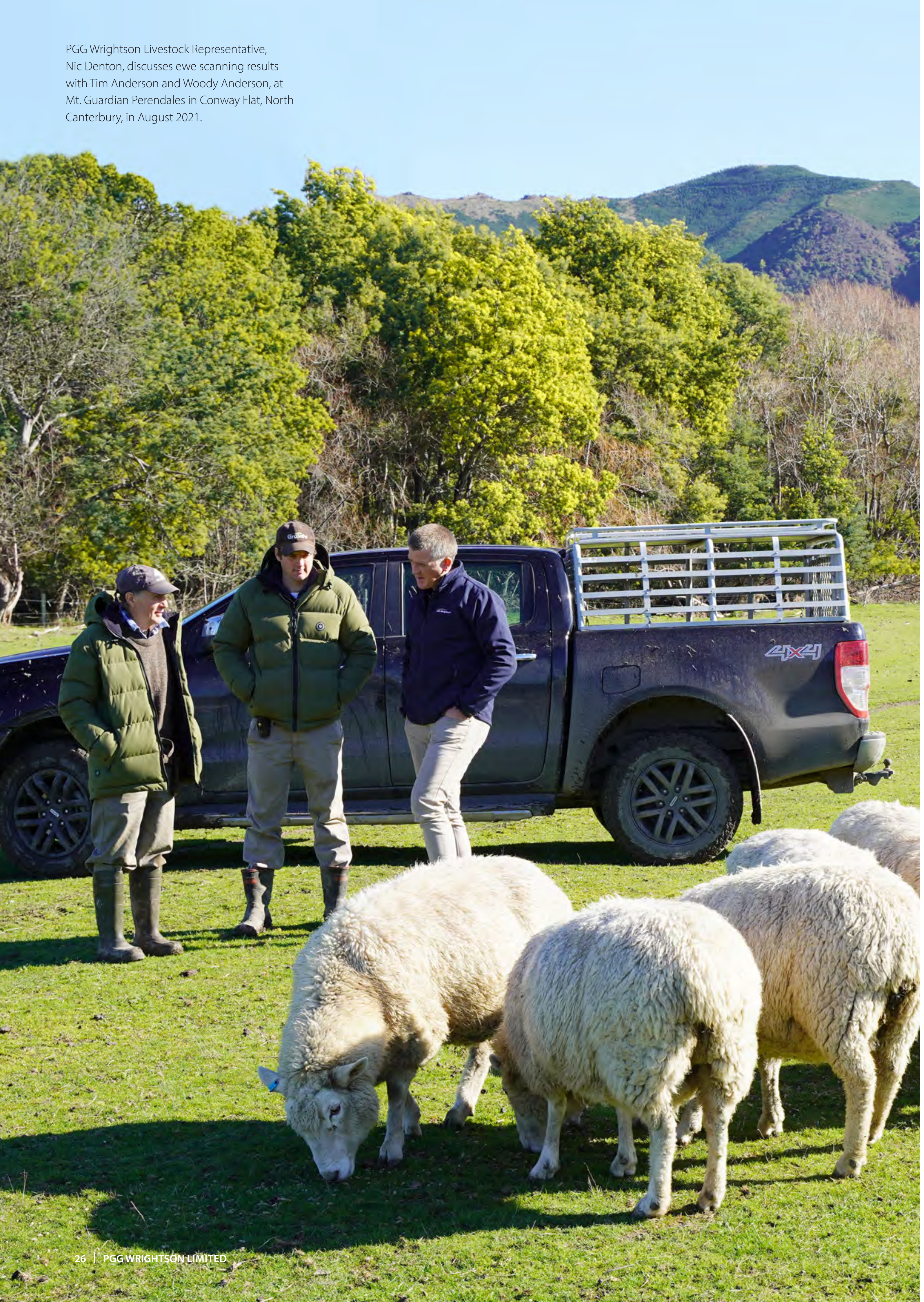
Daniel is investigating new PTM control options and helping with new product registration data. Daniel says "we are looking into other factors to help improve the effectiveness of in-field control options. Some insecticides 'miss the target' when it comes to PTM so there is a big push for more targeted, appropriate insecticide use. As part of our IPM strategy we are also working on in-field cultural practices by boosting the numbers and effectiveness of beneficial insects and looking at crop storage control options."

Working with Fruitfed

Carmen Pieterse joined the Fruitfed Supplies Technical Team as a Crop Monitoring Coordinator in 2020. Based in Pukekohe, Carmen enjoys managing her team of scouts and believes crop monitoring is a small step to a more sustainable future.

Catherine James joined the Technical Team at Fruitfed Supplies in 2020 as the Technical Advisor for vegetable crops based in Pukekohe. Catherine enjoys the privilege of being part of a team that is dedicated to helping our growers and the future of vegetable production.

Daniel Sutton has been part of the Technical Team for Fruitfed Supplies for over 10 years. Daniel works across many aspects of the vegetable industry, assisting to provide solutions to grower problems and working alongside industry bodies providing technical support.



PGG Wrightson Livestock Representative, Nic Denton, discusses ewe scanning results with Tim Anderson and Woody Anderson, at Mt. Guardian Perendales in Conway Flat, North Canterbury, in August 2021.

Livestock

Mt. Guardian Perendale Stud

The Anderson family has lived on Kalimera, a picturesque 930 hectare farm located in Conway Flat, North Canterbury, since 1945. Tim and Sue are the third generation on the farm and the second generation to run the Perendale stud, which was established by Tim's father. Their son, Edward (Woody) and his wife Sophie are in the process of becoming the fourth generation.

Mt. Guardian Perendale Stud has been performance recording since the mid-1960s, and their long tenure in breeding is demonstrated by being the second longest standing member on the SIL (Sheep Improvement Limited) database. Although the Andersons predominantly run Perendales, they also farm Romdales, Coopdales, and Suffolk/Beltex; along with 60 cows, plus replacement heifers for pasture management.

Selling stud rams is an incredibly competitive business with clients primarily requiring fertility, meat, growth, and survival traits. Woody explains, "our stud point of difference is our 30 years' experience of hands-on ram breeding and all rams are DNA recorded, allowing us to get parentage on all of our progeny. This means we can run them out on the hill rather than in small stud paddocks. This year we invested in a high resistant facial eczema ram, to introduce this trait into our sheep."

Part of the Anderson's success is due to their close personal relationships with their clients, "the continuation and longevity of the stud is being able to keep those close ties going and we always try to communicate with our clients throughout the year to see how the rams have gone" says Tim.

Being ecology conscious, the Andersons have recently gifted 200 hectares to the QEII National Trust to ensure this landscape and biodiversity is protected in perpetuity. They have installed six kilometres of deer fencing and are currently working to eradicate pests to protect this special area.

The Anderson's relationship with PGW dates back more than 60 years to Tim's grandfather. Tim recounts "we have a long steeped history dealing with PGW since the 1950s, when it was Pyne Gould Guinness. Humphrey Gould and co used to come up and visit us on the farm."

The Andersons deal with PGW representatives nationally. PGW Genetics helped the Andersons set up a successful breeding joint venture with a Wairarapa based Romney stud, where opposite sex hoggets are mated from each farm.

North Canterbury based PGW Livestock Representative, Nic Denton has worked with the Andersons for 15 years. "The Andersons are a pleasure to work with, their loyalty and honesty is second to none. I have really enjoyed working with Tim and Sue, and in the last few years dealing more and more with Woody. They have become much more than just customers."

"We have been very lucky with all our agents," says Tim, "but Nic's been exceptional. He has a particularly good way with people which is vitally important, and he takes an interest in our sheep. I can always tell when he's had a good day selling through Canterbury Park by the tone of his voice on the phone."

"We also have a good rapport with Simon Luoni (PGW Livestock Representative, based in Taihape, Manawatu-Wanganui). Simon does a lot for us in the North Island and brings his clients down to choose rams."

"We also utilise Simon Eddington (PGW Genetics Representative, based in Canterbury), he's a good fella doing a good job."

Regardless of the depressed strong wool prices at present the Andersons continue to test for desirable wool traits of curvature, micron fineness, and coarse edge with their sale rams, as many clients are still selecting for good wool traits in their wool. PGW Wool Representative, Peter McCusker has been involved with marketing the Kalimera wool clip for over 30 years. Peter concludes "I enjoy catching up with Tim and Woody at shearing and have awarded the Andersons numerous wool ribbons at shows and events over the years. The Anderson family has always been passionate about their wool and are strong supporters and advocates for the New Zealand wool industry."

Working with PGW

Nic Denton joined PGW 17 years ago as a Livestock Representative covering sheep and beef for North Canterbury, and is one of PGW's team of more than 180 experienced livestock representatives nationally.

Having worked predominately in the Cheviot area for the last 15 years Nic has experienced all that this area of the country has to offer – from drought to floods. "The connections I have built over the years are what allow my customers and I to get through these challenges. Being an agent requires a collaborative approach and is something I really enjoy."

Māori Agribusiness Team

Te Roroa Group

PGW's Māori Agribusiness team is a dedicated unit within PGW providing guidance on farming practices that align with the environmental values of our Māori agribusiness clients. Our dedicated Iwi Relationship Managers liaise with our Māori agribusiness clients and the team engages with PGW colleagues across the Company to ensure technical expertise and industry knowledge are provided.

PGW regularly hosts Māori agribusiness hīkoi where Māori agribusiness clients have the opportunity to visit other Māori agribusinesses. The team networks with numerous government and farmer-owned primary industry participants to ensure engagement with industry stakeholders and strongly represent Māori agribusiness. PGW is also a proud sponsor of the Ahuwhenua Trophy, Te Puni Kōkiri Excellence in Māori Farming and Horticulture Award, which acknowledges and celebrates Māori agricultural and horticultural excellence.

Te Roroa Farm Development Limited, whose rohe stretches along the West Coast of the North Island from the Hokianga to Tokatoka in the Kaipara, is an established client of PGW. Te Roroa exists to provide better opportunities for whānau with sustainability as a priority through land, water, kiwi restoration projects, and being part of the Kauri die back response in the Waipoua forest.

The Te Roroa Group is growing and currently has four individual entities. Te Roroa Farms comprises seven separate farms which were originally leased out for several years. The farms are now run as one operation consisting of approximately 3,200 hectares.

PGW's Iwi Relationship Manager, Ron Walters, has been working with Te Kaiwhakahaere Matua/The General Manager, Taoho (Snow) Tane of the Te Roroa Commercial Development Group. Ron's aim is to "partner with iwi to overcome some of the unique challenges faced when developing their primary sector assets. An essential component of my work is developing and sustaining mutually beneficial relationships between Māori and PGW, while helping to unlock the potential of the whenua/land and how we can better work with and assist Māori and iwi."

Snow's role is to lead the development and implementation of the Group's strategies while supporting the Chairman, Kaumātua, and the Team Leaders. Ron and Snow connect once a month to discuss kaupapa, tikanga Māori, and farming practices and development.

Ron works closely with Mark Bradley, PGW Technical Field Representative. Technical Field Representatives assist customers to grow value by providing technical support, in depth product knowledge, and expert advice. Mark's experience and broad knowledge within the agricultural industry gains him the trust and respect of his clients. Mark gives detailed presentations relating to farm practices alongside Duanne Golley, Te Roroa Beef Farms Kaiwhakahaere/Manager, which are well received by Te Roroa.

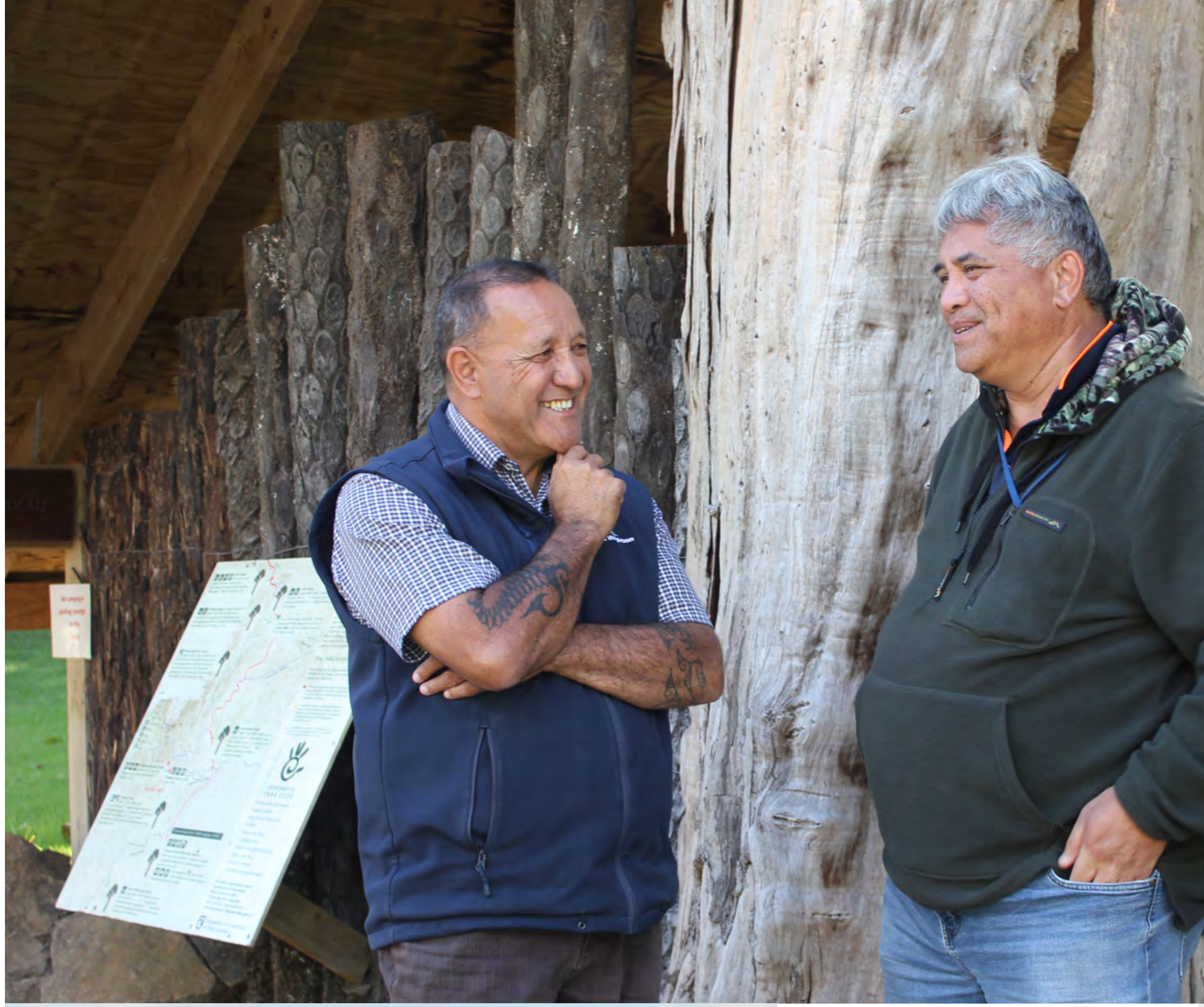
Duanne appreciates that Te Roroa benefits from the breadth and depth of PGW. Duanne says "we used to engage an independent fertiliser consultant. Mark made good use of one of the many resources and expertise within PGW and introduced a Technical Specialist soil scientist who was able to design a sustainable fertiliser programme that gave Te Roroa better utilisation. The results have certainly paid dividends by getting a better response to the fertiliser as well as lifting productivity, so we transferred the whole programme to PGW."

Snow enjoys "partnering with PGW as they have provided a lot of support to our farms, especially when we regained our farms and we needed to stock them. The relationship with PGW works well, with Ron and I discussing governance which focuses on our people, future generations, and caring for the land, while Duanne and Mark's relationship is around farm systems and a trusted advisory role."

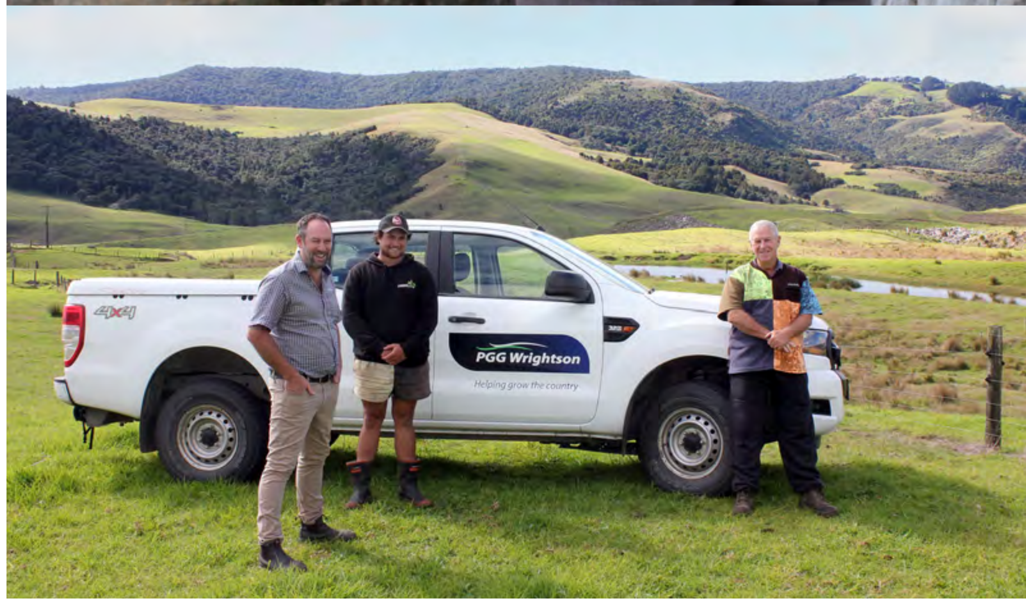
Working with PGW

Ron Walters joined PGW's Māori Agribusiness team over three years ago as the Iwi Relationship Manager covering the Te Tai Tokerau rohe. Ron engages with his colleagues across the Company to ensure technical expertise and industry knowledge is provided to our clients through our trusted experts in the field. What Ron loves most about working for PGW is the "diversity of expertise within the Company that we have to offer our valued clients."

Mark Bradley is a Technical Field Representative based in Dargaville, servicing customers across the Kaipara area. Mark joined PGW 13 years ago and enjoys contributing to his customers by delivering a high level of on-farm and off-farm technical support across the wide range of farming business groups. Mark is one of our more than 100 experienced Technical Field Representatives nationally.



PGG Wrightson Iwi Relationship Manager, Ron Walters, discusses how the relationship between PGW and Te Roroa is progressing with Snow Tane at the Te Roroa visitor centre, in Waipoua, Northland, in May 2021.



PGG Wrightson Technical Field Representative, Mark Bradley, discusses an upcoming development area that is coming out of pine with Duanne Golley and Tama Waaka on Waikara farm, South of Waipoua, Northland, in May 2021.

Mā ngā huruhuru ka rere te manu.

It is the feathers that enable the bird to fly.

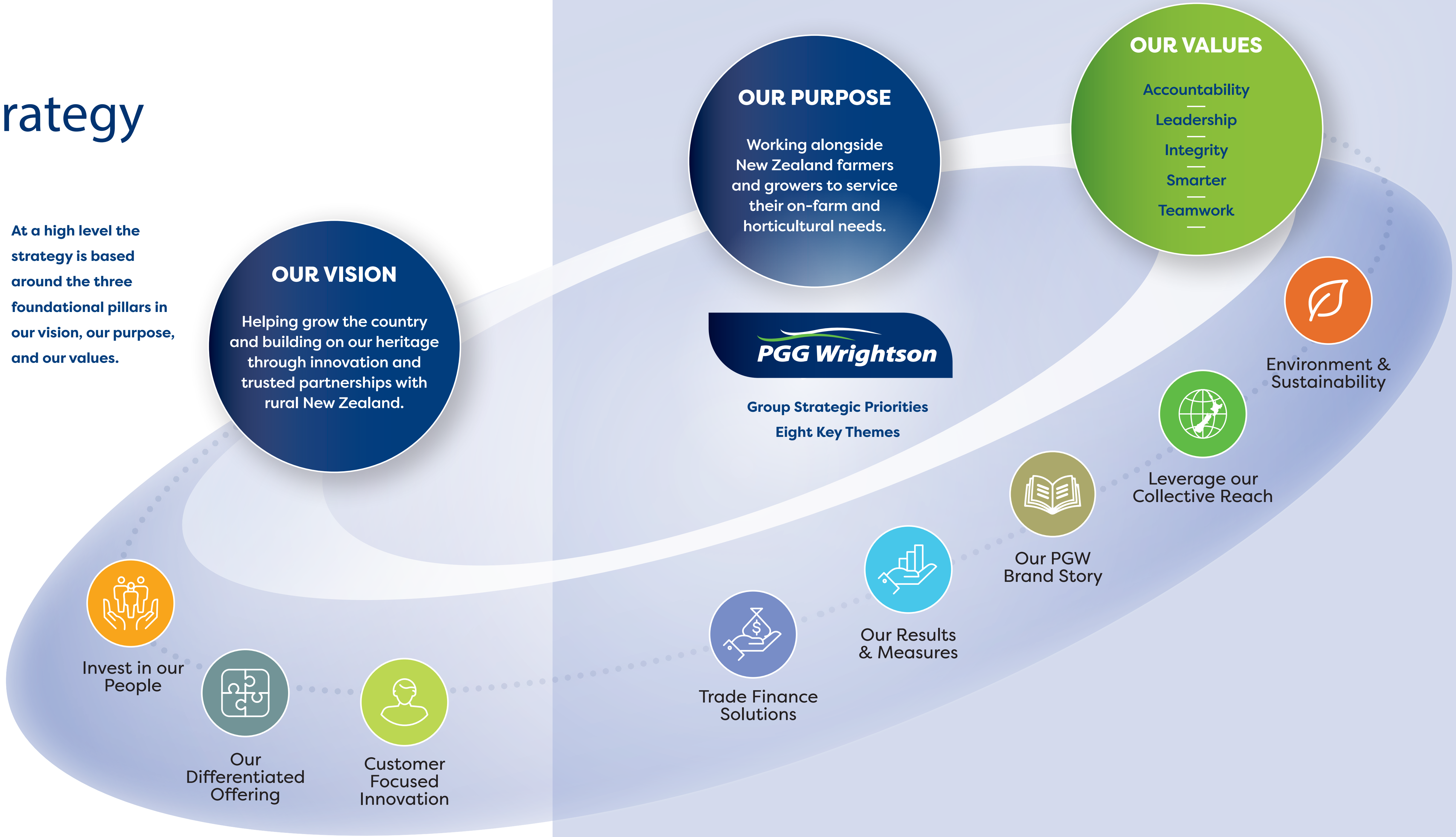
PGW Group Strategy

The divestment of the Seed and Grain business inclusive of PGW's operations in Australia and South America in late 2019 significantly changed the business. Following settlement of that transaction the focus in the immediate term turned to recalibrating PGW's corporate functions, and adjusting to the new operational structure. After the successful right sizing of the Group support functions our attention shifted to the review of our PGW Group strategy. Outcomes from that review were delayed, however, while COVID-19 captured worldwide attention, with our business concentrating on managing our operations through the ongoing challenges created by the pandemic.

Living with the global pandemic is likely to be the reality for some time to come and our business has adjusted to this reality and undertaken a review that has culminated in resetting the strategic priorities for PGW Group.

As part of this exercise the Executive team and Board took stock of trends and developments in the agricultural sector internationally and domestically to determine PGW's 'why', while reflecting upon and respecting our proud history but concentrating on the future and growth opportunities for PGW Group. We also considered customer insights gathered from external market research to better understand customer perceptions and expectations. This work provided clear observations relating to the deep customer relationships PGW staff hold and the trust that our customers place in PGW came through strongly. A key insight that was reinforced was the value associated with the technical expertise we provide to our customers, the advice we offer to the industry, and in turn the creation of value for our shareholders.

At a high level the strategy is based around the three foundational pillars in our vision, our purpose, and our values.

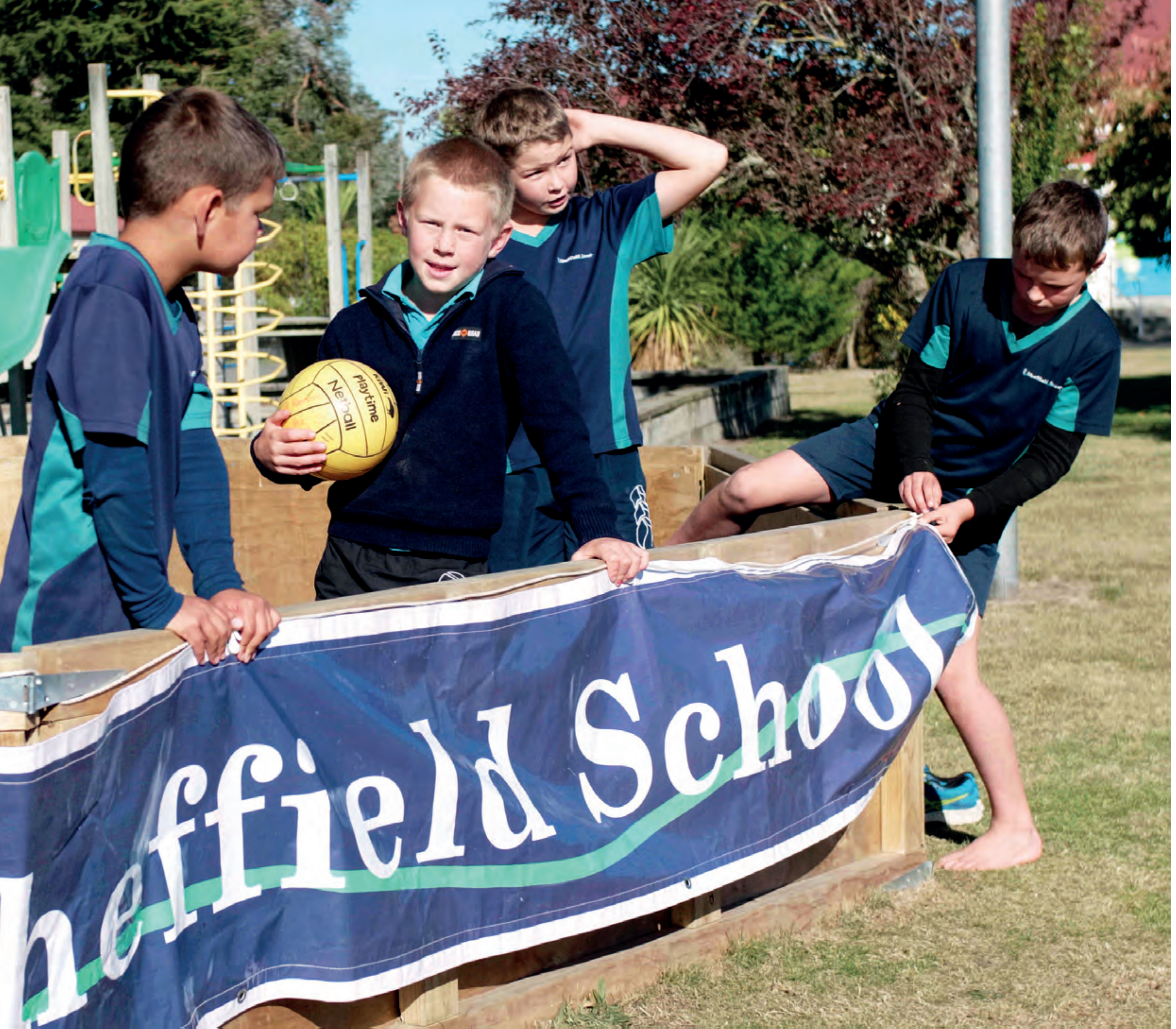


At a more targeted level we have identified eight PGW Group Strategic Priorities that help direct our focus and the priorities where we wish to make progress and differentiate our offering, while strengthening our position as a market leader.

Our Group Strategy is dynamic and will continue to evolve as we respond to the changing demands of the market.

The purpose of the PGW Group Strategy is to provide clarity and direction at a Group level around our strategic priorities that we will collectively work towards. The eight priorities are then layered in more detail in the strategic objectives of each Business Unit and Corporate Function. Each of the eight strategic priorities have specific measurable objectives that we will monitor progress over time.

As part of our aspiration to seek growth, we will also seek out potential acquisition opportunities within the New Zealand market that complement PGW's strengths and that have a good strategic fit while also being value accretive for the business.



Pupils from Sheffield School enjoying playing in their new gaga pit which was built with funds received from Cash for Communities.

PGG Wrightson in the community

Both PGW and IHC wish to thank our farming customers for donating actual or virtual calves and raising

$973,000

nationwide last season

Cash for Communities

has raised

$600,000

for rural focused organisations, schools, clubs, and charities nationwide since launch

Fruitfed Supplies

continues to support and invest in the horticultural industry through sponsoring industry events

Young Horticulturist
Young Viticulturist
Young Grower
Young Winemaker

'Helping grow the country' **is at the heart of everything we do. Our people have been key members in their rural communities in which they live and work alongside their customers for 170 years.**

PGW has supported and sponsored rural communities throughout the country for multiple generations, from Agricultural and Pastoral (A&P) Shows to community organisations. We are proud to be an integral part of New Zealand's thriving and passionate agricultural industry.

Cash for Communities

Since its inception in 2011, the Cash for Communities programme has successfully provided financial support to rural communities throughout New Zealand. Run by PGG Wrightson and Ballance Agri-Nutrients, Cash for Communities has raised $600,000 since launch for rural focused organisations, schools, clubs, and charities nationwide. Following the 2020 spring season, $51,804 was donated to nominated recipients.

These community organisations acknowledge that these funds often provide additional opportunities that would not otherwise be available, as expressed by Sheffield School Principal, Nigel Easson.

"One of the highlights for our year six children, who were moving onto Darfield High School the following year, was to have the gaga pit completed three days before the end of term four. They were screaming out to have a go and we knew we had the Cash for Communities funds to use. Since building the pit we've had children aged from 5 to 11 years old playing, with the different ages interacting and those interactions have been the highlight for me."

The Cash for Communities programme continues to have the support of farmers and growers who nominate an organisation or charity they would like to receive their donation, with $1 being donated for every tonne of participating Ballance Agri-Nutrients fertiliser purchased on their PGG Wrightson or Fruitfed Supplies account during the campaign period.

IHC Calf & Rural Scheme

PGW Livestock is proud to be Principal Sponsor of the IHC Calf & Rural Scheme, which is one of the longest standing rural charitable relationships in New Zealand.

Both PGW and IHC wish to thank our farming customers for donating actual or virtual calves and raising $973,000 nationwide last season, with nearly $40 million committed throughout the almost 40 year relationship. These funds help the IHC to assist people with intellectual disabilities and their families in our rural communities.

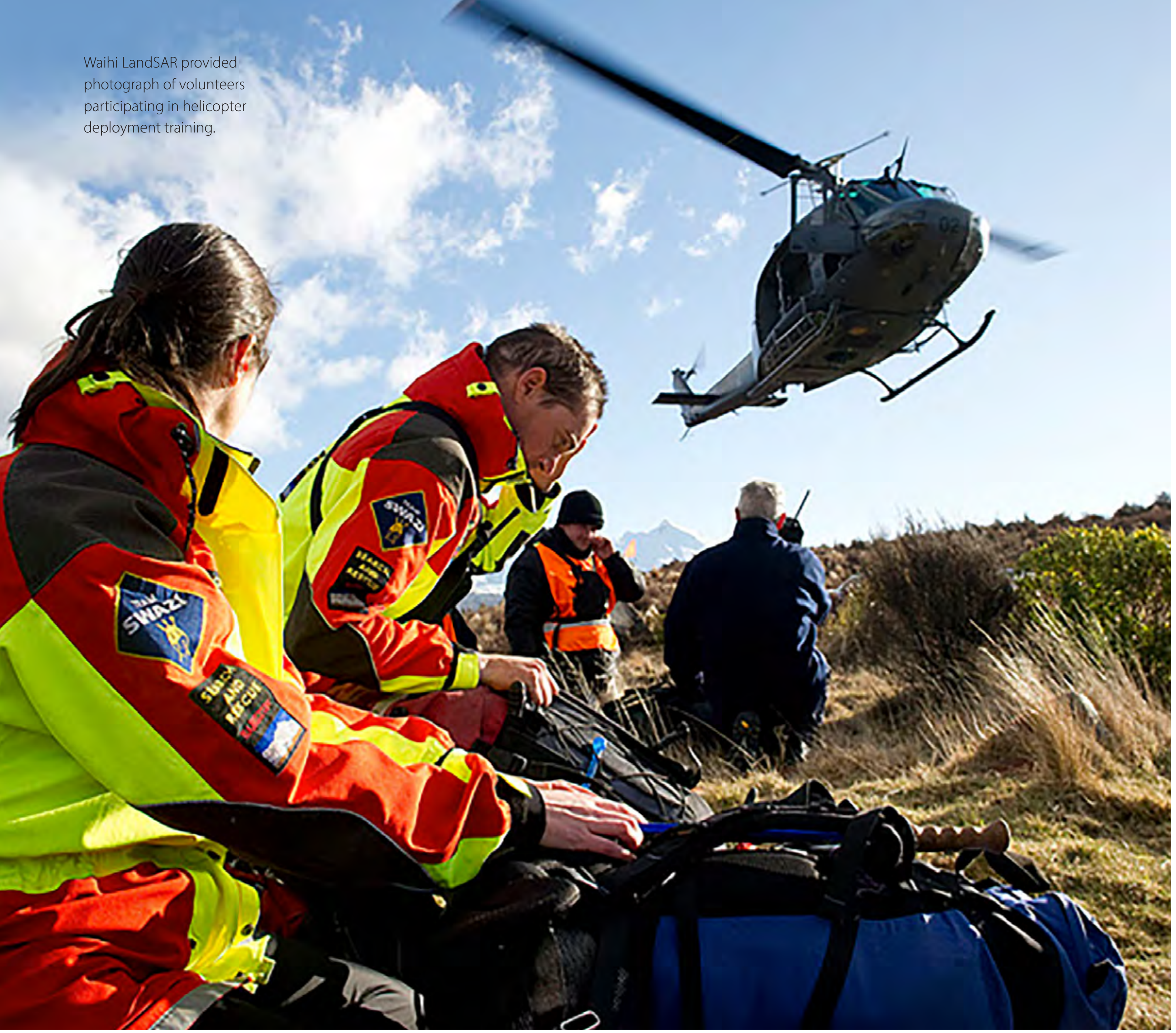
In addition to our support of IHC, our PGW Livestock business supports sheep and beef associations, along with several livestock competitions across New Zealand.

Supporting the Horticulture Sector

Fruitfed Supplies continues to support and invest in the horticultural industry through sponsoring a number of events. We work closely with organisations whose programmes recognise innovation and excellence in the industry.

We are passionate about developing skills and fostering leadership, which are the pillars of The Young Grower of the Year, Young Viticulturalist of the Year, Young Horticulturist of the Year, and Young Winemaker of the Year competitions.

Fruitfed Supplies continued with its Fruitfed Supplies Horticulture Scholarship, which is an academic scholarship available to a third year Massey University student studying horticulture. The intention of this academic scholarship is to help promote excellence in horticulture.



Waihi LandSAR provided photograph of volunteers participating in helicopter deployment training.

These industry events are important occasions for people to meet and collaborate and recognise the achievements of industry peers. Fruitfed Supplies is delighted to co-sponsor the Potato NZ conference, Hort NZ conference, NZ Pinot Noir conference, Silver Secateurs competition, and numerous wine awards.

In addition, a number of our people are involved with and are members of horticulture industry groups and boards.

Land Search and Rescue

PGW entered a new three-year sponsorship with New Zealand Land Search and Rescue (LandSAR). LandSAR is a national charitable volunteer organisation who rely wholly on grants and sponsorships in order to carry out their vital service.

Many of our staff and customers regularly enjoy our country's great outdoors and this is a way that PGW can demonstrate our support for this important community service that saves lives. A number of PGW employees are LandSAR volunteers and they freely dedicate their time to training, maintaining their competencies, and responding to emergency situations when they arise.

PGW supported LandSAR via a charity auction at Fieldays, with the funds raised being disbursed to local groups. We also collaborated with John Bull® to release the Harrier boot exclusively to our retail stores where $10 from every boot sale is donated to LandSAR.

LandSAR also received $5,000 through our association with FleetPartners, the provider of all our leased vehicles.

Supporting Industry Events, A&P Shows, Regional Field Days, Rural Communities, and Disaster Recovery

National Shearing Circuit

PGW is delighted to renew our sponsorship of the National Shearing Circuit for the next three years. Under the current arrangement, PGW is co-sponsoring the event with animal health product manufacturer Nexan, with the new title of the PGG Wrightson Vetmed National Shearing Circuit.

Circuit committee chairman, Warren White, says "PGW has been onboard as a sponsor for 18 years now and we are delighted to extend what has been an excellent and enduring relationship. As a sponsor they have been fully committed to helping keep the circuit afloat, particularly under the challenging circumstances we faced last year."

A&P Shows, Regional Field Days, and Fieldays NZ

PGW is pleased to be involved with many A&P shows 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.

Unfortunately, due to COVID-19, the New Zealand Agricultural Show in Christchurch was cancelled in 2020 but we look forward to supporting its return in 2021.

Supporting Excellence in Māori Farming

The Ahuwhenua Trophy, Te Puni Kōkiri Excellence in Māori Farming and Horticulture Award, acknowledges and celebrates business excellence in New Zealand's agricultural sector. It is an honour for PGW to sponsor this trophy which alternates between sheep and beef, dairy, and horticulture each year, so each sector competes on a three-year rotational basis.

Due to COVID-19 and the postponement of the 2020 awards ceremonies, two awards ceremonies were held during FY21. The Ahuwhenua Trophy Excellence in Māori Horticulture Award was won by Te Kaha 15B Hineora Orchard. Hineora Orchard is a Māori freehold land block located in the Eastern Bay of Plenty township of Te Kaha, 65 km east of Ōpōtiki. In addition to the horticulture award the winner of this year's Ahuwhenua Trophy for the top Māori Dairy farm is Tataiwhetu Trust located in the Ruatoki Valley, south of Whakatane.

Industry Associations

As well as PGW sponsoring numerous national breeder associations, PGW employees are respected members of many of these associations, providing expert knowledge, advice, and support to help these vital organisations fulfil their industry objectives.

Community Events

PGW enjoys supporting local rural community organisations and activities that promote excellence in farming and ultimately help grow the country. Our preference is to sponsor through an in-kind contribution such as the use of PGW vouchers, marquee supply, or the provision of people to help (e.g. judges).

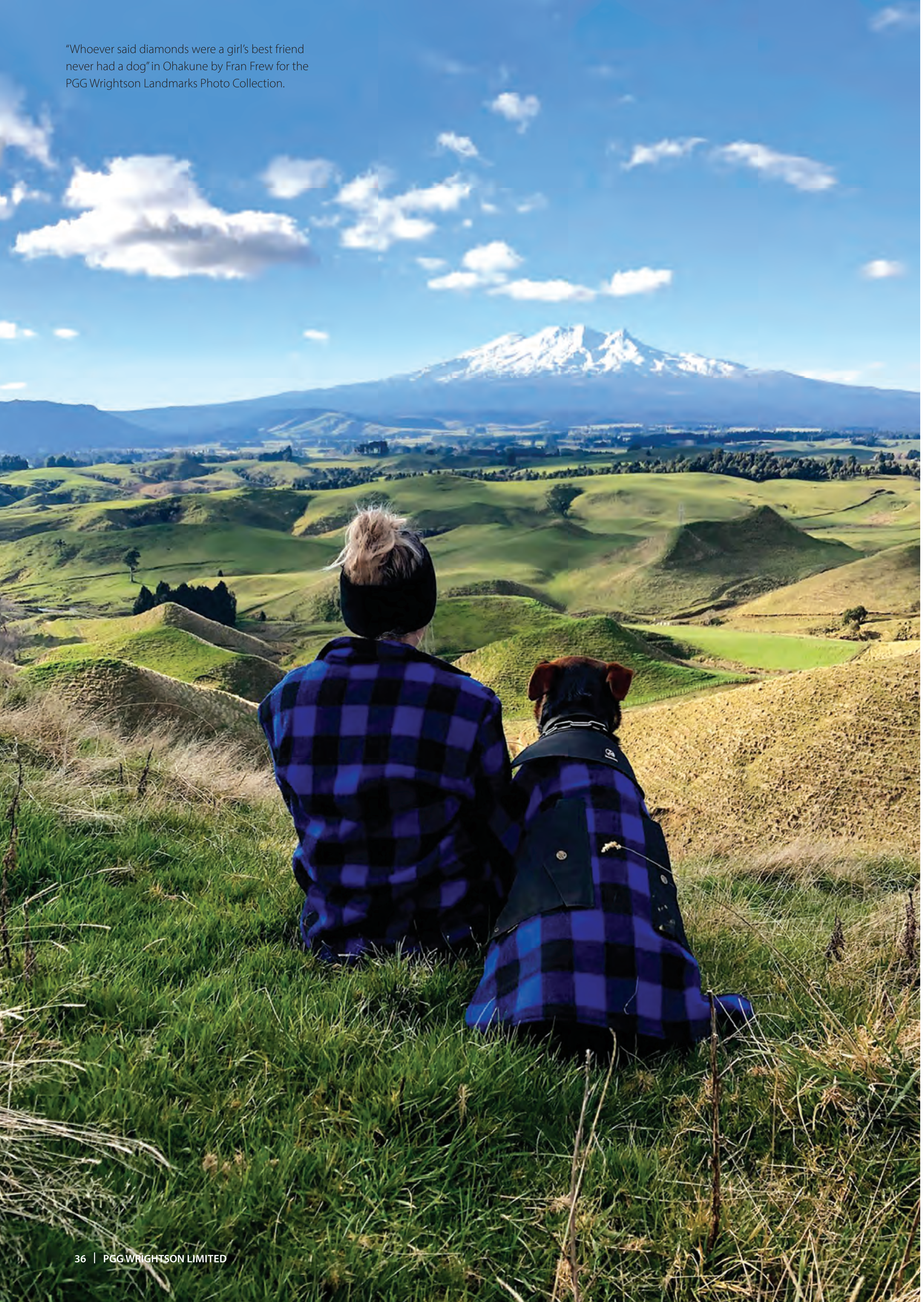
PGW Wool continued their sponsorship and support of the Wool in Schools containers initiative as part of Campaign for Wools.

Dr Tom's Walk the Talk Wellness Tour – With PGW

Dr Tom visited PGW customers in the far north and as south as Te Anau on his final year of the Walk the Talk Wellness Tour. As well as presenting to key community groups and in our stores, Dr Tom attended Fieldays, National Horticulture Field Days, AgFest, and South Island Agricultural Field Days performing health checks and discussing the importance of 'knowing your numbers' when it comes to personal health and wellbeing and supporting farmers and growers in improving theirs.

Disaster Recovery

PGW is privileged to be able to help our customers and rural communities through natural disasters. Droughts, floods, snowstorms, and windstorms are all part of rural life and, in any given year, at least some of our customers are impacted by one of these events. As part of our involvement in the communities in which we live and work, PGW staff are often some of the first called on to provide assistance.



"Whoever said diamonds were a girl's best friend never had a dog" in Ohakune by Fran Frew for the PGG Wrightson Landmarks Photo Collection.

Environmental, Social and Governance Reporting

Our dedication to *'Helping grow the country'* is demonstrated through our commitment to protecting our natural environment for future generations. To be *"Leaders in the Field"* we need to balance issues of environmental, social, cultural, and economic sustainability in order to make a valuable contribution to the future of our country, our shareholders, our people, our customers, our communities, and the rural business sectors we operate in.

For 170 years PGW has been part of rural New Zealand and we take pride in our stewardship role alongside our customers and stakeholders. Together we seek to ensure the farming sector continues to prosper in a sustainable manner for generations to come. There is growing recognition of the need for businesses to implement environmental, social, and governance (ESG) frameworks into everyday activities, with a particular spotlight in New Zealand on the rural sector to operate sustainably. While many of our activities are designed to support better farming practices, we are increasing our efforts on environmental and climate-focused outcomes.

We are committed to providing our team with a safe and healthy work environment and training opportunities. Ethically, we operate to the highest standard and we take responsibility for our operations and supply chains.

PGW is dedicated to meeting the mandatory reporting climate-related disclosures to be implemented by the New Zealand XRB (External Reporting Board) and we have commenced work in this area.

PGW's strategy and framework for ESG reporting is continuously evolving in response to market demands and regulatory requirements. We are assessing the New Zealand Stock Exchange ESG Guidance and the potential application of leading Global ESG reporting frameworks to the Group to assist to inform our strategy development in this area.

Our people attended

675

off-job learning and developing facilitated training courses.

Agrecovery's product stewardship programme collected and recycled

532

tonnes of plastic from farmers and growers during the year.

Environmental

As we continue to understand and evaluate our impact on the environment within which we operate, PGW's Environmental Compliance Working Group completed a risk review of environmental aspects and impacts of all PGW operations, to identify any activities and services of potential significant risk. A process for monitoring and reporting site environmental compliance is being formalised as we engage with Business Units to understand consent requirements.

We recognise the need to report on our environmental footprint, in particular our carbon emissions, and we have established an ESG Working Group to take us on this continuous journey. Toitū Envirocare has been engaged to assist us in developing an inventory of PGW's carbon emissions with the intention of seeking Toitū certification. The output of this will support the development of PGW's Environment and Sustainability Strategy which will consider the impact of our business on the environment and set environmental goals and reduction targets, based on risk and opportunity.

The Retail & Water business has continued to drive Environmental Management as a key strategic initiative. The strategy group has developed and launched numerous initiatives over the course of the year. These include:

- developing tools to support our field staff in assisting farmers with the new Resource Management (Stock Exclusion) Regulations 2020.
- continuing to take a leading role regarding animal welfare in winter cropping systems, with a senior member of the Technical Team sitting on the government led Winter Grazing Action Group.
- senior members of the Technical Team advising industry groups about the future sustainability of agrichemical use in horticultural crops.
- members of the Technical Team consulting and advising key government departments responsible for developing environmental regulation.
- working with multinational supplier companies to develop and commercialise sustainability initiatives in New Zealand.
- committing R&D resource through our Technical Team to the development of biological alternatives into commercial spray programmes for horticulture.
- undertaking waste audits on key Retail sites to determine our current trends in waste flow and accumulation. This information will be used to help align our processes and policies concerning waste and recycling.
- engagement relationships with key environmental consultancy partners in Otago and Southland to streamline the process for our customers to engage the right people to help with their environmental planning journeys.
- commencing work to attain the British Retail Consortium (BRC) certification in a number of our stores across the country.
- our new Alexandra store being set up as a trial site for new initiatives around waste management.

Our Fruitfed Supplies team is constantly looking for ways to recycle or re-use products and they work with suppliers to ensure as many products as possible are sold in packages and containers that can either be recycled or reused and to reduce the amount of plastic in packaging. The team assist customers by collecting plastic bags from vineyards for recycling as a part of the Plasback scheme.

Agrecovery's product stewardship programme collected and recycled 532 tonnes of plastic from farmers and growers during the year. We remain committed to supporting Agrecovery's agrichemical container recycling and chemical recovery programme. These include:

- providing logistical support through hosting Agrecovery containers at some of our sites and working with customers to ensure used containers are returned.
- our Fruitfed Supplies stores in Hastings and Blenheim assisting Agrecovery and our customers by trialling the collection of low-density polyethylene.
- management representation on Agrecovery's Board.

With compliance and product security becoming increasingly important a Quality Assurance coordinator was employed to support the business.

PGW Livestock's upgrade of our saleyard network progresses through new infrastructure enhancements. These focus on environmental, animal welfare, and health and safety initiatives, and have included recent upgrades to the effluent systems in Wellsford and Masterton.

PGW Wool are in the process of evaluating electric fork trucks and plan to trial some of these in the business.

By working with our corporate head office landlord, we continue to analyse our environmental impact through managing stormwater and protecting the quality of the receiving groundwater.

As part of our commitment to sustainability, this annual report is printed on environmentally responsible paper. To help minimise our environmental impact we encourage our customers to receive statements and invoices by email. In addition, we promote the receipt of this annual report by email.

Social

We invest in developing our people through development programmes to ensure they are appropriately trained and equipped. This is important for individual growth and engagement, and it also enhances the skills of our teams and leads to better service and advice for our customers. During the financial year 675 people attended off-job learning and developing facilitated training courses and our employees completed more than 9,000 online learning and compliance courses.

PGW has a series of human resources policies which reference New Zealand employment and health and safety legislation, supported by our Code of Conduct and our core company values – accountability, leadership, integrity, smarter, and teamwork.

We recognise that managing the health, safety, and wellbeing of our people, our customers and those we work alongside is good for business, but above all else we do it because we care. We believe we play a significant role in influencing the industry to create safer and healthier outcomes. Safety and wellbeing remain a key focus of our Board, our Executive team, and our people, with a number of new initiatives implemented (see page 10).

Throughout the country PGW proudly supports and builds relationships with grassroot rural communities, as well as providing numerous industry, community, and sponsorship arrangements (see pages 32 to 35).

In supply chain management, we are committed to responsible sourcing. We work with our supply chain partners and insist on compliance with specified social standards, including for example, working conditions, ethical behaviour, antibribery, and a prohibition on child labour.

Governance

PGW applies governance and risk management procedures including transparent accounting methods and tax reporting. Shareholders are given an opportunity to vote on important issues. The Board and Executive profiles are set out in this annual report (see pages 12 to 15). Governance measures including remuneration, shareholder details, and risk management are outlined in PGW's Corporate Governance and Board Charter section of this annual report (see pages 93 to 109).

PGG Wrightson Technical Horticultural Representative, Rob Wards, inspects a crop of Royal Gala apples for pests and diseases at a client's orchard in Canterbury in March 2021.

Key Financial Disclosures

Consolidated Financial Statements

For the year ended 30 June 2021

PGG WRIGHTSON LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

The Directors are responsible for ensuring that the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2021 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the consolidated 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 consolidated financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Directors are pleased to present the consolidated financial statements for PGG Wrightson Limited and its controlled entities (together the "Group") set out on pages 43 to 88 for the year ended 30 June 2021.

The consolidated financial statements contained on pages 43 to 88 have been authorised for issue on 16 August 2021.

For and on behalf of the Board.

Rodger Finlay
Chairman

Sarah Brown
Director and Audit Committee Chair

PGG Wrightson

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

	NOTE	2021 $000	2020* $000
Continuing operations			
Operating revenue	1	847,815	788,036
Cost of sales	2	(624,589)	(584,050)
Gross profit		223,226	203,986
Other income		366	300
Employee expenses	7	(119,828)	(113,964)
Other operating expenses	3	(47,735)	(48,126)
Operating EBITDA	28(E)	**56,029**	**42,196**
Non-operating gains/(losses)	4	4,456	132
Impairment and fair value gains/(losses)	5	1,832	(807)
Depreciation and amortisation expense		(27,283)	(26,667)
EBIT	28(E)	**35,034**	**14,854**
Net interest and finance costs	6	(5,621)	(5,032)
Profit from continuing operations before income tax		29,413	9,822
Income tax benefit/(expense)	8	(6,693)	(2,831)
Profit from continuing operations, net of income tax		22,720	6,992
Discontinued operations			
Results from discontinued operations, net of income tax		(7)	(371)
Gain on sale of discontinued operations, net of income tax		–	1,078
Profit/(loss) from discontinued operations, net of income tax		(7)	707
Net profit after tax attributable to Shareholders of the Company		**22,713**	**7,699**

Basic & diluted earnings per share (EPS)

	NOTE	2021 $	2020* $
Basic & diluted EPS on issued ordinary shares at the end of the period	9, 28(E)	0.301	0.102
Basic & diluted EPS on issued ordinary shares at the end of the period – continuing operations	9, 28(E)	0.301	0.092
Basic & diluted EPS on a weighted average basis	9	0.301	0.049
Basic & diluted EPS on a weighted average basis – continuing operations	9	0.301	0.044

* *Refer to Note 29 for further details on the restatement of the comparative figures.*

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

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	NOTE	2021 $000	2020* $000
Net profit after tax attributable to Shareholders of the Company		**22,713**	**7,699**
Other comprehensive income/(loss)			
Continuing operations			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments		136	–
Remeasurements of defined benefit asset/liability	19	9,620	(3,942)
Tax on remeasurements of defined benefit asset/liability	8	(2,694)	1,104
Total other comprehensive income/(loss) for the period		7,062	(2,838)
Total comprehensive income for the period attributable to Shareholders of the Company		**29,775**	**4,861**

* *Refer to Note 29 for further details on the restatement of the comparative figures.*

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

PGG Wrightson

PGG WRIGHTSON LIMITED

SEGMENT REPORT

For the year ended / as at 30 June 2021

A. Operating segments

The Group has two primary operating segments, Agency and Retail & Water, which are the Group's strategic divisions. These operating segments 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. 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:** This segment derives its revenue primarily from commissions in respect of rural Livestock, Wool and Real Estate transactions. This segment also derives revenue from wool and velvet product sales, and interest revenue from its *Go* receivables (refer to Note 13 *Go Receivables* for further explanation regarding this programme).
- **Retail & Water:** This segment includes the Rural Supplies and Fruitfed Supplies retail operations, Agritrade, PGG Wrightson Water, PGW Consulting, ancillary sales support and supply chain functions. This segment derives its revenue primarily from the sale of goods as well as the design, installation and servicing of irrigation solutions.
- **Other:** Other relates to certain Group Corporate activities including Governance, Finance, Treasury, Risk and Assurance, and other support services (such as corporate property services and marketing) and includes consolidation/elimination adjustments. The Marketing function derives sales revenue from its rewards and on-charging programmes.
- **Discontinued operations:** Relate to PGG Wrightson Seeds Holdings Limited together with its subsidiaries and investments in jointly controlled entities (formerly the Seed & Grain segment) which was sold in May 2019; PGW Rural Capital Limited which was established to hold and recover certain excluded loans related to the sale of the Group's finance subsidiary, PGG Wrightson Finance Limited; and the Standardbred business (previously included within Agency) which was closed in January 2020.

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. Similarly, 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.

Corporate costs allocation

The Group allocates certain corporate costs to an operating segment where they can be directly attributed to that segment or using the following methods:

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

Other costs such as non-operating gains/losses, impairment and fair value gains/losses, net interest and finance costs, income tax expense and the results of discontinued operations are not fully allocated by the Group across the operating segments. The Group Governance, Finance, Treasury, and Risk and Assurance functions continue to be reported outside of the operating segments.

B. Geographical segment

The Group operates within New Zealand only and its revenue is derived primarily from New Zealand.

PGG WRIGHTSON LIMITED

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2021

C. Operating segment information

	AGENCY		RETAIL & WATER		OTHER		DISCONTINUED OPERATIONS		TOTAL	
	2021 $000	2020* $000	2021 $000	2020* $000	2021 $000	2020* $000	2021 $000	2020* $000	2021 $000	2020* $000
Sales revenue	74,022	71,699	638,622	604,345	2,250	2,186	–	–	714,894	678,230
Commission revenue	107,685	88,770	79	97	58	112	–	–	107,822	88,979
Construction contract revenue	–	–	18,950	13,640	–	–	–	–	18,950	13,640
Interest revenue on *Go* receivables	3,805	4,258	–	–	–	–	–	–	3,805	4,258
Debtor interest charges	615	659	848	962	(24)	159	–	–	1,439	1,780
Sublease income	356	455	118	64	431	630	–	–	905	1,149
Total external operating revenues	186,483	165,841	658,617	619,108	2,715	3,087	–	–	847,815	788,036
Operating EBITDA	**25,179**	**15,681**	**37,533**	**33,228**	**(6,683)**	**(6,713)**	**–**	**–**	**56,029**	**42,196**
Non–operating gains/(losses)	3,885	78	991	31	(420)	23	–	–	4,456	132
Impairment and fair value gains/(losses)	917	243	589	(1,425)	326	375	–	–	1,832	(807)
Depreciation and amortisation expense	(8,457)	(8,882)	(15,060)	(15,250)	(3,766)	(2,535)	–	–	(27,283)	(26,667)
EBIT	21,524	7,120	24,053	16,584	(10,543)	(8,850)	–	–	35,034	14,854
Net interest and finance costs	(2,418)	(1,672)	(2,073)	(3,062)	(1,130)	(298)	–	–	(5,621)	(5,032)
Profit/(loss) from continuing operations before income tax	19,106	5,448	21,980	13,522	(11,673)	(9,148)	–	–	29,413	9,822
Income tax benefit/(expense)	(3,976)	(1,686)	(6,360)	(3,652)	3,643	2,507	–	–	(6,693)	(2,831)
Profit/(loss) from continuing operations, net of income tax	15,130	3,762	15,620	9,870	(8,030)	(6,640)	–	–	22,720	6,992
Profit/(loss) from discontinued operations, net of income tax	–	–	–	–	–	–	(7)	707	(7)	707
Net profit/(loss) after tax	**15,130**	**3,762**	**15,620**	**9,870**	**(8,030)**	**(6,640)**	**(7)**	**707**	**22,713**	**7,699**
Segment assets	184,177	184,714	245,131	238,486	23,681	32,617	5	–	452,994	455,817
Assets held for sale	–	–	40	40	–	–	–	–	40	40
Total segment assets	**184,177**	**184,714**	**245,171**	**238,526**	**23,681**	**32,617**	**5**	**–**	453,034	455,857
Total segment liabilities	**(101,147)**	**(87,481)**	**(155,907)**	**(145,907)**	**(22,442)**	**(69,344)**	**–**	**(18)**	(279,496)	(302,750)
Capital expenditure (additions to non–current assets)	**6,940**	**5,571**	**12,468**	**14,574**	**1,677**	**8,358**	**–**	**–**	21,085	28,502

D. Impact of NZ IFRS 16 *Leases*

The below non-GAAP disclosures are included to facilitate comparisons with reporting periods prior to the introduction of NZ IFRS 16 (being the reporting periods prior to 1 July 2019).

	AGENCY		RETAIL & WATER		OTHER		DISCONTINUED OPERATIONS		TOTAL	
	2021 $000	2020* $000	2021 $000	2020* $000	2021 $000	2020* $000	2021 $000	2020* $000	2021 $000	2020* $000
Operating EBITDA including NZ IFRS 16	**25,179**	**15,681**	**37,533**	**33,228**	**(6,683)**	**(6,713)**	**–**	**–**	**56,029**	**42,196**
Less NZ IFRS16 adjustments:										
Other operating expenses	(7,196)	(7,300)	(13,280)	(12,773)	(1,246)	(1,671)	–	–	(21,722)	(21,744)
Operating EBITDA excluding NZ IFRS 16	**17,983**	**8,381**	**24,253**	**20,455**	**(7,929)**	**(8,384)**	**–**	**–**	**34,307**	**20,452**

* *Refer to Note 29 for further details on the restatement of the comparative figures.*

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

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 $000	2020* $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		818,914	809,733
Receipt for the termination of partnering contract, net of costs		3,934	–
Dividends received		1	17
Interest received		5,307	6,622
		828,156	816,372
Cash was applied to:			
Payments to suppliers and employees		(765,212)	(774,842)
Interest paid		(646)	(923)
Interest paid on lease liabilities		(4,036)	(4,185)
Income tax paid		(28)	(4,968)
Lump sum contributions to defined benefit plans (ESCT inclusive)		(563)	–
		(770,485)	(784,918)
Net cash inflow/(outflow) from operating activities		**57,671**	**31,454**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		3,294	855
Proceeds from sale of investments		136	–
		3,430	855
Cash was applied to:			
Purchase of property, plant and equipment		(5,500)	(5,419)
Purchase of intangibles		(1,309)	(3,683)
Investment sale costs		(51)	–
		(6,860)	(9,102)
Net cash inflow/(outflow) from investing activities		**(3,430)**	**(8,247)**
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft		–	47,320
		–	47,320
Cash was applied to:			
Share repurchase and cancellation		–	(234,000)
Dividends paid to shareholders		(9,343)	(12,564)
Repayment of external borrowings and bank overdraft		(40,100)	–
Repayment of principal portion of lease liabilities		(18,299)	(17,586)
		(67,742)	(264,150)
Net cash inflow/(outflow) from financing activities		**(67,742)**	**(216,830)**
Net increase/(decrease) in cash held		(13,501)	(193,623)
Opening cash		16,868	210,491
Cash and cash equivalents	10	**3,367**	**16,868**

** Refer to Note 29 for further details on the restatement of the comparative figures.*

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

PGG WRIGHTSON LIMITED

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

For the year ended 30 June 2021

	2021 $000	2020* $000
Net profit after tax	22,713	7,699
Add/(deduct) non-cash/non-operating items:		
Depreciation and amortisation	27,283	26,706
Impairment and fair value losses/(gains)	(1,832)	807
Reversal of software capital projects expensed in the current period	750	–
Bad debts written off (net)	67	489
Loss/(profit) on sale of assets and investments, and lease terminations	(909)	(1,259)
Foreign exchange loss/(gain)	333	135
Deferred tax expense/(benefit)	(258)	787
Defined benefit expense/(gain)	35	13
Pension contributions not expensed through profit or loss	(563)	–
Other non-cash/non-operating items	83	(284)
Add/(deduct) movement in working capital items:		
Change in inventories	759	(915)
Change in accounts receivable and prepayments	(22,694)	22,825
Change in trade creditors, provisions and accruals	26,468	(22,222)
Change in income tax payable/receivable	6,917	(3,716)
Change in other current assets/liabilities	(1,481)	389
Net cash flow from operating activities	**57,671**	**31,454**

Cash Flows Accounting Policies

In the statement of cash flows, cash receipts and payments on behalf of customers which reflect the activities of the customers rather than those of the Group are reported on a net basis.

** Refer to Note 29 for further details on the restatement of the comparative figures.*

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

PGG WRIGHTSON LIMITED

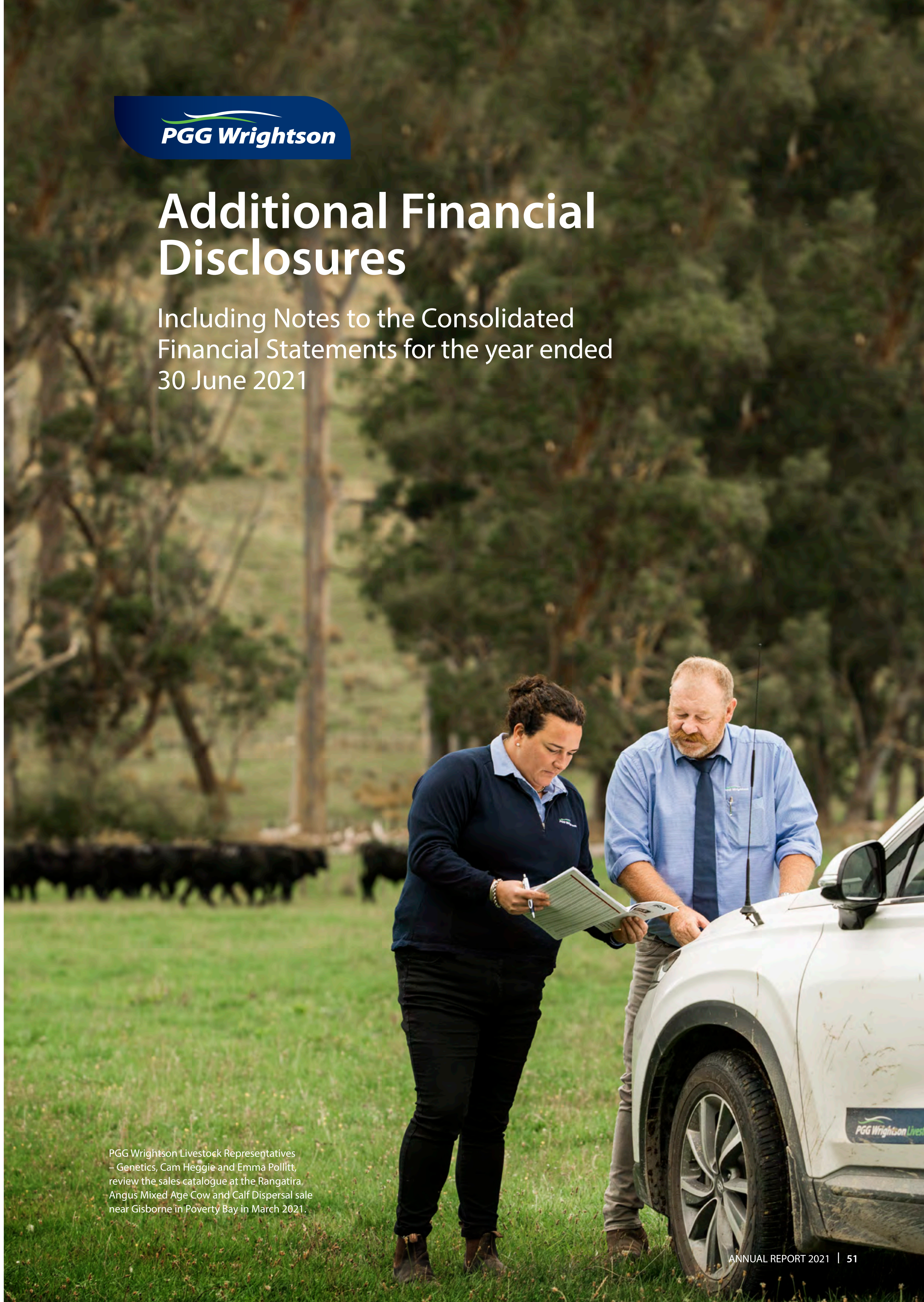
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTE	2021 $000	2020* $000	2019* $000
ASSETS				
Current				
Cash and cash equivalents	10	3,367	16,868	210,491
Short–term derivative assets	11	843	707	614
Trade and other receivables	12	148,171	122,946	145,881
Go receivables	13	45,869	48,111	47,754
Income tax receivable		–	3,399	125
Inventories	14	81,498	83,431	82,485
Assets classified as held for sale		40	40	2,326
Other current assets		2,842	2,059	2,257
Total current assets		282,630	277,561	491,933
Non–current				
Long–term derivative assets	11	–	235	387
Deferred tax asset	8	8,173	10,660	10,344
Investments in equity accounted investees		92	79	71
Other investments		474	471	470
Intangible assets	15	15,663	15,866	13,331
Right-of-use assets	16	101,064	104,625	–
Property, plant and equipment	17	44,627	46,330	44,702
Defined benefit asset	19	311	–	–
Other non-current assets		–	29	12
Total non-current assets		170,404	178,296	69,317
Total assets		**453,034**	**455,857**	**561,250**
LIABILITIES				
Current				
Debt due within one year	10	9,900	30,000	2,680
Short-term derivative liabilities	11	242	562	280
Accounts payable and accruals	18	158,883	132,600	155,903
Short-term lease liabilities	16	17,631	16,506	–
Income tax payable		3,466	–	–
Total current liabilities		190,122	179,668	158,863
Non–current				
Long-term debt	10	–	20,000	–
Long-term derivative liabilities	11	143	45	62
Long-term lease liabilities	16	86,387	90,398	–
Long-term provisions	18	2,844	2,802	1,631
Defined benefit liability	19	–	9,838	5,883
Total non-current liabilities		89,374	123,083	7,576
Total liabilities		**279,496**	**302,750**	**166,439**
EQUITY				
Share capital	30	372,318	372,318	606,318
Reserves	30	14,782	7,586	10,424
Retained earnings/(deficit)	30	(213,562)	(226,798)	(221,931)
Total equity attributable to Shareholders of the Company		**173,538**	**153,106**	**394,811**
Total liabilities and equity		**453,034**	**455,857**	**561,250**

* *Refer to Note 29 for further details on the restatement of the comparative figures.*

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



Additional Financial Disclosures

Including Notes to the Consolidated Financial Statements for the year ended 30 June 2021

PGG Wrightson Livestock Representatives – Genetics, Cam Heggie and Emma Pollitt, review the sales catalogue at the Rangatira Angus Mixed Age Cow and Calf Dispersal sale near Gisborne in Poverty Bay in March 2021.

PGG Wrightson

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1 OPERATING REVENUE

	2021 $000	2020 $000
Revenue from contracts with customers		
Sales revenue	714,894	678,230
Commission revenue	107,822	88,979
Construction contract revenue	18,950	13,640
Other operating revenue		
Interest revenue on *Go* receivables	3,805	4,258
Debtor interest charges	1,439	1,780
Sublease income	905	1,149
	847,815	**788,036**

Income Recognition Accounting Policies

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; for example, retail store sales, and sales of wool and velvet products. Revenue is measured at the transaction price when control is transferred to which an entity expects to be entitled in exchange for transferring goods or services to a customer. For sale of goods, the transfer of control occurs when the risks and rewards, physical possession and the legal title of the goods have been transferred and accepted by the customer and the customer has a present obligation to make the payment.

Our customers may be entitled to discounts or rebates for certain items and/or volumes purchased, under varying categories. These discounts or rebates are defined as variable consideration and are included in the transaction price as a component of operating revenue upon the completion of our performance obligations. These discounts/rebates are contractual in nature and known at balance date, therefore no assumptions or estimates are required.

The Group offers a range of payment terms, and in some cases can be up to 12 months. The Group 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 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 generates commissions from acting as an agent for organising the sale of livestock or real estate, and 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 to construct pivots and irrigation systems. Most contracts contain a single performance obligation. The size and duration of the contracts can vary significantly, and customers are invoiced as work progresses. Most contracts are completed within 12 months; therefore, the unearned revenue on these contracts has not been disclosed.

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. This method involves judgements relating to a contract's expected margin and its stage of completion.

Interest and similar income and expense

The Group recognises the fixed fees charged to customers under its *Go* programme as interest revenue. Refer to Note 13 *Go Receivables* for further explanation regarding this programme. This interest revenue is recognised over the term of the *Go* contracts.

The Group also recognises interest revenue on an accruals basis when the services are rendered using the effective interest method. Refer to the accounting policies under Note 6 *Net Interest and Finance Costs* for further explanation on the effective interest method.

Sublease income

The Group recognises lease payments received under subleases as income on a straight-line basis over the lease term. Refer to Note 16 *Right-of-Use Assets and Lease Liabilities* for further explanation.

2 COST OF SALES

	NOTE	2021 $000	2020 $000
Depreciation and amortisation		187	181
Employee benefits (including commissions)		34,245	23,953
Inventories and consumables	14	557,079	534,561
Other		33,078	25,355
		624,589	**584,050**

3 OTHER OPERATING EXPENSES

	2021 $000	2020 $000
Audit of annual financial statements of the Company by EY	240	–
Audit of annual financial statements of the Company by KPMG	–	190
Regulatory and other assurance services provided by KPMG	–	11
Directors' fees	552	611
Donations	8	1
Increase/(decrease) in provision for impaired debtors and contract assets	(774)	343
Net bad debts written off	841	147
IT & telecommunication costs	12,981	14,440
Marketing	3,820	3,818
Motor vehicle costs	5,713	5,804
Travel costs	2,858	3,044
Rental and operating lease costs	460	279
Occupancy costs (excluding rental and operating lease)	5,110	5,542
Other staff costs	6,104	6,558
Other expenses	9,822	7,338
	47,735	**48,126**

4 NON-OPERATING GAINS/(LOSSES)

	2021 $000	2020 $000
Receipt for the termination of partnering contract, net of costs	3,934	–
Gain/(loss) on sale of property, plant and equipment	960	151
Other non-operating gains/(losses)	(438)	(19)
	4,456	**132**

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

5 IMPAIRMENT AND FAIR VALUE GAINS/(LOSSES)

	NOTE	2021 $000	2020 $000
Net impairment reversal/(impairment) - Property, plant and equipment	5(A)	906	253
Net impairment reversal/(impairment) - Right-of-use assets	5(B)	910	(852)
Fair value gains/(losses) - Assets held for sale		–	(198)
Other fair value gains/(losses)		16	(10)
		1,832	**(807)**

A. Saleyards

At balance date, the Group reviewed its saleyard assets for indicators of impairment and for any indication that a previously recognised impairment loss may have decreased. The Group reversed $0.91 million of previously recognised impairment losses on 10 saleyards. This was based off indicative external market valuations for the saleyards.

B. Right-of-use assets

At balance date, the Group reviewed its right-of-use assets for indicators of impairment and for any indication that a previously recognised impairment loss may have decreased. As a result of this review, the Group reversed $0.91 million of previously recognised impairment losses. Most of the impairment reversal relates to the Water business. The impairment reversal resulted from changes in key assumptions applied to the value in use model used for impairment testing. The change in assumptions included improved current and estimated future earnings following a restructure of the business and the sublease of surplus space related to a previously impaired right-of-use asset.

Impairment Accounting Policies

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.

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 or the cash-generating unit (CGU) to which the asset relates is estimated. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6 NET INTEREST AND FINANCE COSTS

	2021 $000	2020 $000
Interest income	63	579
Interest funding expense		
Bank interest on loans and overdrafts	(646)	(923)
Bank facility fees	(908)	(683)
	(1,554)	(1,606)
Net interest income/(expense) excluding interest on lease liabilities	(1,491)	(1,027)
Interest on lease liabilities	(4,036)	(4,183)
Foreign exchange gain/(loss)		
Net gain/(loss) on foreign denominated items	(217)	502
Fair value gain/(loss) on foreign exchange derivatives	123	(324)
	(94)	178
Net interest and finance income/(expense)	**(5,621)**	**(5,032)**

Interest and Finance Income/Expense Accounting Policies

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.

Fair value change on foreign exchange derivatives

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. The Group uses forward and spot foreign exchange contracts 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

7 GOVERNMENT GRANT

COVID-19 wage subsidy

The Group's financial performance for 2020 was significantly impacted by COVID-19. Whilst the Group's retail stores and warehouse supplies facilities continued operating as an "essential service" during all of New Zealand's alert levels, the Group's Water, Wool, Real Estate and Livestock saleyard businesses were closed at alert level 4 and only reopened under alert level 3 following strict protocols. Under the Government's COVID-19 wage subsidy scheme, which was aimed at supporting employers affected by the COVID-19 lockdown to continue to employ staff, the Group received $4.09 million.

$3.15 million of this subsidy was recognised in the profit or loss (within Employee Expenses) during 2020. The remaining $0.94 million has been recognised in the profit or loss (within Employee Expenses) during 2021. There are no unfulfilled conditions or other contingencies attached to these grants.

The Group did not benefit directly from any other forms of government assistance during the year.

Government Grant Accounting Policies

Government grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Government grants relating to costs are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

8 INCOME TAXES

A. Income tax recognised in profit or loss

	2021 $000	2020 $000
Current tax benefit/(expense)		
Current year	(7,395)	(2,146)
Adjustments for prior years	443	103
	(6,952)	(2,043)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	727	(973)
Adjustments for prior years	(468)	185
	259	(788)
Income tax benefit/(expense)	**(6,693)**	**(2,831)**
Reconciliation		
Profit from continuing operations before income tax	29,413	9,822
Income tax using the Company's tax rate (28%)	(8,236)	(2,750)
Non-deductible expenditure	(478)	(792)
Non-assessable income	1,784	481
Tax credits	285	109
Over/(under) provided in prior years	(25)	288
Other	(23)	(167)
Income tax benefit/(expense)	**(6,693)**	**(2,831)**

Refer to Accounting Policies – page 58.

8 INCOME TAXES (CONTINUED)

B. Income tax recognised directly in equity

	2021 $000	2020 $000
Deferred tax on movement of actuarial gains/losses on employee benefit plans	(2,746)	1,104
Current tax on movement of actuarial gains/losses on employee benefit plans	52	–
Income tax benefit/(expense) recognised directly in equity	**(2,694)**	**1,104**

C. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2021 $000	ASSETS 2020 $000	LIABILITIES 2021 $000	LIABILITIES 2020 $000	NET 2021 $000	NET 2020 $000
Property, plant and equipment	565	616	–	–	565	616
Intangible assets	–	–	(2,277)	(1,181)	(2,277)	(1,181)
Right-of-use assets	–	–	(28,298)	(29,350)	(28,298)	(29,350)
Lease liabilities	29,125	29,987	–	–	29,125	29,987
Employee benefits	4,762	6,361	–	–	4,762	6,361
Provisions	4,296	4,227	–	–	4,296	4,227
Deferred tax asset/(liability)	**38,748**	**41,191**	**(30,575)**	**(30,531)**	**8,173**	**10,660**

	BALANCE 1 JUL 2019 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2020 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2021 $000
Property, plant and equipment	818	(202)	–	616	(51)	–	565
Intangible assets	(391)	(790)	–	(1,181)	(1,096)	–	(2,277)
Right-of-use assets	–	(29,350)	–	(29,350)	1,052	–	(28,298)
Lease liabilities	–	29,987	–	29,987	(862)	–	29,125
Employee benefits	6,294	(1,037)	1,104	6,361	1,147	(2,746)	4,762
Provisions	3,623	604	–	4,227	69	–	4,296
	10,344	**(788)**	**1,104**	**10,660**	**259**	**(2,746)**	**8,173**

D. Unrecognised tax losses and temporary differences

At 30 June 2021, the Group has no unrecognised deferred tax assets relating to tax losses and temporary differences (2020: Nil).

E. Imputation credits

The Group has $6.2 million imputation credits as at 30 June 2021 (2020: $8.8 million).

Refer to Accounting Policies – page 58.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

8 INCOME TAXES (CONTINUED)

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

Current tax is the expected tax payable on the taxable income for the year, calculated using tax rates enacted or substantively enacted at the reporting date. Current tax includes any adjustment to tax payable with respect to previous periods. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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. Deferred tax is not recognised for:

- taxable temporary differences arising on the initial recognition of goodwill;
- temporary differences relating to subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable they will not reverse in the foreseeable future;
- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

9 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

A. Earnings per share (EPS)

The calculation of EPS is based on the following profit figures and number of authorised shares.

	ISSUED ORDINARY SHARES		WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	
	2021 000	2020 000	2021 000	2020 000
Issued ordinary shares at 1 July	75,484	754,839	75,484	754,839
Ordinary shares issued due to 2:1 share split	–	754,839	–	663,845
Ordinary shares repurchased and cancelled	–	(754,839)	–	(663,845)
Ordinary shares reduced due to 1:10 share consolidation	–	(679,355)	–	(597,460)
Balance at 30 June	**75,484**	**75,484**	**75,484**	**157,379**

There are no dilutive shares or options (2020: Nil).

	2021 $000	2020* $000
Profit (net of tax) attributable to Shareholders of the Company	**22,713**	**7,699**
Profit from continuing operations (net of tax) attributable to Shareholders of the Company	**22,720**	**6,992**

	2021 $	2020* $
Basic & diluted EPS on issued ordinary shares at the end of the period	0.301	0.102
Basic & diluted EPS on issued ordinary shares at the end of the period - continuing operations	0.301	0.092
Basic & diluted EPS on a weighted average basis	0.301	0.049
Basic & diluted EPS on a weighted average basis - continuing operations	0.301	0.044

B. Net tangible assets (NTA)

The calculation of NTA per share, which is a required NZX disclosure, is based on the following NTA figure and the Company's issued ordinary shares at the end of the period.

	2021 $000	2020* $000
Total assets	453,034	455,857
Total liabilities	(279,496)	(302,750)
less Intangible assets	(15,663)	(15,866)
less Deferred tax asset	(8,173)	(10,660)
Net tangible assets	**149,702**	**126,580**

	2021 $	2020 $
NTA per issued ordinary shares at the end of period	1.983	1.677

Earnings Per Share Accounting Policies

The Group presents basic and diluted 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.

* *Refer to Note 29 for further details on the restatement of the comparative figures.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

10 CASH AND FINANCING FACILITIES

	NOTE	2021 $000	2020 $000
Cash and cash equivalents		3,367	16,868
Current financing facilities	10(A)	(9,900)	(30,000)
Term financing facilities	10(A)	–	(20,000)
Net interest-bearing (debt)/cash and cash equivalents		**(6,533)**	**(33,132)**
Go receivables	13	45,869	48,111
Net interest-bearing (debt)/cash and cash equivalents after adjusting for *Go* receivables		**39,336**	**14,979**

A. Financing facilities

During the year, the Company renegotiated its syndicated bank facility. The amended facility, which commenced on 9 November 2020, provides the following:

- Term debt facility of $60.00 million maturing on 2 November 2022. This facility is undrawn at 30 June 2021.
- Working capital facilities of up to $70.00 million maturing on 2 November 2022 (subject to an annual Clean Down)

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

The Company has granted a general security deed and mortgage over all its wholly-owned New Zealand assets to a security trust. Bank of New Zealand acts as facility agent and security trustee for the banking syndicate, which comprises Bank of New Zealand, Cooperatieve Rabobank U.A. (New Zealand branch) and Westpac New Zealand Limited. The agreement contains various financial covenants and restrictions that are standard for facilities of this nature, including maximum permissible ratios for debt leverage and operating leverage, together with limits for *Go* receivables, capital expenditure and asset disposals.

The syndicated facility agreement allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company's syndicated facility. The additional facilities are guaranteed by the security trust. These facilities amounted to $6.53 million as at 30 June 2021 (2020: $6.58 million).

- Overdraft facilities of $3.00 million
- Guarantee, letters of credit and trade finance facilities of $3.53 million

11 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses forward foreign exchange contracts and spot foreign exchange contracts to manage its exposure to foreign currency fluctuations. In accordance with the Group's treasury policy, the Group does not hold any of these derivative instruments for trading purposes.

	2021 $000	2020 $000
Derivative assets held for risk management		
Current	843	707
Non-current	–	235
	843	942
Derivative liabilities held for risk management		
Current	(242)	(562)
Non-current	(143)	(45)
	(385)	(607)
Net derivative asset/(liability) held for risk management	**458**	**335**

Derivative Financial Instruments Accounting Policies

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, and changes therein are generally recognised in profit or loss. The fair value of forward exchange contracts is based on broker quotes.

Where the Group enters into derivative transactions, these agreements do not meet the criteria for offsetting in the consolidated statement of financial position. The fair value amounts recognised in the consolidated statement of financial position are recorded on a gross basis.

The Group does not currently apply hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

12 TRADE AND OTHER RECEIVABLES

	2021 $000	2020 $000
Accounts receivable due from unrelated parties	124,364	106,427
Accounts receivable due from related parties	3	49
Gross accounts receivable	124,367	106,476
less Provision for impaired debtors	(2,895)	(3,539)
Net accounts receivable	121,472	102,937
Contract assets	2,083	2,121
less Provision for impaired contract assets	(356)	(486)
Other receivables	22,631	16,409
Prepayments	2,341	1,965
Trade and other receivables	**148,171**	**122,946**
Analysis of movements in provisions for impaired debtors & contract assets		
Balance at beginning of year	(4,025)	(4,635)
Movement in provision	774	610
Balance at end of year	**(3,251)**	**(4,025)**

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

	TOTAL DEBTORS 2021 $000	PROVISION 2021 $000	TOTAL DEBTORS 2020 $000	PROVISION 2020 $000
Not past due	114,336	(824)	97,740	(705)
Past due 1– 30 days	5,636	(14)	4,297	(311)
Past due 31– 60 days	894	(27)	930	(204)
Past due 61– 90 days	717	(59)	314	(157)
Past due 90 plus days	2,784	(1,971)	3,195	(2,162)
	124,367	**(2,895)**	**106,476**	**(3,539)**

Trade and Other Receivables Accounting Policies

Recognition and measurement

A trade receivable without a significant financing component is initially measured at the transaction price and classified as financial assets measured at amortised cost. Accounts receivables include accrued interest.

Impairment

Specific provisions are maintained to cover identified impaired debtors. Judgement is required in determining the impairment provision.

The Group recognises loss allowances on expected credit loss (ECL) on trade receivables. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL.

When estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost and effort. This includes both qualitative and quantitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information. The Group assumes that the credit risk has increased significantly if it is more than 60 days past due. The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

On a monthly basis, the Group via its Credit Committee, assesses whether trade receivables are credit-impaired. All individual instruments that are considered significant are subject to this approach. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the debtor.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

13 *GO* 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* receivables is recognised by the Group as interest income over the respective contract period and is included within operating revenue (refer to Note 1 *Operating Revenue*). Accrued interest income in respect of the *Go* receivables is included within Other Receivables (refer to Note 12 *Trade and Other Receivables*) and amounts to $1.20 million as at the balance date (2020: $1.69 million).

	2021 $000	2020 $000
Go receivables - less than one year	46,011	48,111
less Provision for impairment – *Go* receivables	(142)	–
	45,869	**48,111**
The status of the *Go* receivables at the reporting date is as follows:		
Not past due	45,869	48,111
Past due	142	–
	46,011	**48,111**

14 INVENTORY

	2021 $000	2020* $000
Merchandise	64,935	64,959
Wool & velvet inventory	18,199	21,732
less Provision for inventory write down	(1,636)	(3,260)
	81,498	**83,431**

During the year, inventories of $557.08 million (2020: $534.56 million) are included in cost of sales in the profit or loss (refer to Note 2 *Cost of Sales*). Included within this amount are write-down of inventories of $0.55 million (2020: $1.93 million) to net realisable value and reversals of write-down of $0.10 million (2020: $0.09 million).

Inventories Accounting Policies

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. In the case of manufactured goods, cost includes direct materials, labour and production overheads. Judgement is required in determining the net realisable value for inventories.

* *Refer to Note 29 for further details on the restatement of the comparative figures.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

15 INTANGIBLE ASSETS

	SOFTWARE $000	RIGHTS & TRADEMARKS $000	TOTAL $000
Cost			
Balance at 1 July 2019*	22,042	1,818	23,860
Additions	7,281	98	7,379
Disposals and reclassification	(1,050)	–	(1,050)
Balance at 30 June 2020*	**28,273**	**1,916**	**30,189**
Balance at 1 July 2020	28,273	1,916	30,189
Additions	1,309	874	2,183
Disposals and reclassifications	(310)	–	(310)
Balance at 30 June 2021	**29,272**	**2,790**	**32,062**
Amortisation and impairment losses			
Balance at 1 July 2019*	9,230	1,299	10,529
Amortisation for the year	1,197	92	1,289
Disposals and reclassifications	2,505	–	2,505
Balance at 30 June 2020*	**12,932**	**1,391**	**14,323**
Balance at 1 July 2020	12,932	1,391	14,323
Amortisation for the year	2,156	60	2,216
Disposals and reclassifications	(140)	–	(140)
Balance at 30 June 2021	**14,948**	**1,451**	**16,399**
Carrying amounts			
At 30 June 2020*	**15,341**	**525**	**15,866**
At 30 June 2021	**14,324**	**1,339**	**15,663**

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 15 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period and adjusted if appropriate.

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 and adjusted if appropriate.

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. Refer to the accounting policy under Note 5 *Impairment and Fair Value Gains/(Losses)* for further explanation.

* *Refer to Note 29 for further details on the restatement of the comparative figures.*

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee

The Group leases many assets, including:

– leases of 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, the Group subleases these properties where possible and derives sublease revenue on a short-term temporary basis.

– leases of motor vehicles and forklifts for use by employees, agents and representatives. These leases range for a period of between three and seven years.

– leases of office and IT equipment. These leases are typically for a period of up to four years.

The Group elects not to recognise right-of-use assets and lease liabilities for short-term or low-value leases, such as leases of office and IT equipment. The Group continues to expense lease payments associated with these leases on a straight-line basis.

A. Right-of-use assets

	PROPERTY $000	VEHICLES $000	TOTAL $000
Balance at 1 July 2019	97,084	12,082	109,166
Additions	11,498	5,644	17,142
Depreciation charge for the period	(13,623)	(6,669)	(20,292)
Reassessments, modifications and terminations	(881)	342	(539)
Net impairment reversal / (impairment)	(852)	–	(852)
Balance at 30 June 2020	**93,226**	**11,399**	**104,625**
Balance at 1 July 2020	93,226	11,399	104,625
Additions	7,755	5,705	13,460
Depreciation charge for the period	(13,391)	(6,288)	(19,679)
Reassessments, modifications and terminations	1,590	158	1,748
Net impairment reversal / (impairment)	910	–	910
Balance at 30 June 2021	**90,090**	**10,974**	**101,064**

B. Lease liabilities

	PROPERTY $000	VEHICLES $000	TOTAL $000
Balance at 1 July 2019	94,544	12,082	106,626
Additions, reassessments, modifications and terminations	11,879	5,985	17,864
Interest on lease liabilities	3,768	417	4,185
Lease payments	(14,844)	(6,927)	(21,771)
Balance at 30 June 2020	**95,347**	**11,557**	**106,904**
Balance at 1 July 2020	95,347	11,557	106,904
Additions, reassessments, modifications and terminations	22,214	10,830	33,044
Interest on lease liabilities	3,633	403	4,036
Lease payments	(28,380)	(11,586)	(39,966)
Balance at 30 June 2021	**92,814**	**11,204**	**104,018**

A maturity analysis of lease liabilities is included in Note 20 *Financial Instruments – Fair Values and Risk Management.*

Refer to Accounting Policies – page 66.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

B. Lease liabilities

Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. Some of the Group's property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The extension options are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. A reassessment is made subsequently if there is any significant event or significant changes in circumstances within the Group's control. The Group estimates that the potential future lease payments, should it exercise all the extension options, would result in an increase in lease liability of $85.2 million (2020: $65.0 million).

C. Other disclosures

	2021 $000	2020 $000
Amount in the consolidated statement of profit or loss		
Depreciation on right-of-use assets - continuing operations	(19,679)	(20,265)
Interest on lease liabilities	(4,036)	(4,183)
Short-term or low-value lease expenses	(860)	(712)
Variable lease payments not included in the measurement of lease liabilities	(153)	(168)
Income from sub-leasing right-of-use assets	905	1,149
Gain/(loss) arising from sale and leaseback transactions	339	–
Amounts in the consolidated statement of cashflows		
Total cash outflow for leases	(22,335)	(21,771)

Lease Accounting Policies

The Group adopted NZ IFRS 16 *Leases* from 1 July 2019. The Group assesses at the inception of a contract as to whether the contract is, or contains, a lease as defined in NZ IFRS 16 *Leases*.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The Group elects not to recognise right-of-use assets and lease liabilities for short-term or low-value leases, such as leases of office and IT equipment. The Group continues to expense lease payments associated with these leases on a straight-line basis.

A number of judgements and estimates are made in calculating the right-of-use asset and lease liability amounts. The judgements and estimates include the applicable lease terms (including any rights of renewal expected to be exercised) and the Group's incremental borrowing rate.

Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any prepaid lease payments, plus any initial direct costs incurred and any estimated restoration costs, and less any lease incentives received. These assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term or the asset's useful life. Right-of-use assets are periodically reduced by impairment losses (if any) and adjusted for certain remeasurements of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable under a residual value guarantee, and any exercise price the Group is reasonably certain to exercise. The lease payments are discounted using the Group's incremental borrowing rate, being the rate that the Group would have to pay to borrow the fund necessary to obtain an asset of similar value in a similar environment under similar terms and conditions.

After the commencement date, lease liabilities are increased to reflect interest on the lease liabilities and reduced to reflect the lease payments made. Interest on lease liabilities is charged to the profit and loss and is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liabilities.

Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Group's estimate of any amount payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) As a lessor

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

17 PROPERTY, PLANT AND EQUIPMENT

	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORKS PROJECT* $000	TOTAL $000
Cost					
Balance at 1 July 2019	13,183	14,245	49,678	2,804	79,910
Additions	–	119	5,362	(62)	5,419
Reclassification from/(to) assets held for sale	322	1,706	–	–	2,028
Disposals and transfers	(3)	(727)	(3,045)	–	(3,775)
Balance at 30 June 2020	**13,502**	**15,343**	**51,995**	**2,742**	**83,582**
Balance at 1 July 2020	13,502	15,343	51,995	2,742	83,582
Additions	–	279	4,847	(88)	5,038
Disposals and transfers	(772)	(1,293)	(763)	–	(2,828)
Balance at 30 June 2021	**12,730**	**14,329**	**56,079**	**2,654**	**85,792**
Depreciation and impairment losses					
Balance at 1 July 2019	–	6,340	28,868	–	35,208
Depreciation for the year	–	285	4,828	–	5,113
Depreciation recovered to COGS	–	–	181	–	181
Reclassification from/(to) assets held for sale	–	(60)	–	–	(60)
Disposals and transfers	–	(702)	(2,368)	–	(3,070)
Impairment / (impairment reversal)	–	(254)	133	–	(121)
Balance at 30 June 2020	–	**5,610**	**31,642**	–	**37,252**
Balance at 1 July 2020	–	5,610	31,642	–	37,252
Depreciation for the year	–	312	5,037	–	5,349
Depreciation recovered to COGS	–	–	187	–	187
Disposals and transfers	–	(141)	(443)	–	(584)
Impairment / (impairment reversal)	–	(906)	(133)	–	(1,039)
Balance at 30 June 2021	–	**4,875**	**36,290**	–	**41,165**
Carrying amounts					
At 30 June 2020	**13,502**	**9,733**	**20,353**	**2,742**	**46,330**
At 30 June 2021	**12,730**	**9,454**	**19,789**	**2,654**	**44,627**

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

Capital gains on the sale of property, plant and equipment of $0.96 million were recognised in non-operating items in the current period (2020: $0.15 million gain).

Refer to Accounting Policies – page 68.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, Plant & Equipment Accounting Policies

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is 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.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the 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.

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. Leasehold 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 each reporting date and adjusted if appropriate.

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. Refer the accounting policy under Note 5 *Impairment and Fair Value Gains/(Losses)* for further explanation.

18 TRADE AND OTHER PAYABLES

	NOTE	2021 $000	2020 $000
Trade creditors		109,162	81,835
Goods received but not invoiced		5,249	5,799
Deposits received in advance		960	1,474
Employee entitlements		18,015	13,960
Wage subsidy received in advance	7	-	958
Accruals and other liabilities		21,161	26,940
Loyalty reward programme	22	1,073	998
Other provisions (including product warranty, client claim and make good provisions)	18(A), 18(B)	6,107	3,437
		161,727	**135,402**
Payable within 12 months		158,883	132,600
Payable beyond 12 months		2,844	2,802
		161,727	**135,402**

A. Make good provision on leased properties

During the year, the Group recognised an additional provision of $0.19 million (2020: $0.14 million) in respect of new leased properties which it signed up to. These costs have been capitalised to the right-of-use assets and are amortised over the life of the right-of-use assets. The Group also released $0.15 million (2020: Nil) of provision in respect to leased properties which it exited. At balance date, the balance of the make good provision is $2.71 million (2020: $2.68 million). The Group expects to settle this liability over the next 10-15 years as the leases expire.

18 TRADE AND OTHER PAYABLES (CONTINUED)

B. Client claims provision

The Group receives client claims from time to time as part of the ordinary course of business and these claims are reviewed on a case by case basis to determine validity. As at balance date, the Group was in the process of reviewing certain claims for the supply of goods which are typically the responsibility of suppliers under terms of trade. The Group recognises a provision for its best estimate of any obligation. The information usually required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds of commercial sensitivity, i.e. disclosure may impact the position of the Group.

19 DEFINED BENEFIT ASSET/LIABILITY

The Group makes contributions to the PGG Wrightson Employee Benefits Plan (the Plan), a defined benefit plan that provides a range of superannuation and insurance benefits for employees and former employees. The Plan is registered under the Financial Markets Conduct Act 2013. The Plan is not open to new members. The Plan's retired employees are entitled to receive an annual pension payment payable for their remaining life, and in some cases, for the remaining life of a surviving spouse. In June 2019, the Group brought the Plan to an actuarial equilibrium position (calculated on a different basis to the IFRS amounts below).

The actuarial calculations for the Plan are undertaken by Michael Chamberlain, a fellow of the New Zealand Society of Actuaries, for MCA NZ Limited.

	2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
Present value of funded obligations	(56,172)	(62,563)	(61,624)	(66,814)	(71,106)
Fair value of plan assets	56,483	52,725	55,741	59,092	58,835
Total defined benefit asset/(liability)	**311**	**(9,838)**	**(5,883)**	**(7,722)**	**(12,271)**

A. Movement in net defined benefit asset/(liability)

	DEFINED BENEFIT OBLIGATION		FAIR VALUE OF PLAN ASSETS		NET DEFINED BENEFIT ASSET/(LIABILITY)	
	2021 $000	2020 $000	2021 $000	2020 $000	2021 $000	2020 $000
Balance at 1 July	(62,563)	(61,624)	52,725	55,741	(9,838)	(5,883)
Included in profit or loss:						
Current service costs	(529)	(613)	–	–	(529)	(613)
Interest costs	(558)	(937)	470	845	(88)	(92)
Included in other comprehensive income:						
Gains/(losses) from change in financial assumptions	3,323	(799)	–	–	3,323	(799)
Experience gains/(losses)	1,130	(3,059)	–	–	1,130	(3,059)
Expected return on plan assets	–	–	5,353	(84)	5,353	(84)
Other:						
Employer contributions	–	–	960	692	960	692
Member contributions	(782)	(832)	782	832	–	–
Benefits paid by the plan	3,807	5,301	(3,807)	(5,301)	–	–
Balance at 30 June	**(56,172)**	**(62,563)**	**56,483**	**52,725**	**311**	**(9,838)**

The Group expects to pay $0.78 million in contributions to the Plan in 2022 (2021: expected $0.85 million and paid $0.96 million). Member contributions are expected to be $0.56 million in 2022 (2021: expected $0.59 million and paid $0.78 million).

As at 30 June 2021, the weighted average duration of the defined benefit obligation (DBO) is 12.2 years for the Plan (2020: 12.5 years).

Refer to Accounting Policies – page 71.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

19 DEFINED BENEFIT ASSET/LIABILITY (CONTINUED)

B. Plan assets

	2021 %	2020 %
Consist of:		
Equities	63	58
Fixed interest	28	29
Cash	9	13
	100	**100**

Plan assets do not include any exposure to the Company's ordinary shares (2020: Nil).

C. Actuarial assumptions at the reporting date

	2021 %	2020 %
Discount rate used - Implied 12.2 year New Zealand Government Bond rate (2020: 10 year New Zealand Government Bond rate)	1.99	0.91
Inflation	1.50	1.50
Future salary increases	2.00	2.00
Future pension increases	1.50	1.50

	2021 MALE YEARS	2021 FEMALE YEARS	2020 MALE YEARS	2020 FEMALE) YEARS
Assumptions regarding future mortality rates based on published statistics and experience:				
Longevity at age 65 for current pensioners	21	24	21	24
Longevity at age 65 for current members aged 45	24	28	24	28

D. Sensitivity analysis

The sensitivity of the DBO to changes in the weighted principal assumptions is:

	2021 DBO (INCREASE) / DECREASE WITH INCREASE IN ASSUMPTION $000	2021 DBO (INCREASE) / DECREASE WITH DECREASE IN ASSUMPTION $000	2020 DBO (INCREASE) / DECREASE WITH INCREASE IN ASSUMPTION $000	2020 DBO (INCREASE) / DECREASE WITH DECREASE IN ASSUMPTION $000
Discount rate (0.50% movement)	1,348	(1,460)	1,689	(2,252)
Salary growth rate (0.50% movement)	(112)	112	(188)	63
Pension growth rate (0.25% movement)	(674)	337	(1,001)	876
Life expectancy (1 year movement)	(1,741)	1,798	(2,127)	2,127

Refer to Accounting Policies – page 71.

19 DEFINED BENEFIT ASSET/LIABILITY (CONTINUED)

Employee Benefits Accounting Policies

Defined benefit plans

The Group's net obligation with respect to defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting 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 potential asset for 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.

Remeasurement of the net defined benefit asset/liability, which comprise actuarial gains and losses and the return on plan assets, are recognised directly in other comprehensive income and the defined benefit plan reserve in equity. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the undiscounted amount of short-term employee benefits expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

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. Remeasurements are recognised in profit or loss in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

20 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. 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.

	FAIR VALUE THROUGH PROFIT OR LOSS $000	AT AMORTISED COST $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000
2021				
Financial assets				
Cash and cash equivalents	–	3,367	3,367	3,367
Derivative assets	843	–	843	843
Trade receivables	–	121,472	121,472	121,472
Go receivables	–	45,869	45,869	45,869
Other investments	–	474	474	474
	843	**171,182**	**172,025**	
Financial liabilities				
Debt	–	(9,900)	(9,900)	(9,900)
Derivative liabilities	(385)	–	(385)	(385)
Trade creditors	–	(109,162)	(109,162)	(109,162)
Lease liabilities	–	(104,018)	(104,018)	
	(385)	**(223,080)**	**(223,465)**	
2020				
Financial assets				
Cash and cash equivalents	–	16,868	16,868	16,868
Derivative assets	942	–	942	942
Trade receivables	–	102,937	102,937	102,937
Go receivables	–	48,111	48,111	48,111
Other investments	–	471	471	471
	942	**168,387**	**169,329**	
Financial liabilities				
Debt	–	(50,000)	(50,000)	(50,000)
Derivative liabilities	(607)	–	(607)	(607)
Trade creditors	–	(81,835)	(81,835)	(81,835)
Lease liabilities	–	(106,904)	(106,904)	
	(607)	**(238,739)**	**(239,346)**	

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

20 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

A. Accounting classifications and fair values (continued)

Fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie. as prices) or indirectly (ie. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2021				
Derivative assets	–	843	–	843
Derivative liabilities	–	(385)	–	(385)
2020				
Derivative assets	–	942	–	942
Derivative liabilities	–	(607)	–	(607)

B. Financial management risk

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

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 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.

The following management committees review and manage key risks:

- The Senior Management Team meets regularly to consider new and emerging risks, review actions required to manage and mitigate key risks, and to monitor progress.
- The Credit Committee, comprising of management appointees, meets regularly to review credit risk, account limits and provisioning.

Management formally reports on all aspects of key risks to the Audit Committee at least two times each year.

(i) Liquidity and funding risks

Liquidity risk is the risk that the Group will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. 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 manages liquidity risk by forecasting daily cash requirements and future funding requirements, and maintaining an adequate liquidity buffer. 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. The Group has a policy of funding diversification and utilises a banking syndicate to limit concentration risk in relation to liquidity and funding. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

20 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B. Financial management risk (continued)

(i) Liquidity and funding risks (continued)

Contractual maturity analysis

The following schedule analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance 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.

	CONTRACTUAL CASH FLOW				
	WITHIN 12 MONTHS $000	1 TO 5 YEARS $000	BEYOND 5 YEARS $000	TOTAL $000	AMOUNT IN BALANCE SHEET $000
2021					
Debt	11,068	–	–	11,068	9,900
Derivative liabilities	242	143	–	385	385
Trade creditors	109,162	–	–	109,162	109,162
Lease liabilities	21,164	57,399	41,094	119,657	104,018
	141,636	**57,542**	**41,094**	**240,272**	**223,465**
2020					
Debt	31,456	20,103	–	51,559	50,000
Derivative liabilities	562	45	–	607	607
Trade creditors	81,835	–	–	81,835	81,835
Lease liabilities	20,296	57,544	47,228	125,068	106,904
	134,149	**77,692**	**47,228**	**259,069**	**239,346**

Changes in liabilities arising from financing activities

	1 JUL 2020 $000	CASHFLOWS $000	CHANGES IN FAIR VALUE $000	OTHER $000	30 JUN 2021 $000
Debt	50,000	(40,100)	–	–	9,900
Derivative liabilities	607	–	(222)	–	385
Lease liabilities	106,904	(18,299)	–	15,413	104,018
Total liabilities from financing activities	**157,511**	**(58,399)**	**(222)**	**15,413**	**114,303**

	1 JUL 2019 $000	CASHFLOWS $000	CHANGES IN FAIR VALUE $000	OTHER $000	30 JUN 2020 $000
Debt	2,680	47,320	–	–	50,000
Derivative liabilities	342	–	265	–	607
Lease liabilities	–	(17,586)	–	124,490	106,904
Total liabilities from financing activities	**3,022**	**29,734**	**265**	**124,490**	**157,511**

(ii) 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.

Concentrations of credit risk

Financial instruments which potentially subject the Group to concentrations of credit risk principally consist of bank balances, trade receivables, *Go* receivables 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 trade and *Go* receivables are limited due to the large number of customers included in the Group's farming customer base in New Zealand.

20 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B. Financial management risk (continued)

(iii) 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.

Concentrations of market risk

The Group has exposure to commodity pricing risk on Wool inventories and forward Wool sales and purchase contracts. This is mitigated by the Group having policies around unmatched positions. Other inventory is of merchandise nature and the Group has a range of suppliers or has entered into long-term supply agreements.

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. The Group manages this risk by using forward and spot foreign exchange contracts to hedge foreign currency risks as they arise.

Foreign currency exposure risk

The Group's exposure to foreign currency risk is summarised below. The notional forward exchange cover includes forward foreign exchange contracts entered into to economically hedge forward sale and purchase commitments.

	GBP NZ$000	USD NZ$000	AUD NZ$000	EURO NZ$000
2021				
Cash and cash equivalents	–	61	–	127
Trade receivables	12	1,104	155	3,842
Trade creditors	(1,141)	(14,780)	(1,664)	(3,855)
Net balance sheet position	**(1,129)**	**(13,614)**	**(1,509)**	**113**
Forward exchange contracts on balance sheet items and forward sale and purchase commitments				
Notional forward exchange cover	(5,708)	7,783	1,491	(14,655)
Net unhedged position	**4,579**	**(21,398)**	**(3,001)**	**14,768**
2020				
Cash and cash equivalents	–	1	13	1
Trade receivables	82	2,047	–	1,827
Trade creditors	(532)	(8,366)	(972)	(2,151)
Net balance sheet position	**(450)**	**(6,318)**	**(959)**	**(323)**
Forward exchange contracts on balance sheet items and forward sale and purchase commitments				
Notional forward exchange cover	8,356	(1,764)	972	(15,777)
Net unhedged position	**(8,806)**	**(4,554)**	**(1,931)**	**15,454**

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

20 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

B. Financial management risk (continued)

(iii) Market risk (continued)

Interest rate risk

Floating rate borrowings are used for general funding activities. 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. Interest rate swaps, interest rate options and forward rate agreements may be used to hedge the floating rate exposure as deemed appropriate. The Group had no interest rate derivatives at balance date (2020: Nil).

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
2021					
Debt	9,900	–	–	–	9,900
Derivative liabilities	–	–	–	385	385
Trade creditors	–	–	–	109,162	109,162
	9,900	**–**	**–**	**109,547**	**119,447**
2020					
Debt	30,000	20,000	–	–	50,000
Derivative liabilities	–	–	–	607	607
Trade creditors	–	–	–	81,835	81,835
	30,000	**20,000**	**–**	**82,442**	**132,442**

Sensitivity analysis

The Group's treasury policy effectively insulates earnings from the effect of short-term fluctuations in either foreign exchange or interest rates. Over the longer term however, permanent changes in foreign exchange rates and interest rates will have an impact on profit. A 1% change in interest rate has been applied as it is considered a reasonably possible change. The sensitivity of net profit after tax for the period to 30 June 2021, and shareholders equity at that date, to reasonably possible changes in conditions is shown below.

	INTEREST RATES INCREASE BY 1% 2021 $000	2020 $000	INTEREST RATES DECREASE BY 1% 2021 $000	2020 $000
Increase/(decrease) in net profit after tax and shareholders' equity	(235)	(198)	321	217

Other market risks such as pricing and foreign exchange are not considered likely to lead to material change over the next reporting period. The Group's financial assets and liabilities are predominantly held in NZD. For this reason, a sensitivity analysis of these market risks is not included.

C. 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 77.

20 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

Non-Derivative Financial Instruments Accounting Policies

(i) Non-derivative financial assets

Non-derivative financial assets comprise cash and cash equivalents, trade and other receivables, and investments in equity and debt securities.

The Group initially recognises financial assets on the date at which the Group becomes a party to the contractual provisions of the instrument, although trade receivables are initially recognised when they are originated.

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

Financial assets measured at amortised cost

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

– the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value

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

However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses through other comprehensive income. For instruments measured at fair value through other comprehensive income gains and losses are never reclassified to profit and loss and no impairments are recognised in profit 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 method.

Trade and other payables

Trade and other payables are stated at cost.

(iii) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

21 COMMITMENTS

A. Capital expenditure not provided for

The Group does not have any capital commitments as at 30 June 2021 (2020: $Nil).

B. Forward purchase commitments

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

C. Forward sales commitments

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

22 CONTINGENT LIABILITIES

A. PGG Wrightson Loyalty Reward Programme

The Group recognises a provision for the expected level of points redemption from the PGG Wrightson Loyalty Reward Programme. As at balance date, the balance of live points which does not form part of the recognised provision total $0.09 million (2020: $0.09 million). Losses are not expected to arise from this contingent liability.

B. Contingent liabilities

The Group may receive client claims as part of the ordinary course of business in the supply of goods and services. The Group will pursue recovery of claims with suppliers where appropriate under terms of trade. Accordingly, the amount of any obligation in respect of these claims or potential claims cannot be estimated with sufficient reliability.

23 SEASONALITY OF OPERATIONS

The Group is subject to significant seasonal fluctuations. The Group's earnings are weighted towards the first half of the financial year and are primarily related to the Retail business, as demand for New Zealand farming inputs are generally weighted towards the spring season. The second half earnings predominantly relate to Livestock trading as farmers seek to maximise their income following New Zealand's spring calving and lambing season. Other business units have similar but less material cycles. The Group recognises that this seasonality is the nature of the industry and plans and manages its business accordingly.

24 SUBSEQUENT EVENTS

Dividend

On 16 August 2021, the Directors of PGG Wrightson Limited resolved to pay a final dividend of 16 cents per share on 4 October 2021 to shareholders on the Company's share register as at 5.00pm on 10 September 2021. This dividend will be fully imputed.

25 RELATED PARTIES

A. Key management personnel compensation

	2021 $000	2020 $000
Key management personnel compensation comprised:		
Short-term employee benefits	4,234	3,216
Post-employment benefits	87	96
	4,321	**3,312**

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

B. Other transactions with key management personnel

One Director, 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 and their related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances (on a GST inclusive basis) relating to the Director, Senior Executives and entities over which they have control or significant influence were as follows:

Key Management Personnel/Director	**Transaction**	TRANSACTION VALUE 2021 $000	BALANCE OUTSTANDING 2021 $000	TRANSACTION VALUE 2020 $000	BALANCE OUTSTANDING 2020 $000
Nick Berry	Purchase of retail goods	1	–	2	–
David Cushing (retired 30 April 2021)	Purchase of retail goods, livestock and wool transactions. Also includes real estate commissions on a property sale	1,640	–	2,424	43
Stephen Guerin	Purchase of retail goods and livestock transactions	26	–	9	1
Peter Moore	Purchase of retail goods and fuel on–charge transactions	5	–	5	1
Peter Newbold	Purchase of retail goods	22	2	25	3
Peter Scott	Purchase of retail goods and fuel on–charge transactions	5	1	4	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

26 REPORTING ENTITY

PGG Wrightson Limited (the "Company") is a company domiciled in New Zealand and registered under the Companies Act 1993 in New Zealand. The Company's registered office is at 1 Robin Mann Place, Christchurch. The Company is listed on the New Zealand Stock Exchange and is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013.

The consolidated financial statements of PGG Wrightson for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the provision of goods and services within the agricultural and horticultural sectors.

			OWNERSHIP INTEREST	
SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	DIRECT PARENT	2021 %	2020 %
Agriculture New Zealand Limited	New Zealand	PGG Wrightson Limited	100%	100%
AgriServices South America Limited	New Zealand	PGG Wrightson Limited	100%	100%
Bidr Limited	New Zealand	PGG Wrightson Limited	100%	100%
Bloch & Behrens Wool (NZ) Limited	New Zealand	PGG Wrightson Limited	100%	100%
NZ Agritrade Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Investments Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Real Estate 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%
PGW Rural Capital Limited	New Zealand	PGG Wrightson Limited	100%	100%
Ag Property Holdings Limited	New Zealand	PGG Wrightson Investments Limited	100%	100%
PGG Wrightson Employee Benefits Plan Limited	New Zealand	PGG Wrightson Employee Benefits Plan Trustee Limited	100%	100%

27 BASIS OF PREPARATION

A. Statement of compliance

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for a Tier 1 for-profit entity. These consolidated financial statements have also been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

B. Basis of measurement

The consolidated 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.
- Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

C. Functional and presentation currency

These consolidated financial statements are presented in New Zealand dollars ($), which is the functional currency of each of the group entities. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

D. Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements made in applying accounting policies, assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note

12 Carrying value of trade and other receivables
14 Carrying value of inventories
16 Impairment of right-of-use assets
19 Measurement of defined benefit asset/liability - Key actuarial assumptions

Management has determined that the COVID-19 pandemic has not significantly impacted the estimates and judgements used on the consolidated statement of financial position as at 30 June 2021. Management will continue to monitor and assess the impacts of future developments of COVID-19, which are highly uncertain and cannot be predicted, on its judgements and estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

28 OTHER SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in these consolidated 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which 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 currency

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 are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate at the date that fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated to the functional currency at the exchange rate at the date of the transaction. Foreign currency differences arising are recognised in profit or loss.

C. Discontinued operation

A discontinued operations is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

D. Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer amortised or depreciated.

28 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Disclosure of non-GAAP financial information

Non-GAAP reporting measures have been presented in the consolidated statement of profit or loss or referenced to in the notes to the consolidated financial statements. The following non-GAAP measures are relevant to the understanding of the Group's financial performance:

- Operating EBITDA represents earnings before net interest and finance costs, income tax, depreciation, amortisation, results from discontinued operations, fair value adjustments and non-operating items.
- EBIT represents earnings before net interest and finance costs, income tax and the results from discontinued operations.
- Basic & diluted EPS on issued ordinary shares at the end of the period represents the net profit after tax for the reporting period divided by the outstanding number of shares as at the end of the reporting period.

The Directors and management believe the Operating EBITDA and EBIT measures provide useful information as they provide valuable insight on the underlying performance of the business. They are used internally to evaluate the underlying performance of the business and to analyse trends.

Due to the share consolidation which occurred in August 2019, the Directors and management consider the basic & diluted EPS on issued ordinary shares at the end of the period measure facilitates a more meaningful comparison between the 2020 and 2021 income years.

These measures are not uniformly defined or utilised by all companies. Accordingly, these measures may not be comparable with similarly titled measures used by other companies. Non-GAAP financial measures should not be viewed in isolation nor considered as a substitute for measures reported in accordance with NZ IFRS.

F. Standards issued but not yet effective

There are a number of new standards and interpretations that are issued, but not yet effective, for the year ended 30 June 2021 and have not been applied in preparing these consolidated financial statements. These include:

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Onerous contracts - costs of fulfilling a contract (Amendments to NZ IAS 37)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)
- A variety of minor improvements to standards have been made in order to clarify various treatments of specific transactions.

The above are not expected to have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

29 RETROSPECTIVE RESTATEMENT

A. Change in accounting policy: Software-as-a Sevice (SaaS) arrangements

In April 2021, the IFRS Interpretation Committee (IFRIC) published an agenda decision clarifying its interpretation of how the current accounting standards apply to the configuration and customisation costs incurred in implementing SaaS arrangements. Following this agenda decision, the Group revised its accounting policy in relation to those costs and the new accounting policy is presented below. Comparative financial information has been restated to account for the impact of the change. The effect of the restatement is shown in (C) to (F) and includes the derecognition of certain previously recognised software intangible assets. In addition, the effect includes the reclassification of Short-Term Intangible Assets to Other Current Assets.

Software-as-a-Sevice (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the term of the contract. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances, modifies, or creates additional capability to, existing on-premise systems. Where these costs meet the definition of and recognition criteria for an intangible asset, these costs are recognised as intangible software assets and amortised over the useful life on a straight-line basis. Judgement was applied in determining whether the code meets the definition of and recognition criteria for an intangible asset. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period and adjusted if appropriate.

29 RETROSPECTIVE RESTATEMENT (CONTINUED)

B. Closing inventory valuation

The Group became aware that the valuation of its closing inventory for the prior periods did not fully account for entitlements for the purchase of certain inventory products and now complies with NZ IAS 2. As a result, the Group has historically represented its closing inventory at a higher value than that prescribed by NZ IAS 2. Comparative financial information has been restated for this. The effect of the restatement is shown in (C) to (F).

C. Impact on the consolidated statement of financial position

		ADJUSTMENT $000			
	1 JUL 2019 $000	SaaS COSTS	CLOSING INVENTORY VALUATION	TOTAL	RESTATED 1 JUL 2019 $000
Income tax receivable	–	–	125	125	125
Inventories	85,969	–	(3,484)	(3,484)	82,485
Short-term intangible assets	2,222	(2,222)	–	(2,222)	–
Other current assets	35	2,222	–	2,222	2,257
Deferred tax asset	9,976	368	–	368	10,344
Intangible assets	14,644	(1,313)	–	(1,313)	13,331
Total assets	**565,554**	**(945)**	**(3,359)**	**(4,304)**	**561,250**
Income tax payable	851	–	(851)	(851)	–
Retained earnings/(deficit)	(218,478)	(945)	(2,508)	(3,453)	(221,931)
Total liabilities and equity	**565,554**	**(945)**	**(3,359)**	**(4,304)**	**561,250**

		ADJUSTMENT $000			
	30 JUN 2020 $000	SaaS COSTS	CLOSING INVENTORY VALUATION	TOTAL	RESTATED 30 JUN 2020 $000
Income tax receivable	2,369	–	1,030	1,030	3,399
Inventories	87,111	–	(3,680)	(3,680)	83,431
Short-term intangible assets	2,056	(2,056)	–	(2,056)	–
Other current assets	4	2,056	–	2,056	2,060
Deferred tax asset	10,292	368	–	368	10,660
Intangible assets	17,180	(1,315)	–	(1,315)	15,865
Total assets	**459,453**	**(946)**	**(2,650)**	**(3,596)**	**455,857**
Retained earnings/(deficit)	(223,202)	(946)	(2,650)	(3,596)	(226,798)
Total liabilities and equity	**459,453**	**(946)**	**(2,650)**	**(3,596)**	**455,857**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2021

29 RETROSPECTIVE RESTATEMENT (CONTINUED)

D. Impact on the consolidated statement of profit or loss

	30 JUN 2020 $000	ADJUSTMENT $000 SaaS COSTS	CLOSING INVENTORY VALUATION	TOTAL	RESTATED 30 JUN 2020 $000
Cost of sales	(583,855)	–	(195)	(195)	(584,050)
Other operating expenses	(45,327)	(2,799)	–	(2,799)	(48,126)
Operating EBITDA	**45,190**	**(2,799)**	**(195)**	**(2,994)**	**42,196**
Depreciation and amortisation expense	(29,464)	2,797	–	2,797	(26,667)
Income tax expense	(2,886)	1	55	56	(2,831)
Profit from continuing operations, net of income tax	**7,133**	**(1)**	**(140)**	**(141)**	**6,992**
Net profit after tax attributable to Shareholders of the Company	**7,840**	**(1)**	**(140)**	**(141)**	**7,699**

E. Impact on basic & diluted earnings per share (EPS)

	30 JUN 2020 $	ADJUSTMENT $ SaaS COSTS	CLOSING INVENTORY VALUATION	TOTAL	RESTATED 30 JUN 2020 $
Basic & diluted EPS on issued ordinary shares at the end of the period	0.104	(0.000)	(0.002)	(0.002)	0.102
Basic & diluted EPS on issued ordinary shares at the end of the period – continuing operations	0.094	(0.000)	(0.001)	(0.001)	0.092
Basic & diluted EPS on a weighted average basis	0.050	(0.000)	(0.001)	(0.001)	0.049
Basic & diluted EPS on a weighted average basis – continuing operations	0.045	(0.000)	(0.001)	(0.001)	0.044

F. Impact on the consolidated statement of cashflows

	30 JUN 2020 $000	ADJUSTMENT $000 SaaS COSTS	CLOSING INVENTORY VALUATION	TOTAL	RESTATED 30 JUN 2020 $000
Net cash inflow/(outflow) from operating activities	34,227	(2,773)	–	(2,773)	31,454
Net cash inflow/(outflow) from investing activities	(11,020)	2,773	–	2,773	(8,247)

30 CAPITAL AND RESERVES

Share capital
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.

Realised capital and revaluation reserve
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.

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 2021, an amount of $0.134m, which represents the Employee Superannuation Contribution Tax (ESCT) on the lump sum contribution made during the year (net of tax), was transferred from the defined benefit reserve to retained earnings (30 June 2020: Nil).

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of equity investments elected at fair value through other comprehensive income until the investments are derecognised or impaired.

Retained earnings/deficit
The retained earnings deficit equals accumulated undistributed profits/losses.

Dividends
The following dividends were declared and paid by the Company.

	PAYMENT DATE	$ PER SHARE
2021 interim dividend – fully imputed	24 March 2021	0.120
2020 interim dividend – fully imputed	3 April 2020	0.090
2019 final dividend – fully imputed	2 October 2019	0.075

Share Capital Accounting Policies

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	NOTE	SHARE CAPITAL $000	REALISED CAPITAL AND REVALUATION RESERVES $000	DEFINED BENEFIT PLAN RESERVE $000	FAIR VALUE RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
Balance at 1 July 2019		606,318	24,662	(11,672)	(2,566)	(218,478)	398,264
Adjustment to retained earnings for prior period restatement	29	–	–	–	–	(3,453)	(3,453)
Amended balance at 1 July 2019		606,318	24,662	(11,672)	(2,566)	(221,931)	394,811
Total comprehensive income for the period							
Profit or loss		–	–	–	–	7,698	7,698
Other comprehensive income							
Defined benefit plan actuarial gain/(loss), net of tax		–	–	(2,838)	–	–	(2,838)
Total other comprehensive income		–	–	(2,838)	–	–	(2,838)
Total comprehensive income for the period		–	–	(2,838)	–	7,698	4,860
Transactions with shareholders recorded directly in equity							
Contributions by and distributions to shareholders							
Share repurchase and cancellation		(234,000)	–	–	–	–	(234,000)
Dividends to shareholders		–	–	–	–	(12,564)	(12,564)
Total contributions by and distributions to shareholders		(234,000)	–	–	–	(12,564)	(246,564)
Balance at 30 June 2020		**372,318**	**24,662**	**(14,510)**	**(2,566)**	**(226,798)**	**153,106**
Balance at 1 July 2020		372,318	24,662	(14,510)	(2,566)	(226,798)	153,106
Total comprehensive income for the period							
Profit or loss		–	–	–	–	22,713	22,713
Other comprehensive income							
Changes in fair value of equity instruments, net of tax		–	–	–	136	–	136
Defined benefit plan actuarial gain/(loss), net of tax		–	–	6,926	–	–	6,926
Total other comprehensive income		–	–	6,926	136	–	7,062
Total comprehensive income for the period		–	–	6,926	136	22,713	29,775
Transactions with shareholders recorded directly in equity							
Contributions by and distributions to shareholders							
Dividends to shareholders		–	–	–	–	(9,343)	(9,343)
Total contributions by and distributions to shareholders		–	–	–	–	(9,343)	(9,343)
Transfer to retained earnings		–	–	134	–	(134)	–
Balance at 30 June 2021		**372,318**	**24,662**	**(7,450)**	**(2,430)**	**(213,562)**	**173,538**

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

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Independent auditor's report to the Shareholders of PGG Wrightson Limited

Opinion

We have audited the financial statements of PGG Wrightson Limited ("the Company") and its subsidiaries (together "the Group") on pages 43 to 88 which comprise the consolidated statement of financial position of the Group as at 30 June 2021, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 43 to 88 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2021 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an 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 Company and the Company's shareholders, as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides taxation services to an entity not controlled by but related to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Collectability of trade and *Go* receivables

Why significant	How our audit addressed the key audit matter
At 30 June 2021 trade and *Go* receivables total $167.3m, representing 37% of Group total assets. This amount is net of the provision for impaired debtors and *Go* receivables of $3.0m. We consider this to be a key audit matter because trade and *Go* receivables are a significant component of Group assets and the provision for impaired debtors involves significant judgement. Disclosures in relation to trade and *Go* receivables and their provisions for impairment are included in notes 12 and 13 to the Group financial statements.	Our audit procedures included the following: • obtained an understanding of management's receivables provisioning process; • assessed management's provisioning methods and whether they comply with NZ IFRS 9; • considered the inputs, assumptions and estimates used or made by management; • tested the ageing of receivables by agreeing the recorded ageing of a sample of trade receivables to sales documentation; • considered beef and sheep meat commodity price movements up to and after balance date to assess whether these changes, which are indicative of changes in value of livestock security held for *Go* receivables, indicated any material increase in the credit risk of *Go* receivables; • considered the appropriateness and sufficiency of the disclosures related to trade and *Go* receivables and the related provisioning.

Inventory valuation

Why significant	How our audit addressed the key audit matter
Inventory is carried at the lower of cost and net realisable value. At 30 June 2021 inventory totals $81.5m, representing 18% of the Group's total assets. This amount is net of a provision for inventory write down of $1.6m. This is a key audit matter because inventory is a significant component of Group total assets and the assessment of the net realisable value of slow moving, excess and obsolete inventory involves significant judgement.	Our audit procedures included the following: • compared a sample of recorded inventory cost to supplier invoices; • assessed the inputs into, and calculation of, adjustments to inventory value to take account of variable pricing arrangements with suppliers. We also assessed the impact of this matter at 30 June 2020 and 2019 and the resulting restatement to the prior period financial statements;

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Why significant	How our audit addressed the key audit matter

Disclosures in relation to inventory and inventory provisions are included in note 14 and in relation to the restatement of prior year inventory values are included in note 29 to the Group financial statements.	• considered the methods, models, and assumptions used by management in estimating the net realisable value of slow moving, excess, and obsolete inventory;
	• considered the key inputs into the provision calculation including last purchase date, last sale date and volume of sales in the year for selected product lines. We tested these inputs into the provision calculation, including agreeing a sample of inventory items:
	  ◦ last purchase date and last sale date to supporting invoices;
	  ◦ recalculating the annual sales volumes recorded in the inventory system;
	• compared the cost of a sample of inventory items to their most recent selling price;
	• considered the extent of inventory items sold at negative margins in the year;
	• considered the appropriateness and sufficiency of disclosures related to the valuation of inventory, included those related to the restatement of prior year inventory values.

Other matter

The financial statements of PGG Wrightson Limited for the year ended 30 June 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 17 August 2020.

Information other than the financial statements and auditor's report

The Directors of the Company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

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Directors' responsibilities for the financial statements

The Directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are 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 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 International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Bruce Loader.

Ernst + Young
Chartered Accountants
Christchurch
16 August 2021

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.

PGG Wrightson complies with the Recommendations in the NZX 2020 Corporate Governance Code (NZX Code) except where specifically disclosed in this annual report. This Corporate Governance section is current as at 30 June 2021 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.

PRINCIPLE 1 – Code of Ethical Behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

1.1 **PGG Wrightson Code of Conduct**

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. Directors and employees are expected to act honestly and in the best interests of PGG Wrightson, as required by law, and taking account of interests of shareholders and other stakeholders.

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 which is available at www.pggwrightson.co.nz under Our Company > Governance, Conflict of Interest Policy, Fraud Prevention Policy and Whistle-Blower Policy, and the Board Charter outlined in section 2 below.

The Code of Conduct 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'.

Corporate Governance and Board Charter continued

The Code of Conduct is intended to guide directors and employees in carrying out their duties and responsibilities. It supports decision-making that is consistent with PGG Wrightson's values and obligations, rather than prescribing a complete list of acceptable and un-acceptable behaviour. It reflects expectations that directors and employees of the PGG Wrightson Group will:

- 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 and taking account of interests of shareholders and other stakeholders;
- 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 directors and 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, 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. If there has been a material breach of the Code of Conduct, the Board will be notified by the Chief Executive. 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 2021 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 **Securities Trading Policy**

In compliance with NZX Code Recommendation 1.2, the Company has a detailed financial product trading policy applying to all Directors and staff which incorporates insider trading restraints, and rules. The Securities Trading Policy, which is available at www.pggwrightson.co.nz under Our Company > Governance, specifies that no director or employee may buy or sell PGG Wrightson shares while in possession of inside information. Inside information is material information that is not generally available to the market. 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.

PRINCIPLE 2 – Board Composition & Performance incorporating PGG Wrightson's Board Charter

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

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:

- overall governance;
- employing the Chief Executive Officer;
- providing strategic leadership and overseeing the development, adoption and communication of a clear strategy for the business;
- overseeing management's implementation of PGG Wrightson's strategic objectives and performance;
- overseeing accounting and reporting systems (including the external audit) and PGG Wrightson's compliance with its continuous disclosure obligations;
- adopting and reviewing a risk management framework;
- approval of PGG Wrightson's operating budgets/major capital expenditure; and
- adoption of PGG Wrightson's remuneration policy and other corporate governance documents.

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 Officer 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 Officer and Managers within defined limits.

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 2021 the Board had five 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 2021 Annual Report. The full Board met six times during the year ended 30 June 2021, including conference calls and video-meetings. Directors also meet on other occasions for strategic planning and held conference calls from time to time as required. The attendance at Board meetings of all Directors who served during the financial year to 30 June 2021 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	6	4 (2 via Audio/Video)	2
Sarah Brown	6	1	2
David Cushing*	4	3 (2 via Audio/Video)	1
Joo Hai Lee	6 (via Audio/Video)	4 (4 via Audio/Video)	2
U Kean Seng	6 (via Audio/Video)	0	2
Dr Charlotte Severne**	0	0	0

* *Retired 30 April 2021*

** *Appointed 18 June 2021.*

Corporate Governance and Board Charter continued

	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2021	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2020	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2021	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2020	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2021	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2020
Number of Males	3	4	7	7	868	933
Percentage of Males	60%	80%	88%	88%	59%	60%
Number of Females	2	1	1	1	610	621
Percentage of Females	40%	20%	12%	12%	41%	40%

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

2.5 In compliance with NZX Code Recommendation 2.5, the Board has a Diversity and Inclusion Policy which is available at www.pggwrightson.co.nz under Our Company > Governance. PGW recognises that a diverse and inclusive workplace culture will result in enhanced relationships with all stakeholders, better customer service and improved financial performance. The Board has evaluated PGG Wrightson's performance against its Diversity and Inclusion Policy objectives which relate to the working environment, employment and selection opportunities, Board appointment recommendations, equal and fair treatment under employment policies and a culture of diversity and inclusion, and considers that these objectives have been met.

The table above lists the numerical quantitative breakdown of the gender composition of PGG Wrightson's Board of Directors and its Officers as at 30 June 2021 and comparative figures for 30 June 2020. 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.

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 three out of five 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 2021 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 101 to 102 of the 2021 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.

Principle 3 – Board Committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

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 2021 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 Chairperson of the Audit Committee Sarah Brown is an Independent Director and is not also the Chair of the Board.

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

The members of the Audit Committee are currently Sarah Brown (Chairperson), 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 two current members having an accounting or financial background and the other member has a good understanding of financial/accounting principles as per 3.4 of the Audit Committee Charter. 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; and
- 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 Officer and review the appraisal of direct reports to the Chief Executive Officer;
- To review compensation policy and procedures, including employee benefits and superannuation, and recommend to the Board remuneration changes for the Chief Executive Officer and direct reports to the Chief Executive Officer;
- To review succession planning and senior management development plans;
- To report Committee proceedings back to the Board.

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.

Corporate Governance and Board Charter continued

PRINCIPLE 4 – Reporting and Disclosure

"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

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.

PRINCIPLE 5 – Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

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 2021 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 officer 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 Executive Officer during the year ended 30 June 2021 including disclosure of the base salary, short-term incentive and the performance criteria used to determine performance-based payments, are outlined on page 104 of this annual report.

PRINCIPLE 6 – Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

6.1 In compliance with NZX Code Recommendation 6.1, PGG Wrightson has in place a risk management framework for its business to manage 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 Officer, 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 Officer 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 10 of this 2021 Annual Report disclosed how it manages its health and safety risks and has reported on our health and safety risks, performance and management.

PRINCIPLE 7 – Auditors

"The board should ensure the quality and independence of the external audit process."

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 generally are invited to attend all Audit Committee meetings (except where auditor remuneration or performance 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 Ernst & Young were appointed on 13 April 2021 and did provide some non-audit work on a related but non-controlled entity in the year ended 30 June 2021. The remuneration paid by the Group for audit work is disclosed on page 53 of the annual report. The nature of the type of non-audit work is disclosed in the audit report. The remuneration paid by the Group for non-audit work was nil. The external auditors confirmed in their audit report on pages 89 to 92 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 sits within the Risk and Assurance team, which is comprised of a functional leader and 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 annually by the Audit Committee. The function reviews and reports on the effectiveness of internal control systems and processes for the Company.

PRINCIPLE 8 – Shareholder Rights & Relations

"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

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 2020 to 30 June 2021

DIRECTOR	INTEREST	ORGANISATION
R J Finlay		
Chairman	Chairman	Mundane Asset Management Limited (UK)
		Crown Regional Holdings Limited
		St Andrews College Foundation (Trustee)
		NZ Post Limited
	Deputy Chairman	Rural Equities Limited
	Director	Moeraki Limited
		Ngāi Tahu Holdings Corporation Limited
		Ngāi Tahu Farming Limited
		Kiwi Group Holdings Limited
		Mundane World Leaders Fund Limited (Cayman)
	Trustee	Burnett Valley Trust
J H Lee		
Deputy Chairman	Director	Hyflux Limited
		Agria Corporation
		Agria (Singapore) Pte Limited
		Lung Kee (Bermuda) Holdings Limited
		IPC Corporation Limited
		Agria Asia Investments Limited
S Brown		
	Director	Electricity Invercargill Limited (resigned 31 October 2020)
		PowerNet Limited (resigned 31 October 2020)
		OtagoNet Limited (resigned 30 April 2021)
		OtagoNet Properties Limited (resigned 30 April 2021)
		Electricity Southland Limited (resigned 30 April 2021)
	Panellist	Independent Advisory Panel for the Provincial Growth Fund
	Trustee	Southland Boys High School Board of Trustees
		Turnbull Trust
	Consultant	Blue Sky Meats (N.Z.) Limited

Statutory Disclosures continued

DIRECTOR	INTEREST	ORGANISATION
B D Cushing*		
	Executive Chairman	Rural Equities Limited
	Director	Skellerup Holdings Limited
		H & G Limited
		Makowai Farm Limited
U Kean Seng		
	Head of Corporate and Legal Affairs	Agria Corporation
Dr Charlotte Severne**	Director	Tuaropaki Power Company
		Huakiwi Limited
	Trustee	The Māori Trustee
		Severne Whanau Trust
		Pott Severne Family Trust

** Retired 30 April 2021.*

*** Appointed 18 June 2021.*

In addition, R J 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 2021 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 FEES	TOTAL REMUNERATION
R J Finlay	Chairman	$180,000	$10,000	$190,000
S Brown		$80,000	$2,083	$82,083
B D Cushing*		$66,666	$10,417	$77,083
J H Lee	Deputy Chairman	$110,000	$10,000	$120,000
U Kean Seng		$80,000	–	$80,000
Dr C Severne **		–	–	–

** Retired 30 April 2021.*

*** Appointed 18 June 2021. Pro rata fees for 18 to 30 June 2021 will be paid in the 2021/2022 financial year.*

Directors' Shareholdings

As at 30 June 2021 the following Directors of PGG Wrightson Limited held a beneficial interest in shares in PGG Wrightson Limited:

DIRECTOR	REGISTERED HOLDER	NUMBER OF SHARES
R J Finlay	RGH Holdings Limited	89,568
S Brown	Sarah Jane Brown & Keith William Brown	11,400

J H Lee and U Kean Seng are associated persons of substantial product holder Agria (Singapore) Pte Limited holding 33,463,399 shares.
B D Cushing is an associated person of H & G Limited holding 2,006,732 shares (as at 30 June 2021)

Directors' Share Transactions

The following Director of PGG Wrightson Limited notified the Company of the following on-market share transactions between 1 July 2020 and 30 June 2021.

DIRECTOR	REGISTERED HOLDER	NATURE AND DATE OF TRANSACTION	NUMBER OF SHARES BROUGHT	CONSIDERATION PER SHARE
R J Finlay	RGH Holdings Limited (beneficial interest)	20 – 21 August 2020	8,294	$2.60

Directors' Independence

The Board has determined that as at 30 June 2021:

- The following Directors are Independent Directors: R J Finlay, B D Cushing (to 30 April 2021), S Brown and Dr C Severne (appointed 18 June 2021)
- 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

There were no NZX Waivers applying to PGG Wrightson Limited during the financial year.

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.

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); and
- 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.

Statutory Disclosures continued

The schedule excludes:

- amounts paid post 30 June 2021 that related to services provided in the 2020/2021 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; and
- any benefits received by employees that do not have an attributable value.

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	62
$110,001 – $120,000	54
$120,001 – $130,000	45
$130,001 – $140,000	35
$140,001 – $150,000	31
$150,001 – $160,000	21
$160,001 – $170,000	13
$170,001 – $180,000	12
$180,001 – $190,000	7
$190,001 – $200,000	9
$200,001 – $210,000	3
$210,001 – $220,000	7
$220,001 – $230,000	6
$230,001 – $240,000	3
$240,001 – $250,000	1
$250,001 – $260,000	2
$260,001 – $270,000	2

REMUNERATION RANGE	NUMBER OF EMPLOYEES
$270,001 – $280,000	2
$280,001 – $290,000	5
$290,001 – $300,000	1
$300,001 – $310,000	1
$310,001 – $320,000	2
$320,001 – $330,000	1
$340,001 – $350,000	1
$350,001 – $360,000	2
$380,001 – $390,000	1
$400,001 – $410,000	3
$420,001 – $430,000	1
$460,001 – $470,000	1
$610,001 – $620,000	1
$650,001 – $660,000	1
$830,001 – $840,000	1
$930,001 – $940,000	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.

Chief Executive Officer Remuneration

In compliance with the NZX Code Recommendation 5.3, this section lists disclosure of the remuneration arrangements in place for PGG Wrightson's Chief Executive Officer Stephen Guerin. The Board of Directors' general policy for Chief Executive remuneration is payment of a base salary and an annual at-risk short-term incentive. The target amount of the short-term incentive payment is a percentage of base salary, being 20% for the financial year, with the maximum payable being 150% of the target amount. The short-term incentive is payable on the achievement of certain key performance criteria focused on PGG Wrightson's financial performance, strategic objectives and Safety and Wellbeing performance for the respective financial year.

The Chief Executive Officer has a company vehicle with full private use valued at $20,000pa. As at 30 June 2021 the total number of shares owned by the Chief Executive Officer was 3,842.

The Chief Executive Officer's remuneration relating to the year ended 30 June 2021 is as follows:

	YEAR ENDED 30 JUNE 2021	YEAR ENDED 30 JUNE 2020
Salary payments paid during the year	$812,927	$748,000
KiwiSaver employer contribution paid during the year	$24,390	$22,440
Short-term incentive relating to the year, to be paid in the next financial year	$228,660	–
Total remuneration	**$1,065,977**	**$770,440**

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%.

LEGAL COMPANY NAME	PGG WRIGHTSON APPOINTED DIRECTORS
Agriculture New Zealand Limited	JS Daly, SJ Guerin
Ag Property Holdings Limited	JS Daly, SJ Guerin
AgriServices South America Limited	JS Daly, SJ Guerin
Bidr Limited	SJ Guerin, PJ Moore, PC Scott
Bloch & Behrens Wool (NZ) Limited	JS Daly, SJ Guerin, GW Edwards
NZ Agritrade Limited	JS Daly, SJ Guerin
PGW Rural Capital Limited	JS Daly, SJ Guerin
PGG Wrightson Employee Benefits Plan Limited	CD Adam, JS Daly, SJ Guerin
PGG Wrightson Employee Benefits Plan Trustee Limited	CD Adam, JS Daly, S Guerin, JA O'Neill, PR Drury *(licensed Independent Trustee)*
PGG Wrightson Investments Limited	JS Daly, SJ Guerin
PGG Wrightson Real Estate Limited	JS Daly, SJ Guerin
PGG Wrightson Trustee Limited	JS Daly, S Guerin

Shareholder Information

PGG Wrightson Limited is quoted on the New Zealand Stock Market of NZX Limited (code PGW).
As at 30 June 2021, PGG Wrightson Limited had 75,484,083 ordinary shares on issue.

Substantial Product Holders

At 30 June 2021, the following security holders had given notices in accordance with the Financial Markets Conduct Act 2013 that they were a substantial product holder in the Company. The number of shares shown below are as recorded in the Company's share register.

SHAREHOLDER	NUMBER OF SHARES AT 30 JUNE 2020	DATE OF NOTICE
BCA New Continent Agri Hldg. Limited (BCA)	9,758,714	21 October 2020
Agria (Singapore) Pte Limited	33,463,399	10 April 2019
Agria Group*	33,463,399	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 19 August 2021 were:

SHAREHOLDER	NUMBER OF SHARES HELD	% OF SHARES HELD
1. Agria (Singapore) Pte Limited	33,463,399	44.33
2. BCA New Continent Agri Hldg. Limited (BCA)	9,758,714	12.92
3. H & G Limited	1,898,606	2.52
4. HSBC Nominees (New Zealand) Limited	1,488,735	1.97
5. Forsyth Barr Custodians Limited	1,171,204	1.55
6. Custodial Services Limited	1,054,428	1.39
7. FNZ Custodians Limited	800,792	1.06
8. Citibank Nominees (New Zealand) Limited	509,108	0.67
9. Nicolaas Johannes Kaptein	500,962	0.66
10. New Zealand Depository Nominee Limited	462,245	0.61
11. JBWERE (NZ) Nominees Limited	344,807	0.45
12. Accident Compensation Corporation	319,446	0.42
13. Elizabeth Beatty Benjamin & Michael Murray Benjamin (Michael Benjamin Family a/c)	300,000	0.40
14. Leveraged Equities Finance Limited	249,298	0.33
15. Robert Vincent Cottrell + Lesley Maureen Cottrell	202,898	0.27
16. Ian David McIlraith	180,000	0.24
17. Colin Hugh Notley & Jan Marie Notley	175,000	0.23
18. Totara Grove Investments Limited	167,113	0.22
19. Gamma Trust Limited	155,284	0.21
20. GMH 38 Investments Limited	150,000	0.20

Shareholder Information continued

Analysis of Shareholdings

Distribution of ordinary shares and shareholdings at 31 July 2021 was:

RANGE	TOTAL HOLDERS	NUMBER OF SHARES	% OF SHARES
1 – 499	5,546	928,905	1.23
500 – 999	1,238	830,722	1.10
1,000 – 1,999	1,179	1,562,083	2.07
2,000 – 4,999	1,135	3,418,443	4.53
5,000 – 9,999	505	3,323,781	4.40
10,000 – 49,999	436	7,555,929	10.01
50,000 – 99,999	39	2,613,439	3.46
100,000 – 499,999	28	4,852,446	6.43
500,000 – 999,999	3	2,052,716	2.72
1,000,000 Over	5	48,345,619	64.05
Total	**10, 114**	**75,484,083**	**100.00**

Registered addresses of shareholders as at 31 July 2021 were:

ADDRESS	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
Singapore	10	0.10	33,631,323	44.55
New Zealand	9,847	97.36	41,543,396	55.04
Australia	143	1.41	145,685	0.19
Other	114	1.13	163,679	0.22
Total	**10,114**	**100.00%**	**75,484,083**	**100.00%**

Corporate Directory

Company number 142962
NZBN 9429040323497

Board of Directors
as at 30 June 2021

Rodger Finlay
Chairman

Joo Hai Lee
Deputy Chairman

Sarah Brown

U Kean Seng

Dr Charlotte Severne
(Appointed 18 June 2021)

David Cushing
(Resigned 30 April 2021)

Executive Team
as at 30 June 2021

Stephen Guerin
Chief Executive Officer

Nick Berry
General Manager Retail & Water

Julian Daly
General Manager Corporate Affairs/Company Secretary

Grant Edwards
General Manager Wool

Peter Moore
General Manager - Livestock Ventures & Partnerships

Peter Newbold
General Manager Livestock & Real Estate

Peter Scott
Chief Financial Officer

Rachel Shearer
General Manager Human Resources

Registered Office

PGG Wrightson Limited
1 Robin Mann Place
Christchurch Airport
Christchurch 8053

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

Auditors

(Resigned 12 April 2021)
KPMG
Level 5
79 Cashel Street
PO Box 1739
Christchurch 8140
Telephone: +64 3 363 5600

(Appointed 13 April 2021)
Ernst & Young
Level 4
93 Cambridge Terrace
PO Box 2091
Christchurch 8140
Telephone: +64 3 379 1870

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

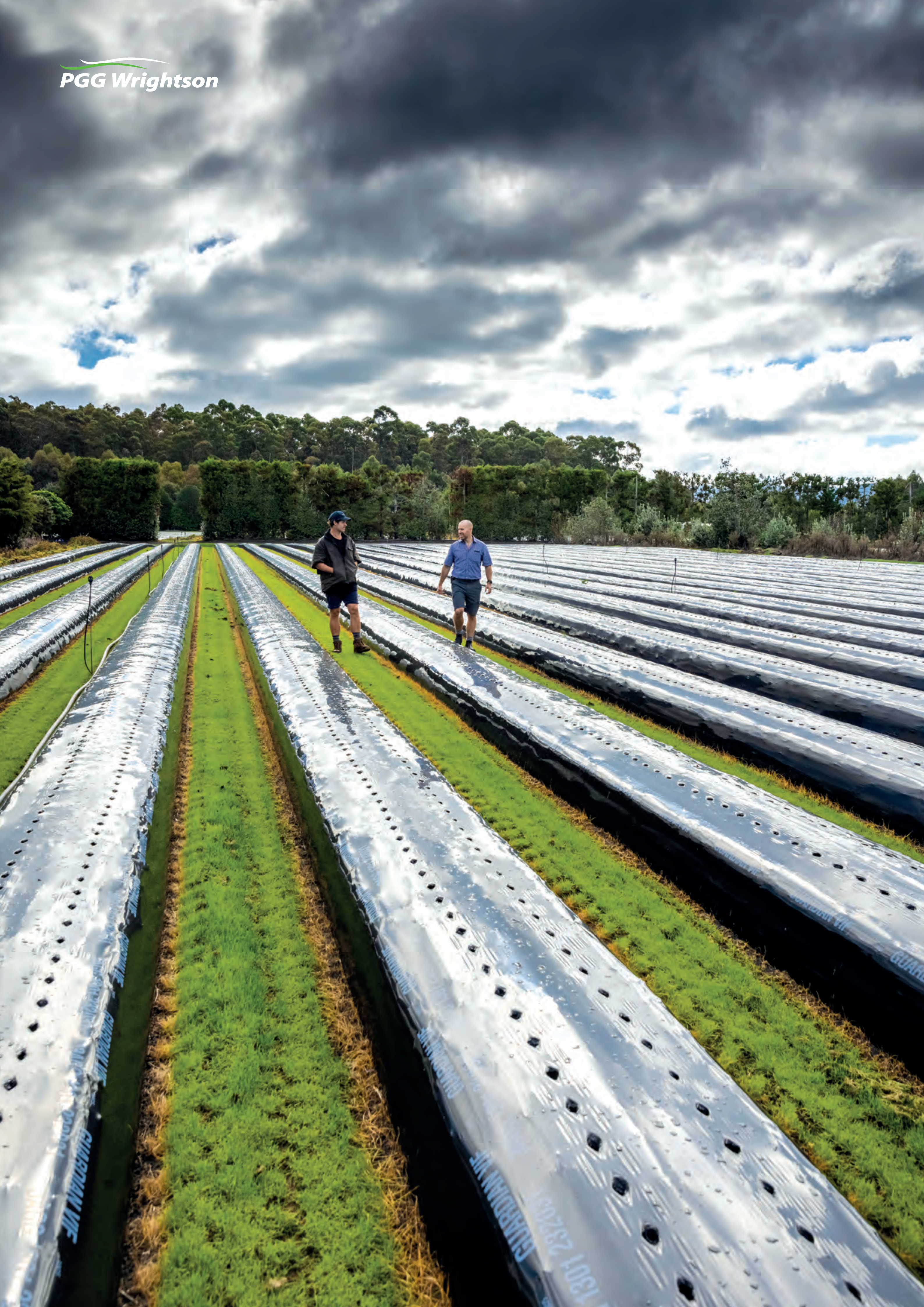
Telephone +64 9 488 8777

Facsimile +64 9 488 8787

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

Back cover image

PGG Wrightson Technical Horticultural Representative for Fruitfed Supplies, William Moss, and Farm Owner, Matt Ashby, discuss requirements needed for planting at Matakana Berry Co, near Warkworth, Northern Auckland, in May 2021.


PGG Wrightson