

PGG Wrightson Limited

Statement of Financial Performance

For the year ended 30 June 2006

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Operating revenue					
Operating revenue	1	848,270	307,075	663,974	298,178
Equity accounted earnings of associates	2	439	-	-	-
		<u>848,709</u>	<u>307,075</u>	<u>663,974</u>	<u>298,178</u>
Operating surplus before interest and taxation	3	50,498	27,025	26,791	22,059
Net funding expense	4	<u>(13,215)</u>	<u>(2,255)</u>	<u>(12,424)</u>	<u>(844)</u>
Operating surplus before taxation		37,283	24,770	14,367	21,215
Income tax expense	5	<u>(10,269)</u>	<u>(7,728)</u>	<u>(2,441)</u>	<u>(6,555)</u>
Net surplus for the year		<u>27,014</u>	<u>17,042</u>	<u>11,926</u>	<u>14,660</u>
Net surplus comprises					
Parent interest		26,869	17,042	11,926	14,660
Minority interest		<u>145</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>27,014</u>	<u>17,042</u>	<u>11,926</u>	<u>14,660</u>
Net surplus attributable to parent company shareholders		26,869	17,042	11,926	14,660

Basic earnings per share were 11.39 cents for 2006, compared with 17.04 cents for 2005.

PGG Wrightson Limited

Statement of Movements in Equity

For the year ended 30 June 2006

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Total recognised revenues and expenses					
Net surplus for year					
Parent interest		26,869	17,042	11,926	14,660
Minority interest		145	-	-	-
		<u>27,014</u>	<u>17,042</u>	<u>11,926</u>	<u>14,660</u>
Movement in foreign currency translation reserve	10 (a)				
Parent interest		1,756	-	-	-
Minority interest		43	-	-	-
		<u>1,799</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revaluation of investments in subsidiary companies	10 (b)	-	-	26,160	-
Other movements in equity		(453)	-	(7)	-
		<u>(453)</u>	<u>-</u>	<u>26,153</u>	<u>-</u>
Contribution from owners					
Shares issued	7	294,047	-	294,047	-
		<u>294,047</u>	<u>-</u>	<u>294,047</u>	<u>-</u>
Total distributions to shareholders					
Interim 2006 dividend of 4 cents per share (2005: 4 cents)		(11,472)	(4,001)	(11,472)	(4,001)
Final 2005 dividend of 7.0 cents per share (2004: 8 cents)		(7,026)	(8,002)	(7,026)	(8,002)
Special Dividend 2006 of 2.75 cents per share (2005: nil)		(2,761)	-	(2,761)	-
		<u>(21,259)</u>	<u>(12,003)</u>	<u>(21,259)</u>	<u>(12,003)</u>
Movements in equity for the year		<u>301,148</u>	<u>5,039</u>	<u>310,867</u>	<u>2,657</u>
Represented by:					
Equity at beginning of year					
Parent interest		113,880	108,841	103,284	100,627
Minority interest		-	-	-	-
		<u>113,880</u>	<u>108,841</u>	<u>103,284</u>	<u>100,627</u>
Equity at end of year					
Parent interest		414,510	113,880	414,151	103,284
Minority interest		518	-	-	-
		<u>415,028</u>	<u>113,880</u>	<u>414,151</u>	<u>103,284</u>
Movements in equity for the year		<u>301,148</u>	<u>5,039</u>	<u>310,867</u>	<u>2,657</u>

PGG Wrightson Limited

Statement of Financial Position

As at 30 June 2006

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
EQUITY					
Share capital	7	359,445	65,398	359,445	65,398
Retained earnings	9	36,953	40,551	12,190	29,955
Other reserves	10	18,112	7,931	42,516	7,931
Minority interest		518	-	-	-
Total equity		415,028	113,880	414,151	103,284
LIABILITIES					
Current					
Finance Liabilities	11	189,088	157,587	2,729	98,099
Trade creditors and other	12	186,503	37,843	160,840	37,538
Bank overdrafts and term borrowings - secured	13	253,210	46,538	286,997	11,589
Total current		628,801	241,968	450,566	147,226
Non-current					
Finance liabilities	14	65,338	10,809	-	-
Other liabilities	15	14,991	-	-	-
Total non-current		80,329	10,809	-	-
Total liabilities		709,130	252,777	450,566	147,226
Total liabilities and equity		1,124,158	366,657	864,718	250,510
ASSETS					
Current					
Finance receivables	17	233,921	130,778	-	95,585
Inventories	18	150,137	43,444	76,905	43,444
Trade debtors and other	19	232,405	68,202	299,057	68,951
Total current		616,463	242,424	375,962	207,980
Non-current					
Finance receivables		96,022	85,395	-	-
Goodwill	20	286,277	14,968	279,973	14,968
Property, plant and equipment	21	86,368	21,414	50,853	21,414
Other assets	22	39,028	2,456	157,930	6,148
Total non-current		507,695	124,233	488,756	42,530
Total assets		1,124,158	366,657	864,718	250,510

These financial statements have been authorised for issue on 22 August 2006

Bill Baylis
Chairman

Keith Smith
Director

PGG Wrightson Limited
Statement of Cash Flows

For the year ended 30 June 2006

	Note	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash flows from operating activities					
Cash was provided from:					
Net receipts from customers		824,769	287,699	661,053	287,660
Dividends received		624	127	8,124	127
Interest received		35,282	21,750	17,440	12,308
Cash was applied to:					
Payments to suppliers and employees		(802,700)	(280,658)	(615,887)	(280,520)
Interest paid		(36,244)	(13,572)	(22,533)	(7,485)
Income tax paid		(9,312)	(7,787)	(5,600)	(6,679)
Net cash flow from operating activities	27	<u>12,419</u>	<u>7,559</u>	<u>42,597</u>	<u>5,411</u>
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		44,031	12,002	36,053	12,002
Proceeds from sale of investments		-	27	-	27
Net cash from subsidiaries and associates		-	860	-	4,585
Cash was applied to:					
Purchase of property, plant and equipment		(15,388)	(2,521)	(8,634)	(2,521)
Net cash paid to subsidiaries, associates and other companies		(1,549)	-	(125,433)	-
Net increase in finance receivables		(53,395)	(28,949)	-	(1,070)
Merger expenses paid		(23,794)	-	(23,794)	-
Cash paid for Agricom Limited		(11,292)	(2,000)	(11,292)	(2,000)
Net cash flow from investing activities		<u>(61,387)</u>	<u>(20,581)</u>	<u>(133,100)</u>	<u>11,023</u>
Cash flows from financing activities					
Cash was provided from:					
Increase in secured debentures and bonds		28,874	14,368	-	-
Bank Mortgage borrowing		4,212	-	-	-
Cash was applied to:					
Dividends paid		(21,259)	(12,050)	(21,259)	(12,050)
Net decrease in clients' deposit and current accounts		(7,595)	(1,487)	(3,270)	(1,487)
Net cash flow from financing activities		<u>4,232</u>	<u>831</u>	<u>(24,529)</u>	<u>(13,537)</u>
Net (decrease)/increase in cash held		(44,736)	(12,191)	(115,032)	2,897
Opening cash/(bank overdraft)		(46,538)	(34,347)	(11,589)	(14,486)
Net cash from acquisition of businesses		(161,936)	-	(160,376)	-
Closing bank		<u>(253,210)</u>	<u>(46,538)</u>	<u>(286,997)</u>	<u>(11,589)</u>
Comprises:					
Cash and deposits		51,935	-	13,048	-
Bank overdrafts		(305,145)	(46,538)	(300,045)	(11,589)
Closing bank	13	<u>(253,210)</u>	<u>(46,538)</u>	<u>(286,997)</u>	<u>(11,589)</u>

PGG Wrightson Limited

Statement of Accounting Policies

For the year ended 30 June 2006

REPORTING ENTITIES

PGG Wrightson Limited is a company registered under the Companies Act 1993. The group consists of PGG Wrightson Limited, its subsidiaries and associates. PGG Wrightson Limited is an issuer for the purposes of the Financial Reporting Act 1993 and the Securities Act 1978. The financial statements of PGG Wrightson Limited have been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993.

As the principal activity of the parent and group is the business of rural service providers they are not financial institutions for financial reporting disclosure purposes.

Following the merger with Wrightson Limited during the year the name of the company was changed from Pyne Gould Guinness Limited to PGG Wrightson Limited.

As a consequence of the merger and amalgamation of Wrightson Limited on 7 October 2005 these financial statements include the financial performance and cash flows for the activities of the former Wrightson Limited Group for the 9 months to 30 June 2006. The 2005 comparative figures are as disclosed in the 2005 annual report of Pyne Gould Guinness Limited, restated where required to match the classification used in the amalgamated group.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of financial performance, cash flows and the financial position on an historical cost basis are followed by the Group, modified by the revaluation of certain assets.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting policies. The following specific accounting policies which materially affect the measurement of financial performance, financial position and cash flows have been applied:

(a) Group Financial Statements

The group financial statements consolidate the financial statements of subsidiaries, using the purchase method, and include the results of associates using the equity method. Subsidiaries are entities that are controlled, either directly or indirectly, by the Parent. Associates are entities in which the Parent, either directly or indirectly, has significant influence but not control.

The results of subsidiaries acquired or disposed of during the year are included in the Group Statement of Financial Performance from the date of acquisition or up to the date of disposal.

All material transactions between Group companies are eliminated on consolidation.

For significant investments in associates, the Group's share of the financial performance within revenue is recognised in the surplus before interest and taxation. Dividends received are credited to the carrying amount of the investment.

(b) Operating Revenue

Sales Revenue

Sales revenue comprises the sale value of transactions where the Group acts as a principal and the commission for transactions where the Group acts as an agent.

Irrigation Contracts

The surplus on work-in-progress is recognised when it can be estimated reliably. The percentage of completion method is used to determine the appropriate amount to recognise in each year. The full amount of an anticipated loss, including that relating to work on the contract, is recognised as soon as it is foreseen.

Investment Income

Investment income is recognised when earned. Dividends are recognised when received, or accrued when declared and approved for distribution prior to balance date.

Interest Income

Interest income is recognised as it is earned.

(c) Foreign Currencies

Foreign currency transactions are recorded at the exchange rate in effect at the date of the transaction.

Transactions covered by short-term forward exchange contracts are translated at the exchange rate specified in those contracts. Monetary assets and liabilities arising from trading transactions are translated at closing rates or the appropriate forward contract rates where such contracts are in place.

The Statements of Financial Position of foreign subsidiaries are converted to New Zealand dollars at the rate of exchange ruling at balance date. The Statements of Financial Performance of foreign subsidiaries are translated at rates approximating the exchange rate ruling at the dates of the transactions. Translation gains and losses are taken to the foreign currency translation reserve. The costs of forward exchange hedge contracts are amortised to earnings over the life of the contract. Unamortised hedging costs are held against the related asset or liability.

(d) Investments

Investments in subsidiaries are stated at net asset value. Investments in associates are stated at cost in the Statement of Financial Position of the Parent. Other investments are stated at the lower of cost or net realisable value.

(e) Property, Plant & Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment.

The cost of property, plant and equipment is the value of the consideration given to acquire the assets and the value of any other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

Impairment in the value of property, plant and equipment is deemed to occur when the amount recoverable falls below book value. The recoverable amount is calculated as the higher of net market value and 'value in use' (present value of future cash flows from continuing use and final disposal of the asset).

(f) Depreciation

Depreciation is provided on all depreciable assets to write off the cost or valuation of the assets to their estimated residual value, over their expected useful lives. Depreciation is calculated on a straight line basis for all depreciable assets except motor vehicles which use the diminishing value basis. The estimated useful lives are as follows:

Buildings	50 years
Plant and machinery	8 to 13 years
Computer equipment	1 to 3 years
Furniture and fittings	5 to 8 years
Motor vehicles	3 to 5 years

(g) Inventories

Stock on Hand

Raw materials and finished goods are stated at the lower of cost or net realisable value. Cost is determined on a first in, first out basis, and, in the case of manufactured goods, includes direct materials, labour and production overheads.

Work in Progress

Work in Progress is stated at cost plus the surplus recognised to date, less amounts invoiced to customers. Costs include all expenses directly related to specific contracts and an allocation of general overhead expenses incurred.

Wholesale Seeds

Wholesale seeds inventory comprises costs of purchase and other direct costs incurred to bring the inventory to its present location and condition. Inventories include partially completed services rendered but not yet recognised as service revenue.

Livestock

Costs of livestock inventory being raised for export market comprises of costs of purchase and other direct costs incurred during their rearing.

(h) Receivables

Accounts receivable and finance receivables include accrued interest and are stated at estimated net realisable value after allowing for a provision for doubtful debts. Specific provisions are maintained to cover identified doubtful debts.

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

(i) Income Tax

The income tax expense charged in the Statement of Financial Performance is the estimated liability in respect to the net surplus, adjusted for permanent differences between accounting and tax rules.

This is the comprehensive basis for the calculation of deferred taxation under the liability method. Future income tax benefits attributable to timing difference are recognised in the financial statements only when there is virtual certainty of realisation.

The provision for current taxation is the estimated amount owing at balance date. Future taxation benefits attributable to timing differences are recognised in the financial statements only where there is a virtual certainty that the benefits of the timing differences will be utilised by the group. Where available, Group tax offsets are utilised.

(j) Intangible Assets

Goodwill

The excess of cost over the fair value of the net tangible and identified intangible assets of subsidiaries and associated entities is capitalised as goodwill on acquisition and amortised to the Statement of Financial Performance over the period during which benefits are expected to be derived but not exceeding 20 years.

Research and Development

The principal research and development activities are in the development of systems, processes and new seed cultivars.

Research expenditure on the development of new systems and processes is recognised in the Statement of Financial Performance as incurred. Development expenditure is recognised as an asset and is stated at cost and amortised on a straight line basis over the period of expected benefits, not exceeding 5 years.

Research and development expenditure on the development of new seed cultivars is recognised in the Statement of Financial Performance as incurred. Development costs of seed cultivars are in the main indistinguishable from the cultivar research costs.

(k) Leasing Commitments

Expenditure arising from operating lease commitments is expensed to earnings in the period incurred. Where the benefits expected to be derived are lower than the unavoidable costs of the lease, a provision is recognised.

(l) Financial Instruments

Off Balance Sheet exposures

The Group has entered into off-balance sheet interest rate hedging transactions and foreign exchange contracts for the purpose of reducing exposure to fluctuations in interest rates and foreign currencies. All off-balance sheet transactions are accounted for on a settlement basis. In respect of interest rate hedging transactions, the differential to be paid or received is accrued on a daily basis over the life of the transaction and is recognised as a component of interest expense over the same period as the underlying exposure. Financial instruments entered into with no underlying exposure are recorded on a mark-to-market basis.

Collateral

The group requires collateral in the form of both mortgages over real property and securities over stock and plant for the majority of advances made to clients.

CHANGES IN ACCOUNTING POLICIES

There have been no material changes in accounting policies applied by the company or group during the year, except for revaluing the investments held by the Parent company in its subsidiaries to net asset value. Previously, these investments were recorded at cost. This change was made to be consistent with the policy previously adopted by Wrightson Limited. The net effect has been to increase the value of non current assets in the Parent at 30 June 2006 by \$26.2 million and increase reserves by the same amount. There is no effect on the Group.

1 Operating Revenue	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Sales revenue	815,721	285,517	649,155	285,479
Interest revenue				
Finance receivables	31,100	20,903	13,370	12,044
Investments	825	528	825	528
	<u>31,925</u>	<u>21,431</u>	<u>14,195</u>	<u>12,572</u>
Dividend income				
Dividends - subsidiary companies	-	-	7,500	-
Dividends - associate companies	8	-	8	-
Dividends - other	616	127	616	127
	<u>624</u>	<u>127</u>	<u>8,124</u>	<u>127</u>
Total operating revenue	<u>848,270</u>	<u>307,075</u>	<u>671,474</u>	<u>298,178</u>
2 Equity Accounted Earnings of Associates				
Equity accounted earnings of associates				
Surplus before income tax	655	-		
Income tax	(216)	-		
Total recognised revenues and expenses	<u>439</u>	<u>-</u>		
3 Operating Surplus Before Interest and Taxation				
Operating expenses include:				
Rental and operating lease costs	12,730	4,521	11,244	4,521
Research and development costs	178	-	-	-
Depreciation				
Buildings	1,723	393	841	393
Plant and equipment	4,961	1,947	4,326	1,947
	<u>6,684</u>	<u>2,340</u>	<u>5,167</u>	<u>2,340</u>
Amortisation of intangible assets (note 3(a))				
Goodwill	10,582	1,665	10,479	1,665
Impairment of intangible assets	570	-	570	-
Interest incurred				
on clients' deposit and current accounts	14,241	5,405	6,864	5,405
on secured debenture stock	5,431	3,980	-	-
	<u>19,672</u>	<u>9,385</u>	<u>6,864</u>	<u>5,405</u>
Other restructuring costs (note 3(b))	8,836	-	8,836	-
Doubtful debts				
(Decrease)/increase in provision for doubtful debts	1,422	(2,044)	1,043	(1,859)
Bad debts written off	462	843	462	843
	<u>1,884</u>	<u>(1,201)</u>	<u>1,505</u>	<u>(1,016)</u>
Profit on sale of property - other (note 3(c))	(3,144)	(3,024)	(2,668)	(3,024)
Profit on sale of property - sale and leaseback	(8,794)	-	(6,495)	-
Gain on rationalisation of businesses restructured following merger	(3,971)	-	(3,971)	-
Foreign currency (profits)/losses	(1,075)	(387)	(698)	(387)
Auditors' remuneration - PricewaterhouseCoopers				
Audit fees	320	100	295	90
Taxation advice	-	47	-	47
Other assurance services	52	97	52	97
	<u>372</u>	<u>244</u>	<u>347</u>	<u>234</u>
Directors' fees	757	380	757	380
Donations	-	-	-	-

(a) Goodwill amortisation

The increase in amortisation of goodwill was created from the merger with Wrightson Limited.

(b) Other restructuring costs

In October 2005, PGG Wrightson Limited (formerly Pyne Gould Guinness Limited) merged with Wrightson Limited. These costs relate to the subsequent restructuring and integration of business operations in New Zealand.

The Irrigation and Pumping Business Unit was also restructured during the year.

(c) Profit on sale of property

During the year the Group sold surplus properties which resulted from the merger with Wrightson Limited.

	Group		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
4 Net Funding Expense				
Interest funding expense				
Bank loans and overdrafts	16,548	3,491	15,669	2,080
Hedging costs	24	-	-	-
	<u>16,572</u>	<u>3,491</u>	<u>15,669</u>	<u>2,080</u>
Interest funding revenue				
Money market deposits	367	-	-	-
Hedging gains	436	-	436	-
Attributed to fund finance operations	2,554	1,236	859	433
Amounts received from Group companies	-	-	1,950	803
	<u>3,357</u>	<u>1,236</u>	<u>3,245</u>	<u>1,236</u>
Net funding expense	<u>13,215</u>	<u>2,255</u>	<u>12,424</u>	<u>844</u>
5 Income Tax Expense				
Surplus before taxation	<u>37,283</u>	<u>24,770</u>	<u>14,367</u>	<u>21,215</u>
Taxation at 33 percent	12,303	8,174	4,741	7,001
Adjusted for:				
Non-deductible expenses	5,147	549	4,925	549
Exempt income	(7,294)	(937)	(7,368)	(937)
Other permanent differences	113	(58)	113	(58)
Taxation expense	<u>10,269</u>	<u>7,728</u>	<u>2,411</u>	<u>6,555</u>
The taxation expense consists of:				
Current taxation	4,925	6,891	(1,293)	5,779
Deferred taxation	5,347	837	3,680	776
Underprovision/(overprovision) prior year	(3)	-	24	-
	<u>10,269</u>	<u>7,728</u>	<u>2,411</u>	<u>6,555</u>

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
6 Imputation Credit Account				
Balance as at 1 July	17,369	16,077	12,550	12,367
Taxation paid	9,350	7,072	5,600	5,983
Imputation credits attached to dividends received	330	62	330	62
Transfers, refunds and adjustments	(713)	22	(764)	2
Imputation credits attached to dividends paid	(10,116)	(5,864)	(10,116)	(5,864)
Imputation credits attached to bonus issue	(12,070)	-	(12,070)	-
Imputation credits acquired as part of business combination	(2,144)	-	-	-
Balance as at 30 June	2,006	17,369	(4,470)	12,550

7 Share capital

	Group/Parent		Group/Parent	
	2006 \$000	2005 \$000	2006 No. shares	2005 No. shares
Balance as at 1 July	65,398	65,398	100,022,741	100,022,741
Shares issued - merger with Wrightson Limited	294,047	-	168,779,338	-
Bonus Issue	-	-	12,501,814	-
Balance as at 30 June	359,445	65,398	281,303,893	100,022,741

Net Tangible Assets per Share (Group)

\$ 0.41 \$ 0.97

All shares are ordinary fully paid shares, carry equal voting rights and share equally in any surplus on the winding up of the Company.

8 Employee Share Purchase Scheme

The Scheme

PGG Wrightson Limited Employee Share Purchase Scheme was established by PGG Wrightson Limited in 2006 to assist employees to become shareholders in the Parent. Every current New Zealand based permanent full-time employee and every permanent part-time employee who is normally employed or deemed to be employed for not less than twenty working hours in each week is eligible to participate in the scheme.

Fully paid ordinary shares in PGG Wrightson Limited are offered, from time to time, for purchase by each eligible employee. There are two options for paying for the shares, either an interest free loan or cash payment. The interest free loan is for a term of three years and repayments are automatically deducted from employees salaries and wages.

There is a three year restrictive period applicable to shares purchased. This period commences on the date on which shares are purchased by the employees. During the restrictive period, the shares bought by the employees are registered in the name of the Trustee of the scheme and held by them on the employees behalf. At the end of the restrictive period, once any loan from the Trustee has been repaid in full, the shares are transferred to the employees. Employees are eligible for any dividends paid, or other distributions made by the Company to the holders of its ordinary shares during the restrictive period. Any voting rights attached to shares held by the Trustees shall, unless the Company otherwise determines, be exercised by the Trustees in such manner as they, in their absolute discretion, think fit.

The Trustees shall from time to time at the direction of the Company acquire shares by subscription, purchase or otherwise which are to be held by the Trustees for the purposes of the scheme and/or for the benefit of eligible employees.

For shares issued to the Trust, the issue price is based on the market price of the shares quoted on the New Zealand Stock Exchange at the date of issue.

Shares held by the Scheme

The plan held the following ordinary shares at the end of the year:

	2006 \$000	2005 \$000
Ordinary shares		
Allocated to employees (fully paid)	654	-
Not yet allocated to employees	1	-
Percentage of total ordinary shares	0.23%	0%

All shares held by the Scheme that are fully paid carry full voting rights. The Scheme acquired 655,758 shares during the year at an average price of \$2.27 per share.

Control of the Scheme

MC Norgate, JB McConnon, AW Baylis and BJ Jolliffe, all directors of PGG Wrightson Limited are Trustees of the Scheme. As such, they have non-beneficial control of the shares in the Scheme not yet allocated to employees and, if the shares have voting rights, the Trustees are entitled to exercise that voting power. The Trustees are appointed by the Company's Board of Directors.

Financial Commitments

	2006 \$000	2005 \$000
Advances from PGG Wrightson Limited	1,438	-

Advances from PGG Wrightson Limited are interest free and are payable on demand. There are no advances to the Trust from external sources.

At balance date no shares (2005: nil) had been pledged to external financial institutions as security.

9 Retained Earnings

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Balance as at 1 July	40,551	37,567	29,955	29,353
Net surplus after taxation for the year	26,869	17,042	11,926	14,660
Transfer to realised capital reserves	(8,425)	(2,055)	(8,425)	(2,055)
Less dividend distributions	(21,259)	(12,003)	(21,259)	(12,003)
Opening minority interest from business combination	(330)	-	-	-
Other movements arising from business combination	(453)	-	(7)	-
Balance as at 30 June	<u>36,953</u>	<u>40,551</u>	<u>12,190</u>	<u>29,955</u>

10 Other Reserves

(a) Foreign currency translation reserve

Balance as at 1 July	-	-	-	-
Movements during the year	<u>1,756</u>	-	-	-
Balance as at 30 June	<u>1,756</u>	-	-	-

(b) Subsidiary companies investment revaluation reserve

Balance as at 1 July	-	-	-	-
Revaluation of investments	-	-	<u>26,160</u>	-
Balance as at 30 June	-	-	<u>26,160</u>	-

(c) Realised capital reserve

Balance as at 1 July	7,931	5,876	7,931	5,876
Transfer from retained earnings	8,425	2,055	8,425	2,055
Balance as at 30 June	<u>16,356</u>	<u>7,931</u>	<u>16,356</u>	<u>7,931</u>

Total other reserves

	<u>18,112</u>	<u>7,931</u>	<u>42,516</u>	<u>7,931</u>
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11 Current Finance Liabilities

Client unsecured deposit and current accounts	110,039	98,099	2,729	98,099
Secured debenture stock (note 14(a))	<u>79,049</u>	<u>59,488</u>	-	-
	<u>189,088</u>	<u>157,587</u>	<u>2,729</u>	<u>98,099</u>

12 Trade Creditors and Other

Trade creditors	121,547	25,478	98,736	25,478
Payable to Directors - retirement allowances	384	414	384	414
Accruals and other liabilities	35,937	6,529	24,231	6,224
Employee entitlements	13,555	5,422	12,247	5,422
Provisions (note 16)	15,080	-	14,279	-
Amounts owing to subsidiaries	-	-	<u>10,963</u>	-
	<u>186,503</u>	<u>37,843</u>	<u>160,840</u>	<u>37,538</u>

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
13 Bank Overdrafts and Term Borrowings				
The Parent company has bank facilities of \$309.0 million (2005: \$53.3 million). The Company has entered into a deed of negative pledge, guarantee and undertaking.				
Bank overdraft facilities:	11,000	100	11,000	-
Bank loan facilities:				
Expire within:				
One year	298,000	88,280	298,000	53,280
Total lines of credit	<u>309,000</u>	<u>88,380</u>	<u>309,000</u>	<u>53,280</u>
Utilised:				
Bank overdraft and loans	<u>253,210</u>	<u>46,538</u>	<u>286,997</u>	<u>11,589</u>
Unutilised	<u>55,790</u>	<u>41,842</u>	<u>22,003</u>	<u>41,691</u>

14 Non Current Finance Liabilities

Secured debenture stock (note 14(a))	20,122	10,809	-	-
Bonds (note 14(b))	<u>45,216</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>65,338</u>	<u>10,809</u>	<u>-</u>	<u>-</u>

(a) Secured debenture stock

Both current and non-current secured debenture stock consist of fixed interest debt securities which are of equal ranking and are secured by a first ranking security interest over all the assets of PGG Wrightson Finance Limited.

Due within:				
Within one year	79,049	59,488	-	-
Between one and two years	10,175	8,899	-	-
Between two and three years	8,997	1,190	-	-
Between three and five years	<u>950</u>	<u>720</u>	<u>-</u>	<u>-</u>
	<u>99,171</u>	<u>70,297</u>	<u>-</u>	<u>-</u>

(b) Bonds

PGG Wrightson Finance Limited has issued Bonds of \$45.2 million (2005: \$45.2 million) to the public and institutional investors, which are secured by security stock issued to the Trustees for Bondholders.

Bonds comprise:	Outstanding \$000	Coupon Interest rate	Maturity
Wrightson Finance Limited 2009	20,000	8.25%	20 May 2009
Wrightson Finance Limited 2010	25,216	8.50%	20 May 2010

Both bonds are senior secured, ranking pari passu with secured deposits and bank funding with a 5% limitation on prior security. Interest is paid quarterly.

15 Other Non Current Liabilities

Bank mortgages - secured (note 15(a))	<u>14,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
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(a) Bank mortgages

The bank mortgages are secured over Group properties and are repayable in 2010.

16 Provisions

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Loyalty reward programme (note 16(a))	2,705	-	2,705	-
Restructuring (note 16(b))	12,375	-	11,574	-
	<u>15,080</u>	<u>-</u>	<u>14,279</u>	<u>-</u>
(a) Provision for loyalty reward programme				
Balance as at 1 July	-	-	-	-
Acquired as part of business combination	2,862	-	2,862	-
Additional provision made	1,139	-	1,139	-
Amount utilised	(1,296)	-	(1,296)	-
Balance as at 30 June	<u>2,705</u>	<u>-</u>	<u>2,705</u>	<u>-</u>

The PGG Wrightson Loyalty Reward Programme is run in conjunction with the co-branded American Express card. A provision is retained for the expected level of points redemption.

(b) Provision for restructuring

Balance as at 1 July	-	-	-	-
Acquired as part of business combination	34,089	-	33,193	-
Amount utilised	(21,714)	-	(21,619)	-
Balance as at 30 June	<u>12,375</u>	<u>-</u>	<u>11,574</u>	<u>-</u>

The merger of Wrightson Limited and PGG Wrightson Limited (formerly Pyne Gould Guinness Limited) in October 2005, resulted in the restructuring of the Group's operations. The amount provided for has been determined from an analysis of the restructuring plans and its impacts on the Group's operations.

Due to restructuring of activities, the Group no longer occupies facilities which are subject to non-cancellable leases. Facilities are sublet where possible. For empty premises, and where subleased rental income is less than the rental expense being incurred, the net obligation under the lease agreement has been provided for and is included in the provision for restructuring. The lease liability will be incurred through to 2014.

17 Finance Receivables

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Finance receivables	236,013	132,219	-	97,026
Less provision for doubtful debts (note 17(a))	(2,092)	(1,441)	-	(1,441)
	<u>233,921</u>	<u>130,778</u>	<u>-</u>	<u>95,585</u>

(a) Analysis of movements in provision for doubtful debts

Specific provision

Balance as at 1 July	(1,341)	(2,749)	(1,341)	(2,749)
Specific provision written off	149	617	149	617
Specific provision acquired as part of business combination	(1,506)	-	(1,091)	-
Specific provision transferred to subsidiary	-	-	1,298	-
Change in specific provision	(2,053)	791	(1,674)	791
Balance as at 30 June	<u>(4,751)</u>	<u>(1,341)</u>	<u>(2,659)</u>	<u>(1,341)</u>

General provision

Balance as at 1 July	(100)	(1,160)	(100)	(975)
General provision acquired as part of business combination	(800)	-	(800)	-
Change in general provision	631	1,060	631	875
Balance as at 30 June	<u>(269)</u>	<u>(100)</u>	<u>(269)</u>	<u>(100)</u>

Total provision for doubtful debts	<u>(5,020)</u>	<u>(1,441)</u>	<u>(2,928)</u>	<u>(1,441)</u>
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Consists of:

Provision against finance receivables	(2,092)	(1,441)	-	(1,441)
Provision against accounts receivables	(2,928)	-	(2,928)	-
	<u>(5,020)</u>	<u>(1,441)</u>	<u>(2,928)</u>	<u>(1,441)</u>

18 Inventories

Merchandise/finished goods	146,496	39,334	73,264	39,334
Raw materials and work in progress	3,641	4,110	3,641	4,110
Total inventories	<u>150,137</u>	<u>43,444</u>	<u>76,905</u>	<u>43,444</u>

Certain inventories are subject to restriction of title as per the Personal Property Securities Act 1999.

19 Trade Debtors and Other

Accounts receivable	200,018	55,276	158,915	55,277
Less provision for doubtful debts (note 17(a))	(2,928)	-	(2,928)	-
Other receivables and prepayments	22,259	6,549	17,105	6,078
Income tax refundable	12,265	1,327	8,443	1,350
Amounts owing from subsidiaries	-	-	116,731	1,196
Amounts owing from associate companies	373	5,050	373	5,050
Amounts owing from other companies	418	-	418	-
	<u>232,405</u>	<u>68,202</u>	<u>299,057</u>	<u>68,951</u>

20 Goodwill

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cost	303,432	20,948	296,471	20,948
Impairment	(570)	-	(570)	-
Accumulated amortisation	(16,585)	(5,980)	(15,928)	(5,980)
	<u>286,277</u>	<u>14,968</u>	<u>279,973</u>	<u>14,968</u>
Balance as at 1 July	14,968	16,303	14,968	16,303
Goodwill arising on acquisitions	211,160	330	209,818	330
Acquired as part of business combination	71,301	-	66,236	-
Amortisation	(10,582)	(1,665)	(10,479)	(1,665)
Impairment	(570)	-	(570)	-
Balance as at 30 June	<u>286,277</u>	<u>14,968</u>	<u>279,973</u>	<u>14,968</u>

21 Property, Plant and Equipment

Cost and revaluation				
Land at cost	32,484	3,357	17,861	3,357
Land at valuation	170	316	170	316
Buildings at cost	27,343	14,191	18,569	14,191
Buildings at valuation	324	1,058	324	1,058
Plant and equipment at cost	72,653	15,742	48,095	15,742
Capital works in progress	3,759	1,399	3,477	1,399
Total cost and revaluation	<u>136,733</u>	<u>36,063</u>	<u>88,496</u>	<u>36,063</u>
Accumulated depreciation				
Buildings	3,665	3,474	3,060	3,474
Plant and equipment	46,700	11,175	34,583	11,175
Total accumulated depreciation	<u>50,365</u>	<u>14,649</u>	<u>37,643</u>	<u>14,649</u>
Net book value				
Land	32,654	3,673	18,031	3,673
Buildings	24,002	11,775	15,833	11,775
Plant and equipment	25,953	4,567	13,512	4,567
Capital works in progress	3,759	1,399	3,477	1,399
Total net book value	<u>86,368</u>	<u>21,414</u>	<u>50,853</u>	<u>21,414</u>

The group properties stated at valuation are at 1985 to 1987 valuations, plus additions at cost, less depreciation. The latest valuations from Quotable Value New Zealand of land and buildings total \$62 million.

22 Other Non Current Assets

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Investments (note 22(a))	24,490	890	145,549	4,582
Deferred taxation benefit (note 22(b))	14,538	1,566	12,380	1,566
	<u>39,028</u>	<u>2,456</u>	<u>157,929</u>	<u>6,148</u>
(a) Investments				
Investments in subsidiaries (i)	-	-	124,121	3,705
Investments in associate companies (ii)	2,932	116	2,459	500
Other investments (iii)	21,558	774	18,969	377
Total investments	<u>24,490</u>	<u>890</u>	<u>145,549</u>	<u>4,582</u>

(i) Subsidiaries

The principal subsidiary company details are as follows:

- (a) The following principal subsidiary companies are wholly owned and have a 30 June balance date:

Name of entity	Principal activities
Agricom Limited	Proprietary seeds
Agriculture New Zealand Limited	Training
Agri-feeds Limited	Stock feed
New Zealand Wool Handlers Limited	Wool Logistics
PGG Wrightson Finance Limited (formerly Wrightson Finance Limited)	Finance
PGG Wrightson Investments Limited	Investment
Wrightson Seeds (Australia) Pty Limited	Seeds
Wrightson Seeds Limited	Seeds

New Zealand Wool Handlers Limited became a wholly owned subsidiary on 7 October 2005 upon the merger with Wrightson Limited. Consequently the results are equity accounted to that date.

PGG Finance Limited was amalgamated into PGG Wrightson Finance Limited (formerly Wrightson Finance Limited) on 31 March 2006. On 30 June 2006 the finance receivables, client deposits and client current accounts which were previously recorded in the Parent were transferred to this subsidiary.

Wrightson Seeds (Australia) Pty Limited was incorporated in Australia.

- (b) The subsidiary company Wrightson PAS is a Uruguayan company, owned by PGG Wrightson Investments Limited. Wrightson PAS has a 30 November balance date and is involved in seed operations including facilitating the sales and service of New Zealand seed in Uruguay.
- (c) The operating surplus after income tax of the subsidiaries Agricom Limited and New Zealand Wool Handlers Limited acquired in 2006 to 30 June 2006 was \$5.6 million.

(ii) Associates

In addition to the associate investments listed below, investments in associate companies comprise primarily of shareholdings in saleyard companies, the market value of which is difficult to determine. The Directors are of the view that, with the exception of the following investments, the value of these interests are individually immaterial.

The New Zealand Merino Company Limited - 50% shareholding.

Investment book value 30 June 2006 \$2,458,961 (2005: Nil)

The company is involved in the processing and marketing of merino wool.

	Group	
	2006	2005
	\$000	\$000
Carrying amount of associates		
Balance as at 1 July	116	116
Acquired as part of a business combination	1,394	-
New investments	1,099	-
Equity accounted earnings of associates	439	-
Associate becoming a subsidiary	(116)	-
Balance as at 30 June	<u>2,932</u>	<u>116</u>

(iii) Other investments

Other investments include shareholding in other listed companies. The market values of these investments were not materially different from cost as at 30 June 2006 and 2005.

	Group		Parent	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000
(b) Deferred taxation benefit				
Balance as at 1 July	1,566	2,403	1,566	2,342
Current year (charges)	(5,347)	(837)	(3,680)	(776)
Transferred to subsidiary	-	-	(428)	-
Acquired as part of business combination	18,319	-	14,922	-
Balance as at 30 June	<u>14,538</u>	<u>1,566</u>	<u>12,380</u>	<u>1,566</u>

23 Merger with Wrightson Limited

On 7 October 2005 PGG Wrightson Limited (formerly Pyne Gould Guinness Limited) acquired all the issued share capital of Wrightson Limited by issuing 168,779,338 shares to ex Wrightson Limited shareholders. Under the purchase, PGG Wrightson Limited took control of the assets and assumed responsibility for the liabilities of Wrightson Limited. Wrightson Limited was amalgamated into PGG Wrightson Limited on 7 October 2005.

The effect of the merger on the Parent and Group at 7 October 2005 was:

	Group \$000	Parent \$000
Inventories	92,651	60,603
Future income tax benefit	18,319	14,922
Income tax refund due	1,325	2,366
Property, plant and equipment	73,828	55,307
Investment in subsidiaries	-	84,715
Investment in associates and other companies	22,867	20,443
Trade and sundry debtors	168,467	140,170
Finance receivables	63,439	1,611
Intangible assets	68,678	66,417
Owing by associates	5,533	5,533
	<u>515,107</u>	<u>452,087</u>
less		
Clients' unsecured deposit and current accounts	64,796	2,316
Bank overdraft and short term borrowings	150,272	160,609
Payables and accruals	202,169	166,101
Owing to subsidiaries	-	25,607
Minority interest	416	-
	<u>97,454</u>	<u>97,454</u>
Net Assets	<u>97,454</u>	<u>97,454</u>
Purchase Price	<u>295,263</u>	<u>295,263</u>
Goodwill on merger	<u>197,809</u>	<u>197,809</u>

The effect on the Group arose from the merger and the effect on the Parent arose from amalgamation.

24 Acquisition of subsidiary

Agricom Limited

On 1 July 2005 the company purchased 100% of the share capital of the proprietary seed company Agricom Limited and its subsidiary company Agri Pro Seeds Limited.

The consideration for the purchase was cash \$13,292,175 (of which \$2,000,000 was paid by 30 June 2005).

The increase in each class of identifiable assets and liabilities to be recognised in the Group as a result of the acquisition is:

	Group \$000
Inventories	4,502
Property, Plant and Equipment	6,021
Investments	52
Debtors	2,746
Brands	3,600
	<u>16,921</u>
less	
Bank Borrowings	11,892
Creditors	3,746
	<u>15,638</u>
Net Assets	<u>1,283</u>
Purchase Price	<u>13,292</u>
Goodwill on acquisition	<u>12,009</u>

25 Comparison to prospective financial information

The following is the comparison of consolidated actual financial information to the prospective financial information previously published to shareholders, in the Investment Statement and Prospectus dated 31 August 2005, which was prior to the merger of PGG Wrightson Limited (formerly Pyne Gould Guinness Limited) and Wrightson Limited.

Consolidated Statement of Financial Performance

For the year ended 30 June 2006

	Actual	Group Prospective	Difference
	\$000	\$000	\$000
Operating revenue	848,270	912,000	(63,730)
Operating surplus before goodwill amortisation	47,865	58,000	(10,135)
Goodwill amortisation	(10,582)	(9,000)	(1,582)
Net surplus before taxation	37,283	49,000	(11,717)
Income tax expense	(10,269)	(19,000)	8,731
Net surplus	27,014	30,000	(2,986)

Consolidated Statement of Financial Position

As at 30 June 2006

	Actual	Group	Difference
	\$000	Prospective	\$000
		\$000	\$000
EQUITY			
Share capital	359,445	360,000	(555)
Retained earnings and reserves	55,583	57,000	(1,417)
TOTAL EQUITY	415,028	417,000	(1,972)
Represented by:			
Current assets	616,463	605,000	11,463
Non current assets	507,695	462,000	45,695
TOTAL ASSETS	1,124,158	1,067,000	57,158
TOTAL LIABILITIES	709,130	650,000	59,130
NET ASSETS	415,028	417,000	(1,972)

Consolidated Statement of Cash Flows

For the year ended 30 June 2006

Net cash flows from operating activities	12,419	29,000	(16,581)
Net cash flows from investing activities *	(223,323)	(175,000)	(48,323)
Net cash flows from financing activities	4,232	8,000	(3,768)
Ending cash carried forward/(overdraft)	(253,210)	(211,000)	(42,210)

* The net cash acquired on the acquisition of Wrightson Limited has been added to the actual cash flows from investing activities in order to align the accounting treatment with that in the Prospectus and prospective financial information.

Explanations for major variances are as follows:

The financial result reflects trading conditions that were materially less favourable than those prevailing at the time of the merger between Pyne Gould Guinness Limited and Wrightson Limited in October 2005. The Livestock, Rural Supplies and Seeds & Grain businesses were most affected by trading conditions. Livestock trading was lower than expected in Spring and Summer, as benign weather conditions and reduced prices encouraged farmers to retain stock for finishing rather than send them for trading or slaughter. Sheep and beef farmer net incomes fell almost 30 percent for the financial year, reflecting the impact of commodity prices and a relatively high New Zealand dollar. This had a significant impact on investment in farming inputs through Rural Supplies. Though the proprietary seeds business achieved its performance targets for New Zealand, earnings in international markets were reduced by New Zealand dollar exchange rates, and in Australia by climatic conditions. Earnings from the trading and multiplication businesses were reduced by the impact of exchange rates on international sales.

Impacting favourably on the result are approximately \$12 million of gains generated from the sale of surplus properties and various Rural Supplies stores, and approximately \$4 million in gains generated from business rationalisations in the year that were not projected at the time of the merger. The tax free nature of these profits has resulted in a lower than projected effective tax rate.

The variance in financial position has been materially impacted by above business conditions and the resultant impact on working capital, together with differences in accounting treatments for the merger. The overall cash position has been adversely impacted by increased finance advances, which has also caused the variance from investing activities.

26 Financial Instruments

(A) Nature of activities and management policies with respect to financial instruments

All activities and management policies with respect to financial instruments are carried out in accordance with treasury policies approved by the Board of Directors.

(i) Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. It is the Group's policy to hedge foreign currency risks as they arise. In some circumstances foreign exchange options are used to hedge potential foreign exchange risk. The Group uses forward, spot foreign exchange contracts and foreign exchange options to manage these exposures.

The notional contract amounts of forward foreign exchange transactions outstanding at balance date are \$31.5 million (2005: \$1.2 million) for the Group and \$3.7 million (2005: \$1.2 million) for the Parent. The cash settlement requirements of these contracts approximates the notional contract amount shown above.

The translation of independent foreign operations into the Group financial statements is not hedged, apart from the seasonal working capital exposure to Wrightson Seeds Australia which is hedged with foreign exchange contracts.

(ii) Interest rate risk

Floating rate borrowings are used for general funding activities. Interest rate swaps, interest rate options and forward rate agreements are used to hedge the floating rate exposure as deemed appropriate.

The Group had \$162.8 million (Parent: \$90.0 million) of interest rate contracts at 30 June 2006 (2005: Nil).

(iii) Liquidity risk

Liquidity risk arises from not having enough cash to meet financial obligations. This risk is managed by:

- ensuring any shortfall between maturing assets and liabilities is covered by committed undrawn credit facilities; and
- forecasting trend, seasonal and potential cyclical liquidity requirements.

(iv) Credit risk

In the normal course of business the group incurs credit risk from financial institutions, trade debtors and advances to clients. The group has a credit policy which is used to manage this exposure to credit risk. As part of this policy, limits on exposure have been set and are monitored on a regular basis. The group requires collateral in the form of both mortgages over real property and general security agreements over stock and plant for the majority of advances made to clients.

(a) Maximum exposures to credit risk as at balance date are

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Finance Receivables	329,943	216,172	-	95,585
Trade Debtors and Other Receivables	232,405	68,202	299,057	68,951
Interest rate swaps	254,416	-	135,000	-

(b) Concentrations of credit risk

Financial instruments which potentially subject the group to concentrations of credit risk principally consist of bank balances, advances, trade debtors, and interest rate forward agreements. The group places its cash and short term investments with the major trading banks. Concentrations of credit risk with respect to advances are limited due to the large number of customers included in the group's farming customer base in New Zealand.

(B) Fair value

The fair value of the following financial instruments materially differ from their carrying values shown in the Statement of Financial Position.

	Group			
	2006 Carrying Value \$000	2006 Fair Value \$000	2005 Carrying Value \$000	2005 Fair Value \$000
Assets:				
Forward foreign exchange contracts	-	(976)	-	1,621
Foreign exchange options	-	(372)	-	-
Interest rate swaps	-	(412)	-	-
	Parent			
Assets:				
Forward foreign exchange contracts	-	(361)	-	1,621
Foreign exchange options	-	-	-	-
Interest rate swaps	-	206	-	-

The fair value of foreign exchange contracts, interest rate options and interest rate swaps is based on quoted market price.

All other financial instruments except finance receivables are carried at fair value. The fair value of finance receivables cannot be determined with an acceptable level of reliability within the constraints of timeliness and cost, because it is not practicable to consider all relevant factors to determine a fair value for each of them.

(C) Repricing analysis

The following tables identify the weighted average interest rate of the financial assets and liabilities of the Group and Parent and their maturity periods.

Group 2006	Weighted Average Interest Rate %	Total \$000	Up to 12 months \$000	1 to 2 years \$000	Over 2 years \$000	Non-Interest Bearing \$000
Assets						
Accounts receivable	0.00%	200,018	-	-	-	200,018
Other receivables	0.00%	22,259	-	-	-	22,259
Finance receivables	10.86%	329,943	233,921	23,784	72,238	-
Amounts owing from other companies	0.00%	791	791	-	-	-
		<u>553,011</u>	<u>234,712</u>	<u>23,784</u>	<u>72,238</u>	<u>222,277</u>
Liabilities						
Bank overdrafts	7.20%	253,210	253,210	-	-	-
Trade Creditors and accruals	0.00%	186,503	-	-	-	186,503
Client deposits	7.08%	110,039	110,039	-	-	-
Secured debenture stock	7.10%	99,171	79,049	10,175	9,947	-
Bonds	8.39%	45,216	-	-	45,216	-
Bank mortgages	5.81%	14,991	-	-	-	14,991
		<u>709,130</u>	<u>442,298</u>	<u>10,175</u>	<u>55,163</u>	<u>201,494</u>
Net on-balance sheet financial position		<u>(156,119)</u>	<u>(207,586)</u>	<u>13,609</u>	<u>17,075</u>	<u>20,783</u>
Off-balance sheet financial instruments						
Interest rate swaps		-	(39,116)	9,800	29,316	-
Total off-balance sheet financial instruments		<u>-</u>	<u>(39,116)</u>	<u>9,800</u>	<u>29,316</u>	<u>-</u>
Net repricing profile		<u>(156,119)</u>	<u>(246,702)</u>	<u>23,409</u>	<u>46,391</u>	<u>20,783</u>

Group 2005	Weighted	Total \$000	Up to 12 months \$000	1 to 2 years \$000	Over 2 years \$000	Non-Interest
	Average Interest Rate %					Bearing \$000
Assets						
Accounts receivable	0.00%	55,276	-	-	-	55,276
Other receivables	0.00%	6,549	-	-	-	6,549
Finance receivables	9.15%	216,173	130,778	29,211	56,184	-
Amounts owing from associate companies	6.89%	5,050	5,050	-	-	-
		<u>283,048</u>	<u>135,828</u>	<u>29,211</u>	<u>56,184</u>	<u>61,825</u>
Liabilities						
Bank overdrafts	6.89%	46,538	46,538	-	-	-
Trade Creditors	0.00%	25,478	-	-	-	25,478
Client deposits	4.75%	98,099	98,099	-	-	-
Secured debenture stock	6.63%	70,297	59,488	8,899	1,910	-
Other liabilities	0.00%	12,365	-	-	-	12,365
		<u>252,777</u>	<u>204,125</u>	<u>8,899</u>	<u>1,910</u>	<u>37,843</u>
Net on-balance sheet financial position and net repricing profile		<u>30,271</u>	<u>(68,297)</u>	<u>20,312</u>	<u>54,274</u>	<u>23,982</u>
Parent 2006						
Parent 2006	Weighted	Total \$000	Up to 12 months \$000	1 to 2 years \$000	Over 2 years \$000	Non-Interest
	Average Interest Rate %					Bearing \$000
Assets						
Accounts receivable	0.00%	155,987	-	-	-	155,987
Other receivables	0.00%	17,105	-	-	-	17,105
Finance receivables	0.00%	-	-	-	-	-
Amounts owing from subsidiaries	7.20%	116,731	116,731	-	-	-
Amounts owing from other companies	0.00%	791	791	-	-	-
		<u>290,614</u>	<u>117,522</u>	<u>-</u>	<u>-</u>	<u>173,092</u>
Liabilities						
Bank overdrafts	7.20%	286,997	286,997	-	-	-
Trade Creditors	0.00%	98,736	-	-	-	98,736
Client deposits	0.00%	2,729	2,729	-	-	-
Other liabilities	0.00%	62,104	-	-	-	62,104
		<u>450,566</u>	<u>289,726</u>	<u>-</u>	<u>-</u>	<u>160,840</u>
Net on-balance sheet financial position		<u>(159,952)</u>	<u>(172,204)</u>	<u>-</u>	<u>-</u>	<u>12,252</u>
Off-balance sheet financial instrument						
Interest rate swaps		-	24,000	(13,000)	(11,000)	-
Total off-balance sheet financial instruments		<u>-</u>	<u>24,000</u>	<u>(13,000)</u>	<u>(11,000)</u>	<u>-</u>
Net repricing profile		<u>(159,952)</u>	<u>(148,204)</u>	<u>(13,000)</u>	<u>(11,000)</u>	<u>12,252</u>

Parent 2005	Weighted Average Interest Rate %	Total \$000	Up to 12 months \$000	1 to 2 years \$000	Over 2 years \$000	Non-Interest
						Bearing \$000
Assets						
Accounts receivable	0.00%	55,277	-	-	-	55,277
Other receivables	0.00%	6,078	-	-	-	6,078
Finance receivables	12.33%	95,585	95,585	-	-	-
Amounts owing from subsidiaries	7.17%	1,196	1,196	-	-	-
Amounts owing from associates	6.89%	5,050	5,050	-	-	-
		<u>163,186</u>	<u>101,831</u>	<u>-</u>	<u>-</u>	<u>61,355</u>
Liabilities						
Bank overdrafts	6.89%	11,589	11,589	-	-	-
Trade creditors	0.00%	25,478	-	-	-	25,478
Client deposits	4.75%	98,099	98,099	-	-	-
Other liabilities	0.00%	12,060	-	-	-	12,060
		<u>147,226</u>	<u>109,688</u>	<u>-</u>	<u>-</u>	<u>37,538</u>
Net on-balance sheet financial position and net repricing profile		<u>15,960</u>	<u>(7,857)</u>	<u>-</u>	<u>-</u>	<u>23,817</u>

27 Reconciliation of Surplus After Taxation With Net Cash Flow from Operating Activities

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Surplus after taxation	27,014	17,042	11,926	14,660
Add/(deduct) non-cash items:				
Depreciation	6,684	2,340	5,167	2,340
Intangibles amortisation and impairment	11,152	1,665	11,049	1,665
Net (profit) on sale of assets/shares	(11,938)	(3,024)	(9,163)	(3,024)
Bad debts written off (net)	462	843	462	843
Increase/(decrease) in provision for doubtful debts	1,422	(2,044)	1,043	(1,859)
(Increase)/decrease in deferred taxation	5,502	837	3,709	776
Equity accounted (earnings) from associates	(439)	-	-	-
	<u>12,845</u>	<u>617</u>	<u>12,267</u>	<u>741</u>
Add/(deduct) movement in working capital items:				
(Increase)/decrease in inventories	(9,540)	(1,549)	11,157	(1,549)
(Increase)/decrease in accounts receivable and prepayments	17,405	(6,437)	30,143	(6,217)
Increase/(decrease) in trade creditors, provisions and accruals	(23,025)	(1,206)	(19,636)	(1,312)
Increase/(decrease) in income tax payable/receivable	(12,280)	(908)	(3,260)	(912)
	<u>(27,440)</u>	<u>(10,100)</u>	<u>18,404</u>	<u>(9,990)</u>
Net cash flow from operating activities	<u>12,419</u>	<u>7,559</u>	<u>42,597</u>	<u>5,411</u>

28 Commitments

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
There are commitments in respect of:				
Capital expenditure not provided for	3,887	651	2,347	651
Investment in BioPacificVentures (i)	<u>11,672</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>15,559</u>	<u>651</u>	<u>2,347</u>	<u>651</u>

(i) Investment in BioPacificVentures

The Group has committed \$14 million to a new international fund established for investment in food and agriculture life sciences. PGG Wrightson's investment in BioPacificVentures will be made over approximately six years. The investment has an anticipated total lifespan of 12 years. There have been drawdowns of \$2.3 million on the committed level of investment to 30 June 2006 (2005: Nil), which is included in other investments.

29 Contingent Liabilities

There are contingent liabilities in respect of:

Guarantees (i)	15,969	106,948	15,969	106,948
PGG Wrightson Loyalty Reward Programme (ii)	854	-	854	-
Discounted export bills (iii)	<u>132</u>	<u>469</u>	<u>132</u>	<u>469</u>
	<u>16,955</u>	<u>107,417</u>	<u>16,955</u>	<u>107,417</u>

(i) Guarantees

The guarantees are provided to the banks for subsidiary company borrowings and to other various third parties. The guarantees previously provided by the Parent over subsidiary company borrowings ceased during 2006.

(ii) PGG Wrightson Loyalty Reward Programme

The PGG Wrightson Loyalty Reward Programme is run in conjunction with the co-branded American Express card. A provision is retained for the expected level of points redemption. The contingent liability represents the balance of live points that are not provided for.

(iii) Discounted export bills

PGG Wrightson have discounted export bills with the bank.

(iv) Retirement Plans

PGG Wrightson Limited has a contingent liability to maintain actuarial soundness of the Wrightson Retirement Plan in terms of a Trust Deed dated 2 October 1995. A triennial review of the fund is completed by an independent actuary with the last review completed for the period ended 30 June 2005. The deficit identified from this review has been recorded as a liability at 30 June 2006.

PGG Wrightson Limited has also guaranteed the pension obligations of the W&K Employee Benefits Plan. The last triennial valuation completed by the plan's independent actuary as at 31 March 2005 reported that W&K Employee Benefits Plan was in a strong financial position, with investment assets significantly in excess of both the current and projected pension liabilities.

No losses are expected to arise from these contingent liabilities.

30 Operating Lease Commitments

The expected future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms at balance date are as follows:

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Within one year	13,232	1,957	12,209	1,957
One to two years	8,959	843	8,531	843
Two to five years	15,077	1,170	14,400	1,170
Beyond five years	<u>23,519</u>	<u>1,147</u>	<u>23,519</u>	<u>1,147</u>
	<u>60,787</u>	<u>5,117</u>	<u>58,659</u>	<u>5,117</u>

31 Amounts Owing to/from Directors

Some directors use the Wrightson American Express credit card facility and/or have farming interests where they enter into transactions with the Group in the normal course of business for those farming operations. Deposits includes amounts deposited by directors and associated family interests on normal commercial terms. These transactions are not material to the Group or Parent.

32 Related Parties

Types of related party transactions

The Parent company has entered into certain transactions with its subsidiaries. The types and values of transactions and balances are disclosed in notes 1,4,12,13,19 and 22.

33 Segment Information

(a) Industry segments

The Group operates in the following industry segments, its primary business being the supply of products and services to the rural industry.

- Rural Services, including;
 - Real estate and insurance services
 - Rural merchandise
 - Farm consultancy
 - Irrigation and pumping services
 - Livestock marketing and supply
 - Wool procurement, warehousing, marketing and export
- Supply of seeds, grains and feed supplements
- Farm finance

The Seed and Grain industry segment was not material in the prior year and was therefore not separately disclosed. Following the acquisition of Wrightson Ltd, this segment is now material to the group.

	Industry		Consolidated	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue derived from outside the Group				
Rural Services	646,635	284,898		
Seed and Grain	170,222	-		
Farm Finance	31,852	22,177		
Inter-segment revenue (eliminated on consolidation)				
Rural Services	-	-		
Seed and Grain	45,262	-		
Farm Finance	-	-		
Total revenue			848,709	307,075
Segment net surplus				
Rural Services	24,299	16,310		
Seed and Grain	8,869	-		
Farm Finance	4,115	8,460		
Total net surplus			37,283	24,770
Segment assets				
Rural Services	681,925	150,484		
Seed and Grain	110,099	-		
Farm Finance	332,134	216,173		
Total assets			1,124,158	366,657

(b) Geographic segments

The Group operates predominantly in New Zealand, with one business unit in Australia and three business units in Uruguay. The Uruguayan entities represent less than 5% of Group revenue. The Australian business unit facilitates the export sales and services of New Zealand operations in addition to their own seed trading operations. Inter-segment pricing is determined on an arm's length basis.

	Region		Consolidated	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Revenue derived from outside the Group				
New Zealand	803,447	299,413		
Australia	45,262	7,662		
Inter-segment revenue (eliminated on consolidation)				
New Zealand	42,532	-		
Australia	266	-		
Total revenue			848,709	307,075
Segment net surplus				
New Zealand	31,412	23,628		
Australia	5,871	1,142		
Total net surplus			37,283	24,770
Segment assets				
New Zealand	1,099,672	364,069		
Australia	24,486	2,588		
Total assets			1,124,158	366,657

34 Adoption of New Zealand Equivalents to International Financial Reporting Standards

In December 2002 The New Zealand Accounting Review Board announced that International Financial Reporting Standards (IFRS) will apply to all New Zealand entities for periods commencing on or after 1 January 2007. Entities will also have the option for early adoption of the new standards for the periods beginning on or after 1 January 2005.

Since this date New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) have been issued. In complying with these, New Zealand entities will be in compliance with IFRS.

Analysis of the potential impacts from the conversion to NZ IFRS commenced in August 2004. The Company has considered the impacts of NZ IFRS implementation, both from a reporting and an operational perspective. The objective of the company is to ensure the conversion to NZ IFRS occurs within agreed and required timelines (under the Financial Reporting Act 1993), ensuring:

- Minimal operational impact on the Group; and
- All relevant parties are consulted.

The Group intends to adopt NZ IFRS and report for the first time under these standards for the year ending 30 June 2008. Upon adoption of NZ IFRS, comparative information presented in the financial statements will be restated to conform to the requirements of the new standards, and the financial impact of that adoption will be disclosed.

Only one key difference in accounting policies has been identified to date as follows:

Accounting for goodwill

- Under NZ IFRS 3 goodwill will no longer be amortised. However, it will be subject to regular reviews for impairment.
- Currently the Company records goodwill at cost less amortisation over periods not exceeding 20 years.

Known or reliably estimated information about the impacts on the financial report, had it been prepared using NZ IFRS, have not yet been determined.

The actual impact of adopting NZ IFRS may vary from the information presented, and the variation may be material.

35 Events Subsequent to Balance Date

(i) Final dividend

Subsequent to balance date, on 22 August 2006, the Directors declared a final dividend of 6 cents per share. The dividend has not been recognised as a liability in the financial statements.

(ii) Sale of Ceres Farm

Subsequent to balance date, on 31 July 2006, the Parent company sold a seeds research farm, Ceres Farm, realising a capital profit of \$7 million which will be recorded as a gain in the year ending 30 June 2007.