



Distribution Plan Document

16 August 2007

1 INTRODUCTION

1.1 Plan document

This document (*Plan Document*) contains the terms and conditions of the PGG Wrightson Limited (*PGW*) Distribution Plan (*the Plan*).

Under the Plan, holders of ordinary shares in PGW (shares) will receive distributions in respect of their shares in the form of bonus fully paid ordinary shares (Bonus Shares), together with an offer from PGW to buy back all of those Bonus Shares, or such lesser proportion as each Shareholder may specify.

1.2 Rationale

The Board has decided to implement the Plan:

- For capital management purposes, including the reduction in the amount of net cash outflow and maintenance of the company's equity base. PGW intends to continue to develop its business opportunities.
- To provide a structure which accommodates both those Shareholders who wish their share of profits to be retained as an investment in PGW, and those Shareholders who wish to receive their share of the profits in cash.

The Board believes that the issue and offer to buy back Bonus Shares from Shareholders is in the best interests of PGW and Shareholders because:

- of the benefits outlined above;
- The Bonus Shares will be bought back at their issue price so that Shareholders accepting a buyback offer in full will receive no less than (subject to any applicable withholding taxes) the amount per share that the Board has determined to distribute to Shareholders;
- Shareholders have the option whether or not to accept an offer to buy back their Bonus Shares, and may accept the offer in whole or in part, so each can decide whether to take back some of their return of PGW's profits in the form of cash or to continue to hold Bonus Shares;
- The payments to Shareholders who accept the offer to buy back their Bonus Shares will be treated as dividends and will have imputation credits attached to them. Such Shareholders will be in the same New Zealand tax position as they would have been in had PGW paid a cash dividend.

2 BONUS SHARE ENTITLEMENT

2.1 General

The Board may, in its absolute discretion, determine to issue Bonus Shares in accordance with clause 2.2. The number of Bonus Shares to be issued to a Shareholder will be:

- based on the amount the Board determines is available to distribute in respect of each share; and
- calculated on the basis of a set percentage of the market price of shares, as determined in accordance with the formula set out in clause 2.2, which percentage will be determined from time to time by the Board in its absolute discretion. As at the date of this Plan Document, the percentage is 100%.

2.2 Formula For Calculation of Number of Bonus Shares

The number of Bonus Shares to be issued to a Shareholder will be calculated in accordance with the following formula:

$$N = S \times B$$

Where:

- N** is the number of Bonus Shares to be issued to a Shareholder.
- S** is the number of shares held by the Shareholder on the record date for an issue of Bonus Shares (record date).
- B** is the bonus issue ratio determined in accordance with the following formula:

$$B = \frac{D}{C \times E}$$

- D** is the amount (expressed in cents and fractions of cents) determined by the Board to be distributed per share.
- C** is the volume weighted average sale price for a share (expressed in cents and fractions of cents) calculated on all sales of shares which took place through the main Board equity market (NZSX) operated by New Zealand Exchange Limited on the five trading days immediately following the record date. If no sales of shares occur during the five trading days following the record date then the average sale price shall be deemed to be the first sale price for a share which took place on the NZSX after the record date as determined by New Zealand Exchange Limited.

Any average sale price so determined may be reasonably adjusted by the Board to allow for any bonus or dividend or other distribution expectation. If, in the opinion of the Board, any exceptional or unusual circumstances have artificially affected the weighted average sale price so determined, the Board may make such adjustment to that sale price as it considers appropriate.

E is the percentage determined by the Board from time to time, in its absolute discretion. As at the date of this Plan Document the percentage is 100%.

In this Plan the product of **C x E** is referred to as the "strike price"

2.3 Fractional Entitlements

Where the number of Bonus Shares to be issued to a Shareholder as calculated in accordance with the formula in clause 2.2 includes a fraction, then the number of Bonus Shares to be issued shall be rounded up to the nearest whole number.

2.4 Date of Issue of Bonus Shares

The Bonus Shares will be issued on a date determined by the Board.

2.5 Terms of Issue And Ranking of Additional Shares

Bonus Shares will be issued on the terms set out in this Plan Document and, subject to the rights of suspension and modification set out in clause 7, will not be issued on any other terms and will all be subject to the same rights as each other. The Bonus Shares will, from the date of issue, rank equally with all other shares on issue as at that date.

2.6 Overseas Shareholders

The Board may, in its absolute discretion, elect to issue Bonus Shares in respect of shares held by Shareholders whose address is outside New Zealand to a nominee if the Board considers that the issue of Bonus Shares to those Shareholders would risk breaching the laws of places outside New Zealand. In such circumstances, PGW will procure that the nominee accepts the buyback offer in respect of the Bonus Shares pursuant to clause 3.

3 BUYBACK OFFER

3.1 Offer to all Shareholders

PGW will offer all Shareholders the right to elect to have their Bonus Shares bought back for cash by PGW.

3.2 Buyback offer price

PGW will offer to buy back each Bonus Share at the strike price for the issue of that Bonus Share, as determined pursuant to clause 2.2.

3.3 Available options

Shareholders may elect to participate in the buyback of Bonus Shares by exercising one of the following options:

- (a) If a Shareholder elects full participation, PGW will buy back all of that Shareholder's Bonus Shares.
- (b) If a Shareholder elects partial participation, the percentage of Bonus Shares nominated by that Shareholder will be bought back.

If a Shareholder does not wish to participate in a buyback of Bonus Shares under the Plan and wishes to retain the Bonus Shares issued to them, that Shareholder is not required to do anything.

4 METHOD OF ACCEPTANCE

4.1 Acceptance Notice

To participate in the buyback of Bonus Shares a Shareholder must:

- (a) Complete the acceptance notice provided by PGW (or such other form of election in writing as PGW decides, in its absolute discretion, to accept) (the Acceptance Notice) in accordance with the instructions on that notice; and
- (b) Forward the completed Acceptance Notice to the address specified in that notice or to such other person or address as PGW may determine, by the closing date specified by PGW.

PGW may, in its absolute discretion, accept an election in writing it reasonably believes is from a Shareholder otherwise than on an Acceptance Notice, and will have no liability to a Shareholder as a result of acting in good faith in accordance with such election.

4.2 Acceptance limited to current Bonus Share Issue

The Acceptance Notice in respect of a buyback offer under the Plan will only apply to that particular offer to buy back Bonus Shares. If permitted by the terms of the Acceptance Notice the acceptance may be revoked. Otherwise the acceptance, once made, is irrevocable.

5 PAYMENT OF BUYBACK PROCEEDS

5.1 Payment of Buyback Proceeds

PGW will buy back, and pay the purchase price to a Shareholder in respect of, Bonus Shares in accordance with the Acceptance Notice received from a Shareholder pursuant to clause 4 on the date that such Bonus Shares are issued pursuant to clause 2.4.

5.2 Bought Back Shares might be treasury stock

Subject to the restrictions contained in the Companies Act 1993 and PGW's constitution, Bonus Shares that are bought back by PGW may not be cancelled, and may instead be held as treasury stock, in the absolute discretion of the Board.

5.3 Liens or Charges Over Shares

Where a Shareholder elects to have their Bonus Shares, or a proportion of them, bought back by PGW under the Plan and at the time of that buyback PGW has a lien or charge over shares of that Shareholder (whether by virtue of PGW's constitution or otherwise), PGW may apply the amount payable to the Shareholder under that buyback towards payment of any amount then due and owing by that Shareholder to PGW in respect of that Shareholder's shares.

6 STATEMENTS OF BONUS SHARES TO BE ISSUED

PGW will send Shareholders a statement of Bonus Shares issued and/or proposed to be bought back in such form as it thinks fit, subject to any requirements of PGW's constitution or NZX.

7 TERMINATION, SUSPENSION AND MODIFICATION

7.1 Termination, Suspension Or Modification By PGW

The Board may at any time and from time to time in its sole discretion:

- terminate or modify the Plan.
- suspend the operation of the Plan or part of the Plan (for example to complete a bonus issue but not a buyback) for any reason including (without limitation) if:
 - (i) it ceases to be satisfied that a particular buyback of Bonus Shares is in the best interests of PGW, or ceases to be satisfied that the terms of the buyback offer are fair and reasonable to PGW; or

- (ii) it becomes aware of information that is material to an assessment of the value of shares that will not be disclosed to Shareholders and as a result of which the terms of a particular buyback offer would be unfair to Shareholders accepting the offer; or
- resolve that the price at which Bonus Shares are to be issued shall be at no discount to the market price, or shall be at a different discount to the market price than was previously applied; or
- resolve that an Acceptance Notice will cease to be of any effect.

7.2 Prior Notice

Notice of any modification or termination of the Plan by the Board will be given to all Shareholders.

8 TAXATION

The statements below in relation to taxation are based on New Zealand taxation laws current at the date of this document. They are for guidance only, and PGW recommends that Shareholders consider their own tax position and seek their own tax advice if necessary.

8.1 New Zealand Shareholders

Bonus Shares will not be subject to tax on issue irrespective of the Shareholder's marginal tax rate or whether they hold their shares on revenue or capital account. The proceeds of the buyback of Bonus Shares paid to New Zealand Shareholders will be treated as a dividend for tax purposes and will be taxable to the Shareholder at their respective marginal tax rates. Where PGW attaches imputation credits to such proceeds, the resident withholding tax liability will be reduced by the amount of the imputation credits. The taxation consequences for New Zealand resident Shareholders who retain their Bonus Shares and then subsequently sell them on-market will depend on whether they hold their shares on revenue or capital account. Shareholders who hold their shares on capital account will not be taxable upon sale of the Bonus Shares on-market. A Shareholder who holds shares on revenue account should be taxable on the sale proceeds of the shares, and should be entitled to a deduction for a part of the cost of their total shareholding in PGW. PGW recommends these Shareholders discuss the calculation of the taxable gain with their tax advisors.

8.2 Non-Resident Shareholders

NZ tax consequences

Shareholders resident outside New Zealand who elect to sell their Bonus Shares via the off-market buyback offer by PGW will have the payment treated as a dividend for tax purposes. This dividend will be subject to non-resident withholding tax (*NRWT*) at a rate of between 15% and 30% of the gross amount (depending on the extent of any tax treaty NZ has with the country and the level of imputation credits attached to the dividend). PGW may elect to pay a supplementary dividend under the foreign investor tax credit regime to compensate non-resident investors for the cost of the NRWT deducted from the redemption proceeds.

Shareholders resident outside New Zealand who retain their Bonus Shares should have no New Zealand tax consequences as a result of the receipt of those Shares.

Other tax consequences

PGW has not reviewed the domestic taxation consequences of the Plan for Shareholders who are resident outside New Zealand. PGW recommends that these Shareholders discuss the tax implications of the Plan in their home country with their tax advisors.

9 COSTS

There are no charges for participation in the Plan. No brokerage costs will be incurred by Shareholders on the issue or buyback of Bonus Shares.

10 NZSX QUOTATION

The Bonus Shares which may be issued under the Plan have been accepted for quotation on the NZSX. However NZX accepts no responsibility for any statement made in this Plan Document.

11 GOVERNING LAW

The Plan Document and the Plan, and its operation, will be governed by the laws of New Zealand.