

## **KEY FINANCIAL DISCLOSURES**

**FOR THE YEAR ENDED  
30 JUNE 2016**

The financial statements contained on pages 1 – 46 have been approved by the Board of Directors on 8 August 2016.



**Alan Lai**  
Chairman



**Bruce Irvine**  
Director and Audit Committee Chairman

## STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2016

Helping grow the country

	NOTE	2016 \$000	2015 \$000
<b>Continuing operations</b>			
Operating revenue	1	1,181,624	1,202,835
Cost of sales	2	(854,871)	(885,694)
<b>Gross profit</b>		<b>326,753</b>	<b>317,141</b>
Other income		725	403
Employee benefits expense		(156,148)	(149,276)
Research and development		(4,515)	(4,295)
Other operating expenses	3	(96,390)	(94,523)
Equity accounted earnings of investees	5	(244)	181
<b>Operating EBITDA</b>		<b>70,181</b>	<b>69,631</b>
Non-operating items		(1,684)	(2,097)
Fair value adjustments	6	(232)	(23)
<b>EBITDA</b>		<b>68,265</b>	<b>67,511</b>
Depreciation and amortisation expense		(9,170)	(7,948)
<b>Results from continuing operating activities</b>		<b>59,095</b>	<b>59,563</b>
Net interest and finance costs	7	(10,474)	(10,780)
<b>Profit from continuing operations before income taxes</b>		<b>48,621</b>	<b>48,783</b>
Income tax expense	8	(8,832)	(16,172)
<b>Profit from continuing operations</b>		<b>39,789</b>	<b>32,611</b>
<b>Discontinued operations</b>			
Profit from discontinued operations (net of income taxes)		(211)	142
<b>Net profit after tax</b>		<b>39,578</b>	<b>32,753</b>
<b>Profit attributable to:</b>			
Shareholders of the Company		38,823	31,869
Non-controlling interest		755	884
<b>Net profit after tax</b>		<b>39,578</b>	<b>32,753</b>
<b>Earnings per share</b>			
Basic earnings per share (New Zealand Dollars)	9	0.052	0.043
<b>Continuing operations</b>			
Basic earnings per share (New Zealand Dollars)		0.053	0.043

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

## STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
<b>Net profit after tax</b>		<b>39,578</b>	<b>32,753</b>
<b>Other comprehensive income/(loss) for the period</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Changes in fair value of equity instruments		5,433	(2,278)
Remeasurements of defined benefit liability	19	(4,831)	(3,611)
Deferred tax on remeasurements of defined benefit liability		1,353	1,011
		1,955	(4,878)
<b>Items that are or may be reclassified to profit or loss</b>			
Foreign currency translation differences for foreign operations		(8,513)	13,628
Effective portion of changes in fair value of cash flow hedges		3,888	(2,390)
Income/deferred tax on changes in fair value of cash flow hedges		(1,088)	786
		(5,713)	12,024
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>(3,758)</b>	<b>7,146</b>
<b>Total comprehensive income for the period</b>		<b>35,820</b>	<b>39,899</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Shareholders of the Company		35,098	38,655
Non-controlling interest		722	1,244
<b>Total comprehensive income for the period</b>		<b>35,820</b>	<b>39,899</b>

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

## SEGMENT REPORT

For the year ended / as at 30 June 2016

Helping grow the country

### (a) Operating Segments

The Group has two primary operating divisions: Rural Services and Seed & Grain. Rural Services operates within New Zealand. Seed & Grain primarily operates within New Zealand with additional operations in Australia and South America.

Rural Services is further separated into three reportable segments, as described below, which are that segment's strategic business units. The strategic business units 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.

- **Retail.** Includes the Rural Supplies and Fruitfed retail operations, AgNZ (Consulting), Agritrade and ancillary sales support, supply chain and marketing functions.
- **Livestock.** Includes rural Livestock trading activities and Export Livestock.
- **Other Rural Services.** Includes Insurance, Real Estate, Wool, PGG Wrightson Water, AgNZ (Training), Regional Admin, Finance Commission and other related activities.
- **Seed & Grain.** Includes Australasia Seed (New Zealand and Australian manufacturing and distribution of forage seed and turf), Grain (sale of cereal seed and grain trading), South America (various related activities in the developing seeds markets including the sale of pasture and crop seed and farm inputs, together with operations in the areas of livestock, real estate and irrigation), and other Seed & Grain (research and development, international, production and corporate seeds).

Other non-segmented amounts relate to certain Corporate activities including Finance, Treasury, HR and other support services including corporate property services and include adjustments for discontinued operations (PGW Rural Capital Limited) and consolidation adjustments. In addition it includes marketing reward programmes transferred from the Retail segment from 1 July 2015.

The profit/(loss) for each business unit combines to form total profit/(loss) for the Rural Services and Seed & Grain segments. Certain other revenues and expenses are held at the Corporate level for the Corporate functions noted above.

Assets allocated to each business unit combine to form total assets for the Rural Services and Seed & Grain business segments. Certain other assets are held at a Corporate level including those for the Corporate functions noted above.

### (b) Geographical Segment Information

The Group operates predominantly in New Zealand with some operations in Australia and South America.

The Australian and South American business units facilitate 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.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of operations. Segment assets are based on the geographical location of the assets.

	2016 \$000	2015 \$000
<b>Operating revenue by geography</b>		
New Zealand	978,066	1,014,605
Australia	86,011	76,821
South America	117,547	111,409
Total operating revenue by geography	<b>1,181,624</b>	<b>1,202,835</b>
<b>Non current assets excluding financial instruments and deferred tax</b>		
New Zealand	93,981	115,207
Australia	12,373	13,684
South America	46,001	16,346
Total non current assets excluding financial instruments and deferred tax	<b>152,355</b>	<b>145,237</b>

## SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2016

Helping grow the country

## (c) Operating Segment Information

	RURAL SERVICES								SEED & GRAIN		TOTAL OPERATING SEGMENTS		OTHER		TOTAL	
	RETAIL		LIVESTOCK		OTHER RURAL SERVICES		TOTAL RURAL SERVICES		2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000								
Total segment revenue	479,772	494,327	73,111	86,700	218,764	218,714	771,647	799,741	453,168	469,081	1,224,815	1,268,822	8,729	2,229	1,233,544	1,271,051
Intersegment revenue	–	–	–	–	–	–	–	–	(51,920)	(68,216)	(51,920)	(68,216)	–	–	(51,920)	(68,216)
Total external operating revenues	479,772	494,327	73,111	86,700	218,764	218,714	771,647	799,741	401,248	400,865	1,172,895	1,200,606	8,729	2,229	1,181,624	1,202,835
<b>Operating EBITDA</b>	<b>29,154</b>	<b>27,323</b>	<b>15,234</b>	<b>15,440</b>	<b>8,591</b>	<b>11,755</b>	<b>52,979</b>	<b>54,518</b>	<b>44,621</b>	<b>40,506</b>	<b>97,600</b>	<b>95,024</b>	<b>(27,419)</b>	<b>(25,393)</b>	<b>70,181</b>	<b>69,631</b>
Non-operating items	390	(21)	(3,177)	(2)	(360)	47	(3,147)	24	(418)	346	(3,565)	370	1,881	(2,467)	(1,684)	(2,097)
Fair value adjustments	–	–	458	(23)	–	–	458	(23)	(19)	–	439	(23)	(671)	–	(232)	(23)
<b>EBITDA</b>	<b>29,544</b>	<b>27,302</b>	<b>12,515</b>	<b>15,415</b>	<b>8,231</b>	<b>11,802</b>	<b>50,290</b>	<b>54,519</b>	<b>44,184</b>	<b>40,852</b>	<b>94,474</b>	<b>95,371</b>	<b>(26,209)</b>	<b>(27,860)</b>	<b>68,265</b>	<b>67,511</b>
Depreciation and amortisation	(1,239)	(1,242)	(635)	(551)	(897)	(896)	(2,771)	(2,689)	(4,397)	(3,478)	(7,168)	(6,167)	(2,002)	(1,781)	(9,170)	(7,948)
<b>Results from continuing operating activities</b>	<b>28,305</b>	<b>26,060</b>	<b>11,880</b>	<b>14,864</b>	<b>7,334</b>	<b>10,906</b>	<b>47,519</b>	<b>51,830</b>	<b>39,787</b>	<b>37,374</b>	<b>87,306</b>	<b>89,204</b>	<b>(28,211)</b>	<b>(29,641)</b>	<b>59,095</b>	<b>59,563</b>
Net interest and finance costs	(660)	414	(269)	(283)	(770)	647	(1,699)	778	(3,845)	(6,760)	(5,544)	(5,982)	(4,930)	(4,798)	(10,474)	(10,780)
<b>Profit/(loss) from continuing operations before income tax</b>	<b>27,645</b>	<b>26,474</b>	<b>11,611</b>	<b>14,581</b>	<b>6,564</b>	<b>11,553</b>	<b>45,820</b>	<b>52,608</b>	<b>35,942</b>	<b>30,614</b>	<b>81,762</b>	<b>83,222</b>	<b>(33,141)</b>	<b>(34,439)</b>	<b>48,621</b>	<b>48,783</b>
Income tax (expense) / income	(7,892)	(7,413)	(3,251)	(4,016)	(1,839)	(3,427)	(12,982)	(14,856)	(10,262)	(10,072)	(23,244)	(24,928)	14,412	8,756	(8,832)	(16,172)
<b>Profit/(loss) from continuing operations</b>	<b>19,753</b>	<b>19,061</b>	<b>8,360</b>	<b>10,565</b>	<b>4,725</b>	<b>8,126</b>	<b>32,838</b>	<b>37,752</b>	<b>25,680</b>	<b>20,542</b>	<b>58,518</b>	<b>58,294</b>	<b>(18,729)</b>	<b>(25,683)</b>	<b>39,789</b>	<b>32,611</b>
Discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	(211)	142	(211)	142
<b>Net profit/(loss) after tax</b>	<b>19,753</b>	<b>19,061</b>	<b>8,360</b>	<b>10,565</b>	<b>4,725</b>	<b>8,126</b>	<b>32,838</b>	<b>37,752</b>	<b>25,680</b>	<b>20,542</b>	<b>58,518</b>	<b>58,294</b>	<b>(18,940)</b>	<b>(25,541)</b>	<b>39,578</b>	<b>32,753</b>
Segment assets	101,630	111,701	78,816	63,910	72,183	76,108	252,629	251,719	360,602	335,881	613,231	587,600	50,372	62,983	663,603	650,583
Equity accounted investees	–	–	–	–	–	–	–	–	17,890	1,766	17,890	1,766	110	83	18,000	1,849
Assets held for sale	763	–	56	–	–	–	819	–	–	11	819	11	4,794	510	5,613	521
<b>Total segment assets</b>	<b>102,393</b>	<b>111,701</b>	<b>78,872</b>	<b>63,910</b>	<b>72,183</b>	<b>76,108</b>	<b>253,448</b>	<b>251,719</b>	<b>378,492</b>	<b>337,658</b>	<b>631,940</b>	<b>589,377</b>	<b>55,276</b>	<b>63,576</b>	<b>687,216</b>	<b>652,953</b>
<b>Segment liabilities</b>	<b>(51,854)</b>	<b>(63,843)</b>	<b>(49,656)</b>	<b>(50,326)</b>	<b>(31,683)</b>	<b>(41,721)</b>	<b>(133,193)</b>	<b>(155,890)</b>	<b>(183,293)</b>	<b>(160,715)</b>	<b>(316,486)</b>	<b>(316,605)</b>	<b>(96,431)</b>	<b>(68,980)</b>	<b>(412,917)</b>	<b>(385,585)</b>
<b>Capital expenditure (including intangibles)</b>	<b>3,956</b>	<b>1,511</b>	<b>849</b>	<b>437</b>	<b>1,435</b>	<b>613</b>	<b>6,240</b>	<b>2,561</b>	<b>36,772</b>	<b>14,319</b>	<b>43,012</b>	<b>16,880</b>	<b>809</b>	<b>2,885</b>	<b>43,821</b>	<b>19,765</b>

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

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Receipts from customers		1,242,386	1,267,554
Dividends received		6	7
Interest received		2,038	2,077
		1,244,430	1,269,638
Cash was applied to:			
Payments to suppliers and employees		(1,188,736)	(1,217,986)
Interest paid		(6,579)	(6,915)
Income tax paid		(13,903)	(15,569)
		(1,209,218)	(1,240,470)
<b>Net cash flow from operating activities</b>		<b>35,212</b>	<b>29,168</b>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		19,898	3,644
Net decrease in finance receivables		1,079	3,003
Net proceeds from sale of investments		9,692	202
		30,669	6,849
Cash was applied to:			
Purchase of property, plant and equipment		(30,750)	(17,169)
Purchase of intangibles		(2,176)	(2,488)
Net cash paid for purchase of investments		(10,895)	(819)
		(43,821)	(20,476)
<b>Net cash flow from investing activities</b>		<b>(13,152)</b>	<b>(13,627)</b>
<b>Cash flows from financing activities</b>			
Cash was provided from:			
Increase in external borrowings and bank overdraft		7,035	22,622
		7,035	22,622
Cash was applied to:			
Dividends paid to shareholders		(28,602)	(41,942)
Dividends paid to minority interests		(205)	(291)
		(28,807)	(42,233)
<b>Net cash flow from financing activities</b>		<b>(21,772)</b>	<b>(19,611)</b>
Net increase/(decrease) in cash held		288	(4,070)
Opening cash		7,273	11,343
<b>Cash and cash equivalents</b>	10	<b>7,561</b>	<b>7,273</b>

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

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

For the year ended 30 June 2016

Helping grow the country

	2016 \$000	2015 \$000
<b>Net profit after tax</b>	39,578	32,753
Add/(deduct) non-cash/non operating items:		
Depreciation, amortisation and impairment	9,170	7,948
Fair value adjustments	232	23
Net (profit)/loss on sale of assets/investments	(5,321)	(956)
Bad debts written off (net)	1,483	1,050
Change in deferred taxation	(2,001)	(1,296)
Earnings from equity accounted investees	244	(181)
Discontinued operations	211	(142)
Defined benefit expense	6,243	(2,484)
Transfer of fixed assets to assets held for sale	6,284	488
Effect of foreign exchange movements	(6,131)	10,271
Other non-cash/non-operating items	(2,281)	(2,816)
	47,711	44,658
Add/(deduct) movement in working capital items:		
Change in working capital due to sale/purchase of businesses	(583)	321
Change in inventories and biological assets	3,990	(13,251)
Change in accounts receivable and prepayments	(15,290)	1,335
Change in trade creditors, provisions and accruals	10,620	(7,071)
Change in income tax payable/receivable	(2,604)	765
Change in other current assets/liabilities	(8,632)	2,411
	(12,499)	(15,490)
<b>Net cash flow from operating activities</b>	<b>35,212</b>	<b>29,168</b>

The accompanying notes form an integral part of these financial statements

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	NOTE	2016 \$000	2015 \$000
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	10	7,561	7,273
Short-term derivative assets	11	3,743	2,036
Trade and other receivables	12	250,486	235,205
Finance receivables		–	1,430
Assets classified as held for sale		5,613	521
Biological assets		843	2,593
Inventories	13	244,074	246,313
Other investments	15	6,691	–
<b>Total current assets</b>		<b>519,011</b>	<b>495,371</b>
<b>Non-current</b>			
Long-term derivative assets	11	1,516	12
Biological assets		108	104
Deferred tax asset	8	14,334	12,333
Investments in equity accounted investees	5	18,000	1,849
Other investments	15	2,165	12,467
Intangible assets	16	7,079	6,660
Property, plant and equipment	17	125,003	124,157
<b>Total non-current assets</b>		<b>168,205</b>	<b>157,582</b>
<b>Total assets</b>		<b>687,216</b>	<b>652,953</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Debt due within one year	10	36,623	57,411
Short-term derivative liabilities	11	1,438	3,266
Accounts payable and accruals	18	239,696	232,842
Income tax payable		2,392	3,834
Defined benefit liability	19	2,642	–
<b>Total current liabilities</b>		<b>282,791</b>	<b>297,353</b>
<b>Non-current</b>			
Long-term debt	10	97,511	69,328
Long-term derivative liabilities	11	940	1,980
Other long-term provisions	18	8,588	2,269
Defined benefit liability	19	23,087	14,655
<b>Total non-current liabilities</b>		<b>130,126</b>	<b>88,232</b>
<b>Total liabilities</b>		<b>412,917</b>	<b>385,585</b>
<b>EQUITY</b>			
Share capital	30	606,324	606,324
Reserves	30	2,033	4,768
Retained earnings	30	(336,101)	(346,534)
Total equity attributable to shareholders of the Company		272,256	264,558
Non-controlling interest		2,043	2,810
<b>Total equity</b>		<b>274,299</b>	<b>267,368</b>
<b>Total liabilities and equity</b>		<b>687,216</b>	<b>652,953</b>

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





**ADDITIONAL FINANCIAL  
DISCLOSURES INCLUDING NOTES  
TO THE FINANCIAL STATEMENTS**

FOR THE YEAR  
ENDED 30 JUNE  
2016

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 1 OPERATING REVENUE

	CONTINUING OPERATIONS		DISCONTINUED OPERATIONS		2016 \$000	TOTAL 2015 \$000
	2016 \$000	2015 \$000	2016 \$000	2015 \$000		
Sales	1,031,645	1,032,026	–	–	1,031,645	1,032,026
Commissions	105,536	101,289	–	–	105,536	101,289
Construction contract revenue	42,478	67,906	–	–	42,478	67,906
Interest revenue on finance receivables	–	–	268	280	268	280
Debtor interest charges	1,965	1,614	–	–	1,965	1,614
<b>Total operating revenue</b>	<b>1,181,624</b>	<b>1,202,835</b>	<b>268</b>	<b>280</b>	<b>1,181,892</b>	<b>1,203,115</b>

#### Income Recognition Accounting Policies

##### Recognition of Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### Sales Revenue

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

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

##### Construction Contracts

The revenue 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 any anticipated loss, including that relating to work on the contract, is recognised as soon as it is foreseen.

Management estimate the percentage of completion stage on construction contracts to determine the appropriate revenue to be recognised for each project. The percentage of completion is estimated based on detailed information on the status of projects.

##### Interest and Similar Income and Expense

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

The Group recognises interest revenue, management fees, and establishment fees on an accruals basis when the services are rendered using the effective interest rate method.

##### Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transactions. Fees or components of the fees that are linked to certain performance are recognised after fulfilling the corresponding criteria.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**2 COST OF SALES**

	NOTE	2016 \$000	2015 \$000
<i>Cost of Sales includes the following items by nature:</i>			
Depreciation and amortisation		1,294	1,280
Employee benefits including commissions		35,110	32,465
Inventories, finished goods, work in progress, raw materials and consumables	13	794,665	813,703
Other		23,802	38,246
		<b>854,871</b>	<b>885,694</b>

**3 OTHER OPERATING EXPENSES**

	2016 \$000	2015 \$000
<i>Other operating expenses includes the following items:</i>		
Audit of annual financial statements of the Company – KPMG	240	290
Audit of annual financial statements of the subsidiaries and associates – KPMG	115	118
<i>Other non-audit services provided by KPMG</i>		
– Trust account audit of PGG Wrightson Real Estate Limited	11	11
– Review of charging group consolidation for bank syndicate	2	2
– Review of Agriculture New Zealand Limited for reporting to New Zealand Qualifications Authority	1	1
– IT Review	–	19
Directors' fees	770	760
Donations	5	19
Doubtful debts – (decrease)/increase in provision for doubtful debts	740	(555)
Net doubtful debts – bad debts written off/recovered	742	1,605
Marketing	8,849	9,138
Motor vehicle costs	6,860	7,316
Rental and operating lease costs	25,951	23,957
Other expenses	52,104	51,842
	<b>96,390</b>	<b>94,523</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 4 ACQUISITION OF EQUITY ACCOUNTED INVESTEE

#### Agrocentro Uruguay

On 31 August 2015 the Group acquired a 50% investment in Agrocentro Uruguay. The investment was made by acquiring 50% of the shares in Agimol Corporation S.A., the holding company for Agrocentro Uruguay. This jointly controlled entity is accounted for using the equity method and is included in the Group's Seed & Grain business segment. The acquisition involved an upfront payment and an earn out component of between nil and USD 11.50 million over the next three years based on the financial performance of the business. The initial investment recorded for the investee was \$16.37 million which includes management's estimate of the fair value of the earn out. Agrocentro Uruguay is a rural servicing group that has four different business units consisting of retail and distribution of agricultural inputs, farming, logistics and consulting.

#### Basis of Consolidation Accounting Policies

##### Associates and Jointly Controlled Entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence starts. Where the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### 5 EQUITY ACCOUNTED INVESTEEES

#### Financial information for equity accounted investees

##### 30 June 2016

	CURRENT ASSETS	NON-CURRENT ASSETS	TOTAL ASSETS	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL LIABILITIES
51% Forage Innovations Limited	1,173	–	1,173	(783)	–	(783)
50% Agimol Corporation S.A.	51,163	5,998	57,161	(53,459)	–	(53,459)
50% Canterbury Sale Yards (1996) Limited	193	8	201	(26)	–	(26)
50% Fertimas S.A.	11,936	–	11,936	(9,741)	–	(9,741)
	64,465	6,006	70,471	(64,009)	–	(64,009)

	REVENUES	EXPENSES	PROFIT / (LOSS) AFTER TAX	PGW SHARE
51% Forage Innovations Limited	1,403	(1,523)	(120)	(60)
50% Agimol Corporation S.A.	67,802	(67,562)	240	120
50% Canterbury Sale Yards (1996) Limited	544	(490)	54	27
50% Fertimas S.A.	27,812	(28,474)	(662)	(331)
	97,561	(98,049)	(488)	(244)

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**5 EQUITY ACCOUNTED INVESTEEES (CONTINUED)****Financial information for equity accounted investees (continued)****30 June 2015**

	CURRENT ASSETS	NON-CURRENT ASSETS	TOTAL ASSETS	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	TOTAL LIABILITIES
51% Forage Innovations Limited	1,233	–	1,233	(688)	–	(688)
50% Canterbury Sale Yards (1996) Limited	146	22	168	(2)	–	(2)
50% Fertimas S.A.	18,298	–	18,298	(15,490)	–	(15,490)
	19,677	22	19,699	(16,180)	–	(16,180)

	REVENUES	EXPENSES	PROFIT / (LOSS) AFTER TAX	PGW SHARE
51% Forage Innovations Limited	1,443	(1,449)	(6)	(3)
50% Canterbury Sale Yards (1996) Limited	526	(540)	(14)	(7)
50% Fertimas S.A.	32,668	(32,286)	382	191
	34,637	(34,275)	362	<b>181</b>

**Movement in carrying value of equity accounted investees**

	2016 \$000	2015 \$000
Opening balance	1,849	1,364
Investment in Agimol Corporation S.A.	16,375	–
Currency translation	20	304
Share of profit/(loss)	(244)	181
Dividends received	–	–
Closing balance	<b>18,000</b>	<b>1,849</b>

There is goodwill of \$13.24 million included in the carrying value of Agimol Corporation S.A. (2015: Nil).

Refer to  
Accounting  
Policies  
– page 12.**6 FAIR VALUE ADJUSTMENTS**

	2016 \$000	2015 \$000
Assets held for sale	(670)	–
Biological assets	552	(23)
Investments	(114)	–
	<b>(232)</b>	<b>(23)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 7 INTEREST – FINANCE INCOME AND EXPENSE

	2016 \$'000	2015 \$'000
Finance income contains the following items:		
Other interest income	73	463
<b>Finance income</b>	<b>73</b>	<b>463</b>
Interest funding contains the following items:		
Interest on interest rate swaps	(282)	(10)
Interest on bank loans and overdrafts	(7,150)	(6,768)
Effective interest on expected earnout payments	(809)	–
Other interest expense	(3)	(98)
Bank facility fees	(845)	(1,508)
<b>Interest funding expense</b>	<b>(9,089)</b>	<b>(8,384)</b>
Foreign exchange contains the following items:		
Net gain/(loss) on foreign denominated items	(3,717)	(464)
Derivatives not in qualifying hedge relationships	2,259	(2,395)
<b>Foreign exchange income/(expense)</b>	<b>(1,458)</b>	<b>(2,859)</b>
<b>Net interest and finance costs</b>	<b>(10,474)</b>	<b>(10,780)</b>

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**8 INCOME TAXES**

	2016 \$000	2015 \$000
<b>Current tax expense</b>		
Current year	(14,085)	(16,221)
Adjustments for prior years	3,517	550
	(10,568)	(15,671)
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	1,086	(111)
Recognition of previously unrecognised tax losses	296	–
Adjustments for prior years	354	(390)
	1,736	(501)
<b>Income tax (expense)/income</b>	<b>(8,832)</b>	<b>(16,172)</b>
Profit/(loss) for the year	39,578	32,753
Income tax (expense)/income	(8,832)	(16,172)
Tax on discontinued operations	82	(55)
<b>Profit/(loss) excluding income tax</b>	<b>48,328</b>	<b>48,980</b>

	2016 %	2016 \$000	2015 %	2015 \$000
Income tax using the Company's domestic tax rate	28.0%	(13,532)	28.0%	(13,714)
Effect of tax rates in foreign jurisdictions	(2.0%)	983	2.6%	(1,271)
Non-deductible expenses	4.5%	(2,178)	0.8%	(401)
Taxable income included in other comprehensive income	0.0%	–	0.0%	–
Tax effect of discontinued operations	(0.2%)	82	0.1%	(55)
Tax exempt income	(3.4%)	1,646	(0.4%)	208
Under/(over) provided in prior years	(8.0%)	3,871	(0.3%)	159
Recognition of previously unrecognised tax losses	(0.6%)	296	0.0%	–
Current year tax losses not recognised	0.0%	–	2.2%	(1,098)
	<b>18.3%</b>	<b>(8,832)</b>	<b>33.0%</b>	<b>(16,172)</b>

**Income tax recognised directly in equity**

	2016 \$000	2015 \$000
Income/deferred tax on changes in fair value of cash flow hedges	(1,088)	786
Deferred tax on movement of actuarial gains/losses on employee benefit plans	1,353	1,011
<b>Total income tax recognised directly in equity</b>	<b>265</b>	<b>1,797</b>

The Group has \$1.12 million imputation credits as at 30 June 2016 (2015: \$2.26 million). This balance includes the third provisional tax instalment made on 28 July 2016 in respect of the year ended 30 June 2016.

Refer to  
Accounting  
Policies  
– page 16.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 8 INCOME TAXES (CONTINUED)

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2016 \$000	ASSETS 2015 \$000	LIABILITIES 2016 \$000	LIABILITIES 2015 \$000	NET 2016 \$000	NET 2015 \$000
<b>Group</b>						
Property, plant and equipment	–	–	(2,335)	(5,216)	(2,335)	(5,216)
Intangible assets	–	–	(435)	(725)	(435)	(725)
Provisions	16,992	18,743	(1,609)	(1,425)	15,383	17,318
Other items	1,721	956	–	–	1,721	956
Tax asset/(liability)	<b>18,713</b>	<b>19,699</b>	<b>(4,379)</b>	<b>(7,366)</b>	<b>14,334</b>	<b>12,333</b>

#### Movement in deferred tax on temporary differences during the year

	BALANCE 1 JUL 2014 \$000	RECOGNISED IN PROFIT OR LOSS \$000	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$000	BALANCE 30 JUN 2015 \$000	RECOGNISED IN PROFIT OR LOSS \$000	RECOGNISED IN OTHER COMPREHENSIVE INCOME \$000	BALANCE 30 JUN 2016 \$000
<b>Group</b>							
Property, plant and equipment	(7,005)	1,789	–	(5,216)	2,881	–	(2,335)
Intangible assets	(112)	(613)	–	(725)	290	–	(435)
Employee benefits	9,508	(857)	1,011	9,662	1,341	1,353	12,356
Provisions	8,628	(1,758)	786	7,656	(3,541)	(1,088)	3,027
Other items	18	938	–	956	765	–	1,721
	<b>11,037</b>	<b>(501)</b>	<b>1,797</b>	<b>12,333</b>	<b>1,736</b>	<b>265</b>	<b>14,334</b>

#### Unrecognised tax losses / Unrecognised temporary differences

At 30 June 2016 the Group has \$6.31 million of unrecognised deferred tax assets relating to unrecognised losses (2015: \$7.08 million) and \$2.32 million of unrecognised deferred tax assets relating to unrecognised temporary differences (2015: \$2.28 million). These unrecognised deferred tax assets relate to the Australian subsidiaries of the Group.

#### Income Tax Accounting Policies

Income tax expense comprises current and deferred taxation and is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised directly in other comprehensive income or equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable with respect to previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- the initial recognition of goodwill
- differences relating to subsidiaries, associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be recognised.



**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**9 EARNINGS PER SHARE AND NET TANGIBLE ASSETS****Basic earnings per share**

The calculation of basic earnings per share at 30 June 2016 was based on the profit/(loss) attributable to ordinary shareholders of \$39,578,000 (2015: \$32,753,000) by the weighted average number of shares, 754,848,774 (2015: 754,848,774) on issue. There are no dilutive shares or options (2015: Nil).

	2016 000	2015 000
<b>Number of shares</b>		
Weighted average number of ordinary shares	754,849	754,849
Number of ordinary shares	<b>754,849</b>	<b>754,849</b>
	2016 \$000	2015 \$000
<b>Net Tangible Assets</b>		
Total assets	687,216	652,953
Total liabilities	(412,917)	(385,585)
less intangible assets	(7,079)	(6,660)
less deferred tax	(14,334)	(12,333)
	<b>252,886</b>	<b>248,375</b>
	2016 \$	2015 \$
<b>Net tangible assets per share</b>	0.335	0.329
<b>Earnings per share</b>	0.052	0.043

**Earnings per Share Accounting Policy**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the number of shares outstanding to include the effects of all potential dilutive shares.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 10 CASH AND FINANCING FACILITIES

	2016 \$000	2015 \$000
Cash and cash equivalents	7,561	7,273
Current financing facilities	(36,623)	(57,411)
Term financing facilities	(97,511)	(69,328)
	<b>(126,573)</b>	<b>(119,466)</b>

The Company has a syndicated facility agreement which provides bank facilities of up to \$176.00 million. 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. The Company has granted a general security deed and mortgage over all its wholly-owned New Zealand and Australian assets to a security trust. These assets include the shares held in South American subsidiaries and equity accounted investees. ANZ Bank New Zealand Limited acts as security trustee for the banking syndicate (ANZ Bank New Zealand Limited, Bank of New Zealand and Westpac New Zealand Limited).

The Company's bank syndicate facilities include:

- A term debt facility of \$116.00 million maturing on 1 August 2018.
- A working capital facility of up to \$60.00 million maturing on 1 August 2018.

The syndicated facility agreement also allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company syndicated facility. The additional facilities are guaranteed by the security trust. These facilities amounted to \$19.37 million as at 30 June 2016 including:

- Overdraft facilities of \$9.55 million.
- Guarantee and trade finance facilities of \$6.53 million.
- Finance lease facilities of \$3.29 million.

In addition, during the period, two of the Group's wholly-owned Uruguayan subsidiaries (Wrightson Pas S.A. and Agrosan S.A.) jointly and severally entered into a club structure to simplify the bank financing of the Group's South American operations. The club facilities contain various financial covenants and restrictions that are standard for facilities of this nature. The club facilities are denominated in USD, secured by a mortgage over the new Uruguay logistics centre and provide:

- An amortising logistics centre facility of \$14.08 million (USD 10 million) maturing on 17 September 2022
- A committed facility of \$16.90 million (USD 12 million) maturing on 17 September 2018.

Separate to the club facility, the Group's South American operations have various unsecured financing facilities that amounted to \$23.02 million (USD 16.34 million) as at 30 June 2016.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**11 DERIVATIVE FINANCIAL INSTRUMENTS**

	2016 \$000	2015 \$000
<b>Derivative assets held for risk management</b>		
Current	3,743	2,036
Non-current	1,516	12
	<b>5,259</b>	<b>2,048</b>
<b>Derivative liabilities held for risk management</b>		
Current	(1,438)	(3,266)
Non-current	(940)	(1,980)
	<b>(2,378)</b>	<b>(5,246)</b>
<b>Net derivatives held for risk management</b>	<b>2,881</b>	<b>(3,198)</b>

**Derivatives held for risk management**

The Group uses interest rate swaps and options to hedge its exposure to changes in the market rates of variable and fixed interest rates.

The Group also uses forward foreign exchange contracts, spot foreign exchange contracts and foreign exchange options to manage its exposure to foreign currency fluctuations.

**Derivative Financial Instruments Accounting Policies**

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

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

*Cash Flow Hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the Statement of Other Comprehensive Income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 12 TRADE AND OTHER RECEIVABLES

	2016 \$000	2015 \$000
Accounts receivable	204,956	224,026
Trade receivables due from related parties	17,007	–
Less provision for doubtful debts	(6,072)	(5,557)
Net accounts receivable	215,891	218,469
Other receivables and prepayments	34,595	16,736
	<b>250,486</b>	<b>235,205</b>
<b>Analysis of movements in provision for doubtful debts</b>		
Balance at beginning of year	(5,557)	(5,537)
Movement in provision	(515)	(20)
Balance at end of year	<b>(6,072)</b>	<b>(5,557)</b>

The Group has transacted with its related party Agimol Corporation S.A. and its subsidiaries during the period ended 30 June 2016. The aggregate value of transactions between the Group and Agimol Corporation S.A. and its subsidiaries amounted to \$29.35 million between the date of acquisition and the year ended 30 June 2016. The outstanding balance as at 30 June 2016 was \$17.01 million. No provision is held in respect of the outstanding balance.

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

	TOTAL DEBTORS 2016 \$000	PROVISION 2016 \$000	TOTAL DEBTORS 2015 \$000	PROVISION 2015 \$000
Not past due	197,086	–	195,416	–
Past due 1 – 30 days	13,695	(245)	18,527	(218)
Past due 31 – 60 days	2,550	(2)	2,256	(152)
Past due 61 – 90 days	6,601	(3,854)	5,416	(2,803)
Past due 90 plus days	2,031	(1,971)	2,411	(2,384)
	<b>221,963</b>	<b>(6,072)</b>	<b>224,026</b>	<b>(5,557)</b>

#### Trade and Other Receivables Accounting Policies

##### Determination of Fair Values

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

##### Impairment of Trade Receivables

Trade receivables are considered past due when they have been operated outside of the normal key trade terms. When forming a view management considers the counterparty's ability to pay, the level of security and the risk of loss.

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

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**13 INVENTORY**

	2016 \$000	2015 \$000
Merchandise/finished goods	248,543	252,882
Work in progress	48	1,166
Less provision for inventory write down	(4,517)	(7,735)
	<b>244,074</b>	<b>246,313</b>

During the year ended 30 June 2016, finished goods, work in progress, raw materials and consumables included in cost of sales in the Statement of Profit or Loss amounted to \$794.67 million (2015: \$813.70 million) (see Note 2).

During the year ended 30 June 2016 inventories written down to net realisable value amounted to \$4.43 million (2015: \$3.11 million). The write-downs are included in cost of sales in the Statement of Profit or Loss. Consideration is given to factors such as age, germination levels and quality when assessing the net realisable value of seeds inventory.

***Inventories Accounting Policies******Finished Goods***

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

***Wholesale Seeds***

Wholesale seeds inventory is stated at the lower of cost or net realisable value and comprises costs of purchase and other direct costs incurred to bring the inventory to its present location and condition

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 14 GROUP ENTITIES

SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	DIRECT PARENT	OWNERSHIP INTEREST	
			2016 %	2015 %
PGG Wrightson Seeds Holdings Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW Rural Capital Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Employee Benefits Plan Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Real Estate Limited	New Zealand	PGG Wrightson Limited	100%	100%
Agriculture New Zealand Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW Corporate Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
AgriServices South America Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW AgriServices Australia Pty Limited	Australia	PGG Wrightson Limited	100%	100%
PGG Wrightson Investments 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%
Ag Property Holdings Limited	New Zealand	PGG Wrightson Investments Limited	100%	100%
PGG Wrightson Seeds New Zealand Limited	New Zealand	PGG Wrightson Seeds Holdings Limited	100%	100%
PGG Wrightson Seeds South America Holdings Limited	New Zealand	PGG Wrightson Seeds Holdings Limited	100%	100%
PGG Wrightson Seeds Australia Holdings Pty Limited	Australia	PGG Wrightson Seeds Holdings Limited	100%	100%
PGG Wrightson Seeds Limited	New Zealand	PGG Wrightson Seeds New Zealand Limited	100%	100%
PGG Wrightson Consortia Research Limited	New Zealand	PGG Wrightson Seeds Limited	100%	100%
Grasslands Innovation Limited	New Zealand	PGG Wrightson Seeds Limited	70%	70%
Agricom Limited	New Zealand	PGG Wrightson Seeds Limited	100%	100%
PGG Wrightson Genomics Limited	New Zealand	PGG Wrightson Seeds Limited	100%	100%
Wrightson Seeds Limited	New Zealand	PGG Wrightson Seeds Limited	100%	100%
PGG Wrightson Employee Benefits Plan Limited	New Zealand	PGG Wrightson Employee Benefits Plan Trustee Limited	100%	100%
PGG Wrightson Seeds (Australia) Pty Limited	Australia	PGG Wrightson Seeds Australia Holdings Pty Limited	100%	100%
PGW AgriTech South America S.A.	Uruguay	PGG Wrightson Seeds South America Holdings Limited	100%	100%
Wrightson Pas S.A.	Uruguay	PGG Wrightson Seeds South America Holdings Limited	100%	100%
Juzay S.A.	Uruguay	PGW AgriTech South America S.A.	100%	100%
Agrosan S.A.	Uruguay	PGW AgriTech South America S.A.	100%	100%
Alfalfares S.R.L.	Argentina	PGW AgriTech South America S.A.	100%	100%
NZ Ruralco Participacoes Ltda	Brazil	PGW AgriTech South America S.A.	100%	100%
Hunker S.A. (t/a Rural Centre)	Uruguay	Juzay S.A.	100%	100%
Lanelle S.A. (t/a Riegorienta)	Uruguay	Juzay S.A.	100%	100%
Afinlux S.A.	Uruguay	Juzay S.A.	51%	51%
Kroslyn S.A. Limited	Uruguay	Agrosan S.A.	100%	100%
Escritorio Romualdo Rodriguez Ltda	Uruguay	Afinlux S.A.	51%	51%

#### Acquisition of Business

On 5 August 2015 the Group purchased the assets and business of Grainland Moree Pty Limited (Grainland) for \$0.79 million. Grainland is a seed production, cleaning and wholesale seed marketing business based in the northwest New South Wales town of Moree. The assets acquired included inventory, fixed assets and a fixed life intangible.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**15 OTHER INVESTMENTS**

	2016 \$000	2015 \$000
<b>Current investments</b>		
BioPacificVentures	3,170	–
Advances to equity accounted investees	3,521	–
	<b>6,691</b>	<b>–</b>
<b>Non-current investments</b>		
BioPacificVentures	–	7,134
Sundry other investments including saleyards	2,165	1,657
Advances to equity accounted investees	–	3,676
	<b>2,165</b>	<b>12,467</b>

**Investment in BioPacificVentures**

In 2005 the Group committed \$14.00 million to an international fund established for investment in food and agriculture life sciences. The investment in BioPacificVentures has an anticipated total lifespan of 12 years. At 30 June 2016 \$13.95 million has been drawn on the committed level of investment (30 June 2015: \$13.95 million). A fair value gain of \$5.43 million was recorded in the Statement of Other Comprehensive Income in the period to 30 June 2016 (2015: a fair value loss of \$2.28 million). In addition the Group received a capital return of \$9.68 million in respect of its BioPacificVentures investment in the period to 30 June 2016 (30 June 2015: \$0.16 million).

**Advances to equity accounted investees**

This advance is a loan to the South American investee entity, Fertimas S.A.. This loan matures in May 2017. Interest is payable on the balance and no provision for doubtful debts was recorded against the loan as at 30 June 2016 (2015: nil).

**Sundry other investments including saleyards**

Saleyards investments, which do not have a market price in an active market and whose fair value can not be reliably determined, are carried at cost.

**Other Investments Accounting Policies***Determination of Fair Values*

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to the market price, unless other objective reliable evidence suggests a different value. Other investments where no active market exists are held at historical cost.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 16 INTANGIBLE ASSETS

	SOFTWARE \$000	TRADEMARKS, PATENTS & RIGHTS \$000	TOTAL \$000
<b>Cost</b>			
Balance at 1 July 2014	18,125	1,040	19,165
Additions	2,487	–	2,487
Disposals and reclassifications	–	–	–
Effect of movement in exchange rates	29	7	36
Balance at 30 June 2015	<b>20,641</b>	<b>1,047</b>	<b>21,688</b>
Balance at 1 July 2015	20,641	1,047	21,688
Additions	1,576	574	2,150
Added as part of a business combination/amalgamation	–	467	467
Disposals and reclassifications	–	–	–
Effect of movement in exchange rates	(66)	–	(66)
Balance at 30 June 2016	<b>22,151</b>	<b>2,088</b>	<b>24,239</b>
<b>Amortisation and impairment losses</b>			
Balance at 1 July 2014	12,897	584	13,481
Amortisation for the year	1,508	14	1,522
Disposals and reclassifications	–	–	–
Effect of movement in exchange rates	25	–	25
Balance at 30 June 2015	<b>14,430</b>	<b>598</b>	<b>15,028</b>
Balance at 1 July 2015	14,430	598	15,028
Amortisation for the year	2,011	145	2,156
Disposals and reclassifications	–	–	–
Effect of movement in exchange rates	(25)	1	(24)
Balance at 30 June 2016	<b>16,416</b>	<b>744</b>	<b>17,160</b>
<b>Carrying amounts</b>			
At 1 July 2014	<b>5,228</b>	<b>456</b>	<b>5,684</b>
At 30 June 2015	<b>6,211</b>	<b>449</b>	<b>6,660</b>
At 1 July 2015	<b>6,211</b>	<b>449</b>	<b>6,660</b>
At 30 June 2016	<b>5,735</b>	<b>1,344</b>	<b>7,079</b>

#### 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 3 and 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

##### Rights

Manufacturing and production rights are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life between 3 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

##### Determination of Fair Values

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

##### Impairment

The carrying amounts of the Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. For intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds the recoverable amount.



**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**17 PROPERTY, PLANT AND EQUIPMENT**

	LAND \$000	BUILDINGS \$000	PLANT AND EQUIPMENT \$000	CAPITAL WORKS PROJECT* \$000	TOTAL \$000
<b>Cost</b>					
Balance at 1 July 2014	26,713	46,345	90,891	927	164,876
Additions	2,340	29	5,826	8,975	17,170
Added as part of a business combination/amalgamation	–	–	108	–	108
Disposals and transfers to other asset classes	(774)	(1,063)	(1,135)	–	(2,972)
Effect of movements in exchange rates	125	1,184	2,156	–	3,465
Balance at 30 June 2015	<b>28,404</b>	<b>46,495</b>	<b>97,846</b>	<b>9,902</b>	<b>182,647</b>
Balance at 1 July 2015	28,404	46,495	97,846	9,902	182,647
Additions	–	20,040	16,267	(5,557)	30,750
Added as part of a business combination/amalgamation	–	–	221	–	221
Disposals and transfers to other asset classes	(6,416)	(12,829)	(3,145)	–	(22,390)
Effect of movements in exchange rates	(153)	(1,020)	(1,777)	–	(2,950)
Balance at 30 June 2016	<b>21,835</b>	<b>52,686</b>	<b>109,412</b>	<b>4,345</b>	<b>188,278</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 July 2014	–	4,362	46,072	–	50,434
Depreciation for the year	–	966	5,460	–	6,426
Depreciation recovered to COGS	–	–	1,280	–	1,280
Additions	–	–	–	–	–
Disposals and transfers to other asset classes	–	(199)	(893)	–	(1,092)
Effect of movements in exchange rates	–	243	1,199	–	1,442
Balance at 30 June 2015	<b>–</b>	<b>5,372</b>	<b>53,118</b>	<b>–</b>	<b>58,490</b>
Balance at 1 July 2015	–	5,372	53,118	–	58,490
Depreciation for the year	–	1,000	6,014	–	7,014
Depreciation recovered to COGS	–	–	1,294	–	1,294
Additions	–	–	–	–	–
Disposals and transfers to other asset classes	–	(562)	(1,944)	–	(2,506)
Effect of movements in exchange rates	–	(100)	(917)	–	(1,017)
Balance at 30 June 2016	<b>–</b>	<b>5,710</b>	<b>57,565</b>	<b>–</b>	<b>63,275</b>
<b>Carrying amounts</b>					
At 1 July 2014	<b>26,713</b>	<b>41,983</b>	<b>44,819</b>	<b>927</b>	<b>114,442</b>
At 30 June 2015	<b>28,404</b>	<b>41,123</b>	<b>44,728</b>	<b>9,902</b>	<b>124,157</b>
At 1 July 2015	<b>28,404</b>	<b>41,123</b>	<b>44,728</b>	<b>9,902</b>	<b>124,157</b>
At 30 June 2016	<b>21,835</b>	<b>46,976</b>	<b>51,847</b>	<b>4,345</b>	<b>125,003</b>

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

Capital gains on the sale of property, plant and equipment of \$4.99 million were recognised in non operating expenses in the current period (2015: \$0.96 million).

Refer to  
Accounting  
Policies  
– page 26.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### Property, Plant & Equipment Accounting Policies

*Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment.*

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

#### Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed as they are incurred.

#### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, buildings, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are between 2 and 40 years for plant and equipment and 50 years for buildings. Depreciation methods, useful lives and residual values are reassessed at reporting date.

#### Determination of Fair Values

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which the property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

#### Impairment

The carrying amounts of the Group's property, plant & equipment assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds the recoverable amount.

### 18 TRADE AND OTHER PAYABLES

	2016 \$000	2015 \$000
Trade creditors	141,412	127,501
Loyalty reward programme	1,358	1,515
Deposits received in advance	2,584	1,253
Accruals and other liabilities	81,948	84,331
Employee entitlements	20,982	20,511
	<b>248,284</b>	<b>235,111</b>
Payable within 12 months	239,696	232,842
Payable beyond 12 months	8,588	2,269
	<b>248,284</b>	<b>235,111</b>

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**19 DEFINED BENEFIT ASSET / LIABILITY**

	2016 \$000	2015 \$000
Present value of funded obligations	(73,417)	(72,153)
Fair value of plan assets	52,702	57,498
Net defined benefit asset / (liability)	(20,715)	(14,655)
ESCT on committed contributions – short-term	(2,642)	–
ESCT on committed contributions – long-term	(2,372)	–
<b>Total defined benefit asset / (liability)</b>	<b>(25,729)</b>	<b>(14,655)</b>

The Group makes contributions to two defined benefit plans that provide a range of superannuation and insurance benefits for employees and former employees. The two defined benefit plans are open by invitation, however the Group has not invited new members to the schemes since June 1995 and November 2000 respectively. The Group does not intend to invite new members to the scheme. The plan's retired employees are entitled to receive an annual pension payment payable on their life and in some cases on the life of a surviving spouse.

During the period the Group made a commitment to provide certain contributions to the two plans over a five year period. As a result of the commitment the defined benefit liability now includes the impact of ESCT (Employer Superannuation Contribution Tax) on the committed contributions.

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2016	2015	2016	2015
<b>Group / Company Plan assets consist of:</b>				
Equities	79%	76%	79%	76%
Fixed interest	19%	21%	19%	21%
Cash	2%	3%	2%	3%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Plan assets included exposure to the Company's ordinary shares of \$1.66 million (2015: \$1.84 million).

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2016	2015	2016	2015
<b>Actuarial Assumptions:</b>				
Principal actuarial assumptions at the reporting date (expressed as weighted averages):				
Discount rate used (10 year New Zealand Government Bond rate)	2.34%	3.62%	2.34%	3.62%
Future salary increases	3.00%	3.00%	0.00%	0.00%
Future pension increases	2.00%	2.00%	1.40%	1.40%

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2016	2015	2016	2015
Longevity at age 65 for current pensioners				
Males	21	21	21	21
Females	24	24	24	24
Longevity at age 65 for current members aged 45				
Males	24	24	24	24
Females	27	27	27	27

As at 30 June 2016 the weighted average duration of the defined benefit obligation was 7.7 years for the PGG Wrightson Employment Benefits Plan and 10.1 years for the Wrightson Retirement Plan (2015: 8.8 years for the PGG Wrightson Employment Benefits Plan and 10.5 years for the Wrightson Retirement Plan).

Refer to  
Accounting  
Policies  
– page 29.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 19 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

#### Sensitivity analysis

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

	IMPACT ON DBO WITH INCREASE IN ASSUMPTION \$000	2016 IMPACT ON DBO WITH DECREASE IN ASSUMPTION \$000
<b>Change in assumption</b>		
Discount rate (0.50% movement)	2,039	(2,202)
Salary growth rate (0.50% movement)	(457)	392
Pension growth rate (0.25% movement)	(824)	816
Life expectancy (1 year movement)	(1,052)	1,126

	2016 \$000	2015 \$000	2014 \$000	2013 \$000	2012 \$000
<b>Historical information</b>					
Present value of the defined benefit obligation	73,417	72,153	68,330	72,765	75,495
Fair value of plan assets	(52,702)	(57,498)	(54,802)	(51,946)	(49,231)
Deficit / (surplus) in the plan	<b>20,715</b>	<b>14,655</b>	<b>13,528</b>	<b>20,819</b>	<b>26,264</b>

The Group expects to pay \$9.51 million in contributions to defined benefit plans in 2017 (2016: \$1.08 million). Member contributions are expected to be \$0.97 million (2016: \$1.01 million).

Refer to  
Accounting  
Policies  
– page 29.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**19 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)**

	2016 \$000	2015 \$000
<b>Movement in the liability for defined benefit obligations:</b>		
Liability for defined benefit obligations at 1 July	72,153	68,330
Benefits paid by the plan	(3,482)	(5,304)
Current service costs	1,083	1,257
Interest costs	2,592	2,959
Member contributions	1,254	1,300
<i>Actuarial (gains)/losses recognised in other comprehensive income arising from:</i>		
(Gains)/losses from change in financial assumptions	4,820	3,335
Experience (gains)/losses	(5,003)	276
Liability for defined benefit obligations at 30 June	<b>73,417</b>	<b>72,153</b>
<b>Movement in plan assets:</b>		
Fair value of plan assets at 1 July	57,498	54,802
Contributions paid into the plan	1,204	1,301
Member contributions	1,254	1,300
Benefits paid by the plan	(3,482)	(5,304)
Current service costs and interest	2,063	2,362
Actuarial gains/(losses) recognised in equity	–	–
Expected return on plan assets	(5,835)	3,037
Fair value of plan assets at 30 June	<b>52,702</b>	<b>57,498</b>
<b>Expense recognised in profit or loss:</b>		
Current service costs	1,083	1,257
Interest	529	597
Expected return on plan assets	5,835	(3,037)
	<b>7,447</b>	<b>(1,183)</b>
Recognised in non operating items	6,243	(2,484)
Recognised in Employee Benefit Expense	1,204	1,301
	<b>7,447</b>	<b>(1,183)</b>
<b>Gains and losses recognised in equity:</b>		
Cumulative gains/(losses) at 1 July	(24,119)	(21,691)
Net profit and loss impact from current period costs	(7,447)	1,183
Recognised during the year	(4,831)	(3,611)
Cumulative gains/(losses) at 30 June	<b>(36,397)</b>	<b>(24,119)</b>

**Employee Benefits Accounting Policies**

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

Short-term employee benefit obligations are measured on an undiscounted basis and expensed as the related service is provided. A provision is recognised for the amount of outstanding short-term benefits at each reporting date.

Provisions made with respect to employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group with respect to services provided by employees up to reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 20 FINANCIAL INSTRUMENTS

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

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

The Board of Directors is responsible for the review and ratification of the Group's systems of risk management, internal compliance and control, code of conduct and legal compliance.

The Board maintains a formal set of delegated authorities (including policies for credit and treasury), that clearly define the responsibilities delegated to management and those retained by the Board. The Board approves these delegated authorities and reviews them annually.

#### Liquidity Risk

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

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

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios; and
- achieve competitive funding within the limitations of liquidity requirements.

The Group manages this risk by forecasting daily cash requirements, forecasting future funding requirements and maintaining an adequate liquidity buffer.

#### Market Risk

Market risk is the potential for change in the value of balance sheet positions caused by a change in the value, volatility or relationship between market risks and prices. Market risk arises from the mismatch between assets and liabilities, both on and off balance sheet. Market risk includes funding, price, foreign currency and interest rate risk which are explained as follows:

##### Foreign Currency Risk

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

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

##### Price and Interest Rate Risk

Price risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may be repriced at a different time and / or by a different amount than financial liabilities.

This risk is managed by operating within approved policy limits using an interest rate duration approach.

Floating rate borrowings are used for general funding activities. Interest rate swaps, interest rate options and forward rate agreements are used to hedge the floating rate exposure as deemed appropriate. The Group had \$91.0 million of interest rate derivatives at balance date (2015: \$17.0 million).

#### Funding Risk

Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds. The Group has a policy of funding diversification. The funding policy augments the Group's liquidity policy with it's aim to ensure the Group has a stable diversified funding base without over-reliance on any one market sector.

Refer to  
Accounting  
Policies  
– page 36.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**20 FINANCIAL INSTRUMENTS (CONTINUED)****Credit Risk**

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

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

**Capital Management**

The capital of the Group consists of share capital, reserves, and retained earnings.

The policy of the Group is to maintain a strong capital base so as to maintain investor, creditor and market confidence while providing the ability to develop future business initiatives. In addition, external funding arrangements currently limit the Group's ability to pay dividends due to debt ratio requirements. This policy is reviewed regularly by the Board and has not been changed during the period.

**Sensitivity Analysis**

The Treasury policy of the Group 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 or interest rates will have an impact on profit.

The sensitivity of net profit after tax for the period to 30 June 2016, and shareholders equity at that date, to reasonably possible changes in conditions is as follows:

	INTEREST RATES INCREASE BY 1%		INTEREST RATES DECREASE BY 1%	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000
Impact on net profit after tax	(1,167)	(1,068)	1,163	1,064
Members' equity	(1,167)	(1,068)	1,163	1,064

The stress test uses the existing balance sheet interest rate mismatch against the cumulative mismatch between repricing assets and liabilities out from one to five years. Other market risks such as pricing and foreign exchange are not considered likely to lead to material change over the next reporting period. For this reason sensitivity analysis of these market risks is not included.

Refer to  
Accounting  
Policies  
– page 36.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 20 FINANCIAL INSTRUMENTS (CONTINUED)

#### Quantitative disclosures

##### (a) Liquidity Risk – Contractual Maturity Analysis

The following tables analyse the Group financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date (reported on an undiscounted basis). History demonstrates that such accounts provide a stable source of long term funding for the Group.

	WITHIN 12 MONTHS	1 TO 5 YEARS	BEYOND 5 YEARS	CONTRACTUAL CASH FLOW	BALANCE SHEET
<b>2016</b>					
Liabilities					
Bank facilities	45,532	106,608	12,969	152,140	134,134
Derivative financial instruments	1,438	940	–	2,378	2,378
Trade and other payables	239,696	8,588	–	248,284	248,284
	<b>286,666</b>	<b>116,136</b>	<b>12,969</b>	<b>402,802</b>	<b>384,796</b>
<b>2015</b>					
Liabilities					
Bank facilities	62,715	77,502	–	140,217	126,739
Derivative financial instruments	3,266	1,980	–	5,246	5,246
Trade and other payables	232,842	2,269	–	235,111	235,111
	<b>298,823</b>	<b>81,751</b>	<b>–</b>	<b>380,574</b>	<b>367,096</b>

##### (b) Liquidity Risk – Expected Maturity Analysis

The expected cash flows of the Group's finance receivables equal their contractual cash flows.

Refer to  
Accounting  
Policies  
– page 36.



**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**20 FINANCIAL INSTRUMENTS (CONTINUED)****(c) Foreign Currency Exposure Risk**

The Group's exposure to foreign currency risk can be summarised as:

	GBP NZ\$000	USD NZ\$000	AUD NZ\$000	EURO NZ\$000
<b>2016</b>				
Cash and cash equivalents	11	2,451	178	13
Trade and other receivables	7,867	55,214	9,585	24,160
Bank facilities	–	(46,378)	–	–
Trade and other payables	(638)	(50,845)	(2,066)	(1,692)
Net balance sheet position	<b>7,240</b>	<b>(39,558)</b>	<b>7,697</b>	<b>22,481</b>
<i>Forward exchange contracts</i>				
Notional forward exchange cover	7,232	4,774	7,867	22,540
Net unhedged position	<b>8</b>	<b>(44,332)</b>	<b>(170)</b>	<b>(59)</b>
<b>2015</b>				
Cash and cash equivalents	9	3,914	695	30
Trade and other receivables	7,975	75,691	12,009	29,064
Bank facilities	–	(38,156)	–	–
Trade and other payables	(162)	(56,454)	(758)	(13,636)
Net balance sheet position	<b>7,822</b>	<b>(15,005)</b>	<b>11,946</b>	<b>15,458</b>
<i>Forward exchange contracts</i>				
Notional forward exchange cover	7,975	2,188	11,334	15,438
Net unhedged position	<b>(153)</b>	<b>(17,193)</b>	<b>612</b>	<b>20</b>

The net balance sheet positions for the Group in AUD and USD include cash, trade and other receivables, and trade and other payables for the Australian and South American domiciled subsidiary companies and are therefore not hedged.

**(d) 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
<b>2016</b>					
<b>Liabilities</b>					
Bank facilities	134,134	–	–	–	134,134
Derivative financial instruments	(76,000)	15,000	61,000	2,378	2,378
Trade and other payables	–	–	–	248,284	248,284
	<b>58,134</b>	<b>15,000</b>	<b>61,000</b>	<b>250,662</b>	<b>384,796</b>
<b>2015</b>					
<b>Liabilities</b>					
Bank facilities	126,739	–	–	–	126,739
Derivative financial instruments	–	–	–	5,246	5,246
Trade and other payables	–	–	–	235,111	235,111
	<b>126,739</b>	<b>–</b>	<b>–</b>	<b>240,357</b>	<b>367,096</b>

Refer to  
Accounting  
Policies  
– page 36.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 20 FINANCIAL INSTRUMENTS (CONTINUED)

#### (e) Accounting classifications and fair values

The tables below set out the Group's classification of each class of financial assets and liabilities, and their fair values.

	DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME \$000	DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS \$000	OTHER AMORTISED COST \$000	TOTAL CARRYING AMOUNT \$000	FAIR VALUE \$000
<b>2016</b>					
<b>Assets</b>					
Cash and cash equivalents	–	–	7,561	7,561	7,561
Derivative financial instruments	2,630	2,629	–	5,259	5,259
Trade and other receivables	–	–	215,891	215,891	215,891
Other investments	3,170	–	5,686	8,856	8,856
	<b>5,800</b>	<b>2,629</b>	<b>229,138</b>	<b>237,567</b>	<b>237,567</b>
<b>Liabilities</b>					
Derivative financial instruments	75	2,303	–	2,378	2,378
Trade and other payables	–	–	248,284	248,284	248,284
Bank facilities	–	–	134,134	134,134	134,134
	<b>75</b>	<b>2,303</b>	<b>382,418</b>	<b>384,796</b>	<b>384,796</b>
<b>2015</b>					
<b>Assets</b>					
Cash and cash equivalents	–	–	7,273	7,273	7,273
Derivative financial instruments	91	1,957	–	2,048	2,048
Trade and other receivables	–	–	218,469	218,469	218,469
Other investments	7,134	–	5,333	12,467	12,467
Finance receivables	–	–	1,430	1,430	1,430
	<b>7,225</b>	<b>1,957</b>	<b>232,505</b>	<b>241,687</b>	<b>241,687</b>
<b>Liabilities</b>					
Derivative financial instruments	2,214	3,032	–	5,246	5,246
Trade and other payables	–	–	235,111	235,111	235,111
Bank facilities	–	–	126,739	126,739	126,739
	<b>2,214</b>	<b>3,032</b>	<b>361,850</b>	<b>367,096</b>	<b>367,096</b>

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

Refer to  
Accounting  
Policies  
– page 36.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**20 FINANCIAL INSTRUMENTS (CONTINUED)****(e) 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).

There have been no material movements between the fair value hierarchy during the year ended 30 June 2016.

	NOTE	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
<b>2016</b>					
<b>Assets</b>					
Derivative financial instruments		–	5,259	–	5,259
Other investments	15	–	–	3,170	3,170
		–	<b>5,259</b>	<b>3,170</b>	<b>8,429</b>
<b>Liabilities</b>					
Derivative financial instruments		–	2,378	–	2,378
		–	<b>2,378</b>	–	<b>2,378</b>
<b>2015</b>					
<b>Assets</b>					
Derivative financial instruments		–	2,048	–	2,048
Other investments	15	–	–	7,134	7,134
		–	<b>2,048</b>	<b>7,134</b>	<b>9,182</b>
<b>Liabilities</b>					
Derivative financial instruments		–	5,246	–	5,246
		–	<b>5,246</b>	–	<b>5,246</b>

**(f) Credit Risk**

The carrying amount of financial assets represents the Group's maximum credit exposure. The Group's maximum credit exposure to credit risk for receivables by geographic regions is as follows:

	2016 \$000	2015 \$000
<i>Total trade and other receivables</i>		
New Zealand	163,519	152,069
Australia	14,051	7,060
South America	72,916	76,039
	<b>250,486</b>	<b>235,168</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 forward foreign exchange contracts. The Group places its cash and short term investments with three major trading banks. Concentrations of credit risk with respect to advances are limited due to the large number of customers included in the Group's farming customer base in New Zealand.

Refer to  
Accounting  
Policy  
– page 36.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 20 FINANCIAL INSTRUMENTS (CONTINUED)

#### **Financial Instruments Accounting Policies**

##### **(i) Non-derivative Financial Assets**

Non-derivative financial assets comprise investments in equity and debt securities, finance receivables, trade and other receivables, cash and cash equivalents and intercompany advances. The Group early adopted NZ IFRS 9 (2009) Financial Instruments from 1 January 2012. NZ IFRS 9 (2009) requires that an entity classifies its financial assets at either amortised cost or fair value depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group early adopted IFRS 9 (2013) Financial Instruments from 1 January 2015. IFRS 9 (2013) provides amended general hedge accounting requirements.

The Group initially recognises financial assets on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

##### *Financial assets measured at amortised cost*

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

- the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

##### *Financial assets measured at fair value*

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

However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses through other comprehensive income. For instruments measured at fair value through other comprehensive income gains and losses are never reclassified to profit and loss and no impairments are recognised in profit and loss. Dividends earned from such investments are recognised in profit and loss unless the dividends clearly represent a repayment of part of the cost of investment.

##### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

##### *Trade and Other Receivables*

Trade and other receivables are stated at their amortised cost less impairment losses.

##### **(ii) Non-derivative Financial Liabilities**

##### *Interest-bearing Borrowings*

Interest-bearing borrowings are classified as other financial liabilities and are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest rate method.

##### *Trade and Other Payables*

Trade and other payables are stated at cost.

#### **Determination of Fair Values**

##### *Determination of Fair Values for Derivatives*

The fair value of forward exchange contracts is based on broker quotes, if available. If broker quotes are not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price at the reporting date for the residual maturity of the contract using a risk-free interest rate based on government bonds.

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the reporting date.

##### *Determination of Fair Values for Non-derivative Financial Instruments*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

Helping grow the country

**21 OPERATING LEASES**

	2016 \$000	2015 \$000
<b>Non-cancellable operating lease rentals are payable as follows:</b>		
Within one year	19,938	20,435
Between one and five years	44,333	30,780
Beyond five years	14,045	8,821
	<b>78,316</b>	<b>60,036</b>

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

The Group leases office and computer equipment. Leases are typically for a period of three years.

The Group also leases and subleases land and buildings from which it conducts operations. These leases range in length from 1 to 5 years with various rights of renewal. Where surplus properties are unable to be exited, sublease revenue is obtained where possible on a short-term temporary basis. During the year ended 30 June 2016 sublease revenue totalling \$1.14 million (2015: \$1.11 million) was received.

**22 SEASONALITY OF OPERATIONS**

The Group is subject to significant seasonal fluctuations. The Retail business is weighted towards the first half of the financial year as demand for New Zealand farming inputs are generally weighted towards the Spring season. Livestock and Seed & Grain activities are significantly weighted to the second half of the financial year. Seed & Grain revenues reflect the fact the Group operates in geographical zones that suit Autumn harvesting and sowing. New Zealand generally has spring calving and lambing and so Livestock trading is weighted towards the second half of the financial year in order for farmers to maximize their incomes. 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.

**23 COMMITMENTS**

	NOTE	2016 \$000	2015 \$000
<b>There are commitments with respect to:</b>			
Capital expenditure not provided for		1,427	17,183
Investment in BioPacificVentures	15	51	51
Contributions to Primary Growth Partnership		1,429	2,374
		<b>2,907</b>	<b>19,608</b>

**Primary Growth Partnership—seed and nutritional technology development**

The Group announced on 18 February 2013 that it had completed the contracting process for the Primary Growth Partnership (PGP) programme with the Ministry of Primary Industries. The PGP programme is a Seed and Nutritional Technology Development Programme that aims to deliver innovative forages for New Zealand farms. As a result of entering into the partnership the Group is committed to contributions to the partnership over the six year life of the programme which ends on 31 December 2018. The total commitment in respect of the programme has been reassessed to \$3.61 million in the current period (2015: total commitment of \$3.95 million). As at 30 June 2016 total contributions of \$2.18 million (2015: \$1.58 million) have been made to the programme.

**Forward purchase commitments**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 24 CONTINGENT LIABILITIES

#### PGG Wrightson Loyalty Reward Programme

The PGG Wrightson Loyalty Reward Programme is run in conjunction with the co-branded ASB Visa reward card. A provision is retained for the expected level of points redemption. A contingent liability of \$0.13 million represents the balance of live points that do not form part of the provision (2015: \$0.13 million). Losses are not expected to arise from this contingent liability.

### 25 RELATED PARTIES

#### Parent and ultimate controlling party

The immediate parent of the Group is Agria (Singapore) Pte Ltd and the ultimate controlling party of the Group is Agria Corporation.

#### Transactions with key management personnel

	2016 \$000	2015 \$000
Key management personnel compensation comprised:		
Short-term employee benefits	5,798	6,211
Post-employment benefits	185	102
Termination benefits	–	208
	<b>5,983</b>	<b>6,521</b>

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

#### Other Transactions with Key Management Personnel

A number of Directors, senior executives or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group during the reporting period. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to Directors, senior executives and entities over which they have control or significant influence were as follows:

		TRANSACTION VALUE 2016 \$000	BALANCE OUTSTANDING 2016 \$000	TRANSACTION VALUE 2015 \$000	BALANCE OUTSTANDING 2015 \$000	
Key Management Personnel/Director	Transaction					
	John Nichol	Purchase of retail goods	2	–	2	1
	Trevor Burt	Purchase of retail goods and livestock transactions	902	6	837	1
	Mark Dewdney	Purchase of retail goods and livestock transactions	487	11	611	9
	Grant Edwards	Purchase of retail goods	–	–	1	–
	David Green	Purchase of retail goods	114	4	98	1
	Stephen Guerin	Purchase of retail goods and livestock transactions	15	–	29	–
	John McKenzie	Purchase of retail goods, sale of seed under production contracts, sale of wool, water services and livestock transactions	4,223	2	4,594	14
	Peter Newbold	Purchase of retail goods	13	–	72	1
	Cedric Bayly	Purchase of retail goods	18	–	10	–

From time to time Directors and senior executives of the Group, or their related entities, may use the PGG Wrightson ASB Visa rewards credit card facility and/or purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are minor or domestic in nature.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

Helping grow the country

**26 EVENTS SUBSEQUENT TO BALANCE DATE****Assets held for sale**

Subsequent to 30 June 2016 the Group sold two properties recorded as assets held for sale. The sale of these properties resulted in a gain of \$0.60 million.

**Acquisition of Grainsearch**

On 15 July 2016 the Group acquired the assets and business of Grainsearch Pty Limited. Grainsearch facilitates research for new varieties of cereal seeds and is based in Victoria, Australia. Management is determining the fair value of the assets acquired. The business is included in the Group's Seed & Grain business segment.

**Dividend**

On 8 August 2016 the Directors of PGG Wrightson Limited resolved to pay a final dividend of 2.00 cents per share on 4 October 2016 to shareholders on the Company's share register as at 5.00pm on 5 September 2016. This dividend will be fully imputed.

**27 REPORTING ENTITY**

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

Financial statements of PGG Wrightson Limited for the year ended 30 June 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. Financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The Group is primarily involved in the provision of goods and services within the agricultural sector.

**28 BASIS OF PREPARATION****Statement of Compliance**

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as applicable for profit oriented entities. The financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as applicable for profit oriented entities.

These statements were approved by the Board of Directors on 8 August 2016.

**Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- investments are measured at fair value
- biological assets are measured at fair value less point-of-sale costs
- assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 28 BASIS OF PREPARATION (CONTINUED)

#### Functional and Presentation Currency

These financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

#### Use of Estimates and Judgements

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

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

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

Note	Judgement
5	Acquisition of equity accounted investee
14	Business combinations
20	Classification and valuation of financial assets and instruments

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

Note	Assumption or estimation uncertainty
1	Operating Revenue-construction contracts
12	Trade and Other Receivables
13	Valuation of seeds inventory
19	Measurement of defined benefit obligations: key actuarial assumptions

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



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

Helping grow the country

**29 OTHER SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out in these financial statements have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

**(a) Basis of Consolidation***Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

*Transactions Eliminated on Consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign Currencies***Foreign Currency Transactions*

Transactions in foreign currencies are translated to the respective functional currencies of the group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

*Foreign Operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Zealand dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to New Zealand dollars at exchange rates at the date of the transactions.

Foreign currency differences are recognised in other comprehensive income and the Foreign Currency Translation Reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

**(c) Impairment**

The carrying value of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount exceeds its recoverable amount. Impairment losses directly reduce the carrying value of assets and are recognised in profit or loss unless the asset is carried at a revalued amount in accordance with another standard.

*Impairment of Equity Instruments*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of assets is impaired. In the case of equity instruments that are not held for trading, the Group may elect to present gains and losses through other comprehensive income. If no election is made fair value gains and losses are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

### 29 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Impairment (continued)

##### *Impairment of Finance Receivables*

Finance receivables are considered past due when they have been operated by the counterparty out of key terms, the facility has expired, and in managements view there is no possibility of the counterparty operating the facility within key terms. When forming a view management considers the counterparty's ability to pay, the level of security and the risk of loss.

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.

The recoverable amount of the Group's investments in held-to-maturity debt instruments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with short duration are not discounted.

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

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

##### *Non-financial Assets*

The carrying amounts of the Group's non-financial assets, other than biological assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it relates, exceeds the recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or unit.

In determining the fair value using value in use, regard is given to external market evidence.

#### (d) Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods outlined in the respective notes for the assets and liabilities. Where applicable, further information about the assumptions made is disclosed in the notes specific to that asset or liability.

#### (e) Intangible Assets

##### *Research and Development*

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

Research expenditure on the development of new systems and processes is recognised in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Research and development expenditure on the development of new seed cultivars is recognised in profit or loss as incurred. Development costs of seed cultivars are substantially indistinguishable from the cultivar research costs.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 30 June 2016

Helping grow the country

**29 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Statement of Cash Flows**

The statement of cash flows has been prepared using the direct approach modified by the netting of certain items as disclosed below. Deposits received less withdrawals are netted as the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Group.

**(g) Disclosure of non-GAAP financial information**

Non-GAAP reporting measures have been presented in the Statement of Profit or Loss or referenced to in the notes to the financial statements. The following non-GAAP measures are relevant to the understanding of the Group financial performance:

- EBITDA (a non-GAAP measure) represents earnings before net interest and finance costs, income tax, depreciation, amortisation and the results from discontinued operations.
- Operating EBITDA (a non-GAAP measure) represents earnings before net interest and finance costs, income tax, depreciation, amortisation, results from discontinued operations, fair value adjustments and non-operating items.

The PGW Board and management consider the Operating EBITDA measure to promote a more meaningful communication of financial information. This measure is also the required information for certain stakeholders and for internal management reporting and review.

**(h) Standards and Interpretations That Have Been Issued or Amended But Are Not Yet Effective**

A number of new standards and interpretations are not yet effective for the year ended 30 June 2016 and have not been applied in preparing these consolidated financial statements. None of these standards are expected to have a significant impact on these financial statement except for:

- IFRS 9 (2014) *Financial Instruments* has been issued. The final component of IFRS 9 (2014) introduces a new expected credit loss model for calculating impairment. IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Group does not plan to adopt IFRS 9 (2014) early and the extent of the impact has not yet been determined. The Group early adopted IFRS 9 (2013) from 1 January 2015. IFRS 9 (2013) provides amended general hedge accounting requirements.
- IFRS 15 *Revenue from Contracts with Customers* has been issued. This standard introduced a new revenue recognition model for contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018. The Group does not plan to adopt IFRS 15 early and the extent of the impact has not yet been determined.
- IFRS 16 *Leases* has been issued. This standard eliminates the classification of leases as either operating leases or finance leases. The standard uses a single lessee model which requires a lessee to recognise on the Statement of Financial Position assets and liabilities for all leases with a term of more than 12 months. The standard is effective for annual periods beginning on or after 1 January 2019. The Group does not plan to adopt IFRS 16 early and the extent of the impact has not yet been determined.
- A variety of minor improvements to standards have been made in order to clarify various treatments of specific transactions. These are not expected to have an impact on the Group's financial results.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

Helping grow the country

	SHARE CAPITAL \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	REALISED CAPITAL AND OTHER RESERVES \$000	REVALUATION RESERVE \$000	HEDGING RESERVE \$000	DEFINED BENEFIT PLAN RESERVE \$000	FAIR VALUE RESERVE \$000	RETAINED EARNINGS \$000	NON-CONTROLLING INTEREST \$000	TOTAL EQUITY \$000
Balance at 1 July 2014	606,324	(13,414)	23,320	556	272	(12,009)	(743)	(336,461)	1,857	269,702
<b>Total comprehensive income for the period</b>										
Profit or loss	–	–	–	–	–	–	–	31,869	884	32,753
<b>Other comprehensive income</b>										
Foreign currency translation differences	–	13,145	123	–	–	–	–	–	360	13,628
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	(2,278)	–	–	(2,278)
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	(1,604)	–	–	–	–	(1,604)
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	(2,600)	–	–	–	(2,600)
Total other comprehensive income	–	13,145	123	–	(1,604)	(2,600)	(2,278)	–	360	7,146
<b>Total comprehensive income for the period</b>	–	13,145	123	–	(1,604)	(2,600)	(2,278)	31,869	1,244	39,899
<b>Transactions with shareholders, recorded directly in equity</b>										
<b>Contributions by and distributions to shareholders</b>										
Dividends to shareholders	–	–	–	–	–	–	–	(41,942)	(291)	(42,233)
<b>Total contributions by and distributions to shareholders</b>	–	–	–	–	–	–	–	(41,942)	(291)	(42,233)
<b>Balance at 30 June 2015</b>	<b>606,324</b>	<b>(269)</b>	<b>23,443</b>	<b>556</b>	<b>(1,332)</b>	<b>(14,609)</b>	<b>(3,021)</b>	<b>(346,534)</b>	<b>2,810</b>	<b>267,368</b>
Balance at 1 July 2015	606,324	(269)	23,443	556	(1,332)	(14,609)	(3,021)	(346,534)	2,810	267,368
<b>Total comprehensive income for the period</b>										
Profit or loss	–	–	–	–	–	–	–	38,823	755	39,578
<b>Other comprehensive income</b>										
Foreign currency translation differences	–	(8,480)	–	–	–	–	–	–	(33)	(8,513)
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	5,433	–	–	5,433
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	2,800	–	–	–	–	2,800
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	(3,478)	–	–	–	(3,478)
Total other comprehensive income	–	(8,480)	–	–	2,800	(3,478)	5,433	–	(33)	(3,758)
<b>Total comprehensive income for the period</b>	–	(8,480)	–	–	2,800	(3,478)	5,433	38,823	722	35,820
<b>Transactions with shareholders, recorded directly in equity</b>										
<b>Contributions by and distributions to shareholders</b>										
Dividends to shareholders	–	–	–	–	–	–	–	(28,684)	(205)	(28,889)
<b>Total contributions by and distributions to shareholders</b>	–	–	–	–	–	–	–	(28,684)	(205)	(28,889)
<b>Transfer to retained earnings</b>	–	–	–	–	–	990	–	(294)	(1,284)	–
<b>Balance at 30 June 2016</b>	<b>606,324</b>	<b>(8,749)</b>	<b>23,443</b>	<b>556</b>	<b>1,468</b>	<b>(17,097)</b>	<b>2,412</b>	<b>(336,101)</b>	<b>2,043</b>	<b>274,299</b>

**NOTES TO THE FINANCIAL STATEMENTS** (CONTINUED)

For the year ended 30 June 2016

**30 CAPITAL AND RESERVES**

	No. OF SHARES 2016 000	No. OF SHARES 2015 000	2016 \$000	2015 \$000
On issue at 1 July	754,849	754,849	606,324	606,324
<b>Share capital on issue at 30 June</b>	<b>754,849</b>	<b>754,849</b>	<b>606,324</b>	<b>606,324</b>

All shares are ordinary fully paid shares with no par value, carry equal voting rights and share equally in any profit on the winding up of the Group.

**Foreign currency translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

**Realised capital reserve**

The realised capital reserve comprises the cumulative net capital gains that have been realised.

**Revaluation reserve**

The revaluation reserve relates to historic revaluations of property, plant and equipment.

**Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet settled.

**Defined benefit plan reserve**

The defined benefit plan reserve contains actuarial gains and losses on plan assets and defined benefit obligations.

**Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets and equity investments elected at fair value through other comprehensive income until the investments are derecognised or impaired.

**Retained earnings**

Retained earnings equals accumulated undistributed profit.

**Dividends**

*The following dividends were paid by the Company for the year ended 30 June:*

A fully imputed 2016 interim dividend of 1.75 cents per share was paid on 5 April 2016 and a fully imputed 2015 final dividend of 2.0 cents per share was paid on 1 October 2015 (2015: Fully imputed 2015 interim dividend of 2.0 cents per share was paid on 8 April 2015 and a fully imputed 2014 final dividend of 3.5 cents per share was paid on 3 October 2014).

**Share Capital Accounting Policies***Ordinary Share Capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

*Repurchase of Share Capital*

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

## INDEPENDENT AUDITOR'S REPORT



### TO THE SHAREHOLDERS OF PGG WRIGHTSON LIMITED

We have audited the accompanying consolidated financial statements of PGG Wrightson Limited and its subsidiaries ("the group") on pages 1 to 46. The financial statements comprise the consolidated statement of financial position as at 30 June 2016, the consolidated profit or loss, other comprehensive income, cash flows and changes in equity for the year ended 30 June 2016, the segment report as at and for the year ended 30 June 2016 and additional financial disclosures including notes to the financial statements.

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

#### ***Directors' responsibility for the consolidated financial statements***

The directors are responsible on behalf of the company for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

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

Our firm has also provided other services to the group in relation to other assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

#### ***Opinion***

In our opinion, the consolidated financial statements on pages 1 to 46 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of PGG Wrightson Limited as at 30 June 2016 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.

8 August 2016

Christchurch