Key Financial Disclosures

for the year ended 30 June 2017

The financial statements contained on pages 1 – 46 have been approved by the Board of Directors on 7 August 2017.

Alan Lai
Chairman

Bruce Irvine
Director and Audit Committee Chairman

Helping grow the country

STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

	NOTE	2017 $000	2016 $000
Continuing operations			
Operating revenue	1	1,132,963	1,181,624
Cost of sales	2	(804,317)	(854,871)
Gross profit		328,646	326,753
Other income		388	725
Employee benefits expense		(160,851)	(156,148)
Research and development		(4,542)	(4,515)
Other operating expenses	3	(99,268)	(96,390)
Equity accounted earnings of investees	5	126	(244)
Operating EBITDA		**64,499**	**70,181**
Non-operating items		9,521	4,151
Fair value adjustments	6	(420)	(232)
Depreciation and amortisation expense		(10,733)	(9,170)
EBIT		**62,867**	**64,930**
Net interest and finance costs	7	(6,158)	(10,474)
Profit from continuing operations before income taxes		56,709	54,456
Income tax expense	8	(10,428)	(10,466)
Profit from continuing operations		46,281	43,990
Discontinued operations			
Profit from discontinued operations (net of income taxes)		30	(211)
Net profit after tax		**46,311**	**43,779**
Profit attributable to:			
Shareholders of the Company		45,607	43,024
Non-controlling interest		704	755
Net profit after tax		**46,311**	**43,779**
Earnings per share			
Basic earnings per share (New Zealand Dollars)	9	0.061	0.058
Continuing operations			
Basic earnings per share (New Zealand Dollars)		0.061	0.058

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

PGG WRIGHTSON LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	NOTE	2017 $000	2016 $000
Net profit after tax		**46,311**	**43,779**
Other comprehensive income/(loss) for the period			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments		240	5,433
Remeasurements of defined benefit liability	20	3,121	(10,666)
Deferred tax on remeasurements of defined benefit liability	8	(2,389)	2,987
		972	(2,246)
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		(1,169)	(8,513)
Effective portion of changes in fair value of cash flow hedges		(2,039)	3,888
Income/deferred tax on changes in fair value of cash flow hedges		571	(1,088)
		(2,637)	(5,713)
Other comprehensive income/(loss) for the period, net of income tax		(1,665)	(7,959)
Total comprehensive income for the period		**44,646**	**35,820**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		43,579	35,580
Non-controlling interest		1,067	240
Total comprehensive income for the period		**44,646**	**35,820**

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

SEGMENT REPORT

For the year ended / as at 30 June 2017

(a) Operating Segments

The Group reorganised its operating structure during the period and now has three primary operating segments: Agency, Retail and Water and Seed and Grain which are the Group's strategic divisions. Agency and Retail and Water operate within New Zealand. Seed and Grain primarily operates within New Zealand with additional operations in Australia and South America. Comparative segmental information has been restated in respect of the change in operating structure.

The three operating segments offer different products and services, and are managed separately because they require different skills, technology and marketing strategies. There is also a Group General Manager for each segment. Within each segment, further business unit analysis may be provided to management where there are significant differences in the nature of activities. The Chief Executive Officer or Chairman of the Board reviews internal management reports on each strategic business unit on at least a monthly basis.

- ***Agency.*** Includes Rural Livestock trading activities, Export Livestock, Wool, Insurance, Real Estate and Finance Commission.
- ***Retail and Water.*** Includes the Rural Supplies and Fruitfed retail operations, PGG Wrightson Water, AgNZ (Consulting), Agritrade and ancillary sales support, supply chain and marketing functions.
- ***Seed and 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 and Grain (research and development, international, production and corporate seeds).
- ***Other.*** Other non-segmented amounts relate to certain Group 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/elimination adjustments.

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

"Other" cost allocation

The group has undergone a review of certain corporate costs that have previously been recorded outside of the operating segments. The review has resulted in the Group adopting an allocation methodology during the period which allocates certain corporate costs where they can be directly attributed to the operating segment or attributed based on the use of the following methods:

- IT hardware, support, licence and other costs attributed on a per user basis.
- Property costs allocated, where not directly attributable, on a property space utilisation basis.
- Business operations costs (Accounts Payable, Accounts Receivable, Credit Services, Call Centre) allocated based on FTE usage by each operating segment, transactional volumes or for Credit allocated based on the operating segment to which overdue accounts relate to.

In addition, a reorganisation of the Finance and HR functions resulted in centralisation of each operating segment's finance and HR teams into each operating segment. The Group Finance, Risk and Assurance, Treasury, HR, Credit and the Executive Team functions continue to be reported outside of the operating segments.

Other costs including non-operating items, fair value adjustments, net interest and finance costs, income tax expense as well as the reporting of discontinued operations are not fully allocated by the Group. Accordingly, these items have not been allocated across the operating segments.

(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, and segment assets are based on the geographical location of the assets.

	2017 $000	2016 $000
Revenue derived from outside the Group		
New Zealand	954,330	978,066
Australia	79,161	86,011
South America	99,472	117,547
Total revenue derived from outside the Group	**1,132,963**	**1,181,624**
Non-current assets excluding financial instruments and deferred tax		
New Zealand	85,756	91,816
Australia	14,638	12,373
South America	47,131	46,001
Total non-current assets excluding financial instruments and deferred tax	**147,525**	**150,190**

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2017

(c) Operating Segment Information

	AGENCY		RETAIL AND WATER		SEED AND GRAIN		OTHER		TOTAL	
	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000	2017 $000	2016 $000
Total segment revenue	197,098	228,236	562,162	550,064	428,711	453,168	1,040	2,075	1,189,012	1,233,544
Intersegment revenue	–	–	–	–	(56,049)	(51,920)	–	–	(56,049)	(51,920)
Total external operating revenues	197,098	228,236	562,162	550,064	372,663	401,248	1,040	2,075	1,132,963	1,181,624
Operating EBITDA	**17,996**	**18,181**	**18,295**	**20,178**	**37,045**	**41,862**	**(8,836)**	**(10,041)**	**64,499**	**70,181**
Non–operating items	3,275	(3,171)	(12)	25	7,604	(418)	(1,347)	13,551	9,521	4,151
Fair value adjustments	26	458	–	–	(324)	(19)	(121)	(670)	(420)	(232)
Depreciation and amortisation expense	(1,130)	(1,257)	(1,737)	(1,489)	(5,517)	(4,397)	(2,349)	(2,027)	(10,733)	(9,170)
EBIT	20,167	14,211	16,546	18,714	38,807	37,027	(12,654)	813	62,866	64,930
Net interest and finance costs	472	(395)	272	(1,304)	(4,127)	(3,845)	(2,774)	(4,931)	(6,158)	(10,474)
Profit/(loss) from continuing operations before income taxes	20,639	13,815	16,819	17,411	34,680	33,182	(15,428)	(9,953)	56,709	54,456
Income tax (expense) / income	(4,171)	(6,013)	(5,253)	(8,203)	(7,513)	(10,262)	6,509	14,013	(10,428)	(10,466)
Profit/(loss) from continuing operations	16,468	7,802	11,566	9,208	27,166	22,920	(8,918)	4,060	46,281	43,990
Discontinued operations	–	–	–	–	–	–	30	(211)	30	(211)
Net profit after tax	**16,468**	**7,802**	**11,566**	**9,208**	**27,166**	**22,920**	**(8,888)**	**3,849**	**46,311**	**43,779**
Segment assets	145,410	126,566	137,081	139,670	367,753	367,753	27,704	32,262	677,949	663,603
Investment in equity accounted investees	–	–	–	–	20,892	16,322	81	1,678	20,973	18,000
Assets held for sale	37	56	500	764	–	–	2,690	4,794	3,227	5,613
Total segment assets	145,447	126,621	137,581	140,434	388,645	381,428	30,475	38,733	702,148	687,216
Segment liabilities	(71,296)	(72,844)	(72,117)	(77,573)	(187,209)	(184,747)	(81,816)	(77,753)	**(412,437)**	**(412,917)**
Capital expenditure	1,743	1,445	5,238	4,772	11,901	36,772	1,901	833	20,783	43,821

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

PGG WRIGHTSON LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	NOTE	2017 $000	2016 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		1,201,273	1,242,386
Dividends received		10	6
Interest received		3,318	2,038
		1,204,601	1,244,430
Cash was applied to:			
Payments to suppliers and employees		(1,159,853)	(1,188,736)
Lump sum contributions to defined benefit plans (ESCT inclusive)		(7,551)	-
Interest paid		(6,321)	(6,579)
Income tax paid		(10,408)	(13,903)
		(1,184,133)	(1,209,218)
Net cash flow from operating activities		**20,468**	**35,212**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		22,352	19,898
Net decrease in finance receivables		–	1,079
Net proceeds from sale of investments		4,424	9,692
		26,776	30,669
Cash was applied to:			
Purchase of property, plant and equipment		(12,803)	(30,750)
Purchase of intangibles		(4,307)	(2,176)
Net cash paid for purchase of investments		(2,773)	(10,895)
		(19,883)	(43,821)
Net cash flow from investing activities		**6,893**	**(13,152)**
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft		3,715	7,035
		3,715	7,035
Cash was applied to:			
Dividends paid to shareholders		(28,588)	(28,602)
Dividends paid to minority interests		(646)	(205)
		(29,234)	(28,807)
Net cash flow from financing activities		**(25,519)**	**(21,772)**
Net increase/(decrease) in cash held		1,842	288
Opening cash		7,561	7,273
Cash and cash equivalents	10	**9,403**	**7,561**

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 2017

	2017 $000	2016 $000
Net profit after tax	46,311	43,779
Add/(deduct) non-cash/non-operating items:		
Depreciation, amortisation and impairment	10,733	9,170
Fair value adjustments	420	232
Net (profit)/loss on sale of assets/investments	(9,630)	(5,321)
Bad debts written off (net)	1,244	1,483
Change in deferred taxation	(811)	(2,001)
Earnings from equity accounted investees	(126)	244
Discontinued operations	(30)	211
Defined benefit expense	649	408
Effect of foreign exchange movements	(197)	(6,131)
Earn-out provision reassessment	(2,373)	–
Pension contributions (operating cash) not expensed through profit and loss	(7,551)	–
Other non-cash/non-operating items	1,339	4,003
	39,978	46,077
Add/(deduct) movement in working capital items:		
Change in working capital due to sale/purchase of businesses	(3,378)	(583)
Change in inventories and biological assets	(11,208)	3,990
Change in trade debtors and prepayments	(12,364)	(15,290)
Change in trade creditors, provisions and accruals	5,856	10,620
Change in income tax payable/receivable	2,156	(970)
Change in other current assets/liabilities	(572)	(8,632)
	(19,510)	(10,866)
Net cash flow from operating activities	**20,468**	**35,212**

The accompanying notes form an integral part of these financial statements

PGG WRIGHTSON LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTE	2017 $000	2016 $000
ASSETS			
Current			
Cash and cash equivalents	10	9,403	7,561
Short-term derivative assets	11	3,528	3,743
Trade and other receivables	13	230,022	238,308
Go livestock receivables	12	32,371	12,178
Assets classified as held for sale		3,227	5,613
Biological assets		1,553	843
Inventories	14	253,600	244,074
Other investments	16	3,441	6,691
Total current assets		537,145	519,011
Non-current			
Long-term derivative assets	11	427	1,516
Biological assets		58	108
Deferred tax asset	8	15,145	14,334
Investments in equity accounted investees	5	20,973	18,000
Other investments	16	1,906	2,165
Intangible assets	17	9,129	7,079
Property, plant and equipment	18	117,365	125,003
Total non-current assets		165,003	168,205
Total assets		**702,148**	**687,216**
LIABILITIES			
Current			
Debt due within one year	10	26,719	36,623
Short-term derivative liabilities	11	991	1,438
Accounts payable and accruals	19	248,290	239,696
Income tax payable		4,115	2,392
Defined benefit liability	20	942	2,642
Total current liabilities		281,057	282,791
Non-current			
Long-term debt	10	110,925	97,511
Long-term derivative liabilities	11	661	940
Other long-term provisions	19	4,909	8,588
Defined benefit liability	20	14,885	23,087
Total non-current liabilities		131,380	130,126
Total liabilities		**412,437**	**412,917**
EQUITY			
Share capital	31	606,324	606,324
Reserves	31	(2,956)	1,960
Retained earnings	31	(316,121)	(336,028)
Total equity attributable to shareholders of the Company		287,247	272,256
Non-controlling interest		2,464	2,043
Total equity		**289,711**	**274,299**
Total liabilities and equity		**702,148**	**687,216**

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 2017

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1 OPERATING REVENUE

	CONTINUING OPERATIONS 2017 $000	2016 $000
Sales	994,024	1,031,645
Commissions	108,205	105,536
Construction contract revenue	27,627	42,478
Interest revenue on *Go* livestock product receivables	1,674	300
Interest revenue on finance receivables	–	–
Debtor interest charges	1,433	1,665
Total operating revenue	**1,132,963**	**1,181,624**

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.

2 COST OF SALES

	NOTE	2017 $000	2016 $000
Cost of Sales includes the following items by nature:			
Depreciation and amortisation		1,068	1,294
Employee benefits including commissions		37,097	35,110
Inventories, finished goods, work in progress, raw materials and consumables	14	755,142	794,665
Other		11,010	23,802
		804,317	**854,871**

3 OTHER OPERATING EXPENSES

	2017 $000	2016 $000
Other operating expenses includes the following items:		
Audit of annual financial statements of the Company - KPMG	267	240
Audit of annual financial statements of the subsidiaries and associates - KPMG	118	115
Other non-audit services provided by KPMG		
– Tax consulting	4	–
– 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
– Quality assurance - IT project	44	–
Directors' fees	770	770
Donations	3	5
Doubtful debts - (decrease)/increase in provision for doubtful debts	286	515
Net doubtful debts - bad debts written off/recovered	958	742
Marketing	8,261	8,849
Motor vehicle costs	7,306	6,860
Rental and operating lease costs	28,951	25,951
Other expenses	52,287	52,329
	99,268	**96,390**

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

4 ACQUISITION OF EQUITY ACCOUNTED INVESTEE

Agri Optics New Zealand Limited

On 11 October 2016 the Group acquired a 51% investment in Agri Optics New Zealand Limited. This jointly controlled entity is accounted for using the equity method and is included in the Group's Seed and Grain business segment. The acquisition involved an upfront payment and an earn out component determined over the next two years based on the financial performance of the business. The initial investment recorded for the investee was $0.83 million which includes management's estimate of the fair value of the earn out. Agri Optics New Zealand Limited is a Canterbury based precision agriculture business.

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 INVESTEES

Earnings from equity accounted investees

30 June 2017

	CURRENT ASSETS $000	NON-CURRENT ASSETS $000	TOTAL ASSETS $000	CURRENT LIABILITIES $000	NON-CURRENT LIABILITIES $000	TOTAL LIABILITIES $000
51% Forage Innovations Limited	1,166	–	1,166	(837)	–	(837)
50% Agimol Corporation S.A.	51,277	10,991	62,268	(53,519)	–	(53,519)
51% Agri Optics New Zealand Limited	8	139	147	(93)	(191)	(284)
50% Canterbury Sale Yards (1996) Limited	193	6	199	(37)	–	(37)
50% Fertimas S.A.	8,886	–	8,886	(6,649)	–	(6,649)
	61,530	11,136	72,666	(61,135)	(191)	(61,326)

	REVENUES $000	EXPENSES $000	PROFIT / (LOSS) AFTER TAX $000	PGW SHARE $000
51% Forage Innovations Limited	1,504	(1,585)	(81)	(42)
50% Agimol Corporation S.A.	85,575	(85,193)	382	190
51% Agri Optics New Zealand Limited	177	(277)	(100)	(51)
50% Canterbury Sale Yards (1996) Limited	530	(588)	(58)	(29)
50% Fertimas S.A.	20,722	(20,606)	116	58
	108,508	(108,249)	259	**126**

5 EQUITY ACCOUNTED INVESTEES (CONTINUED)

Earnings from equity accounted investees (continued)

30 June 2016

	CURRENT ASSETS $000	NON-CURRENT ASSETS $000	TOTAL ASSETS $000	CURRENT LIABILITIES $000	NON-CURRENT LIABILITIES $000	TOTAL LIABILITIES $000
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 $000	EXPENSES $000	PROFIT / (LOSS) AFTER TAX $000	PGW SHARE $000
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)**

Movement in carrying value of equity accounted investees

	2017 $000	2016 $000
Opening balance	18,000	1,849
Investment in Agri Optics New Zealand	834	–
Additional investment in Agimol Corporation S.A. (Agrocentro Uruguay)	2,063	16,375
Currency translation	(50)	20
Share of profit/(loss)	126	(244)
Dividends received	–	–
Closing balance	**20,973**	**18,000**

Goodwill of $13.24 million is included in the carrying value of Agimol Corporation S.A.

The carrying value of the investment in Agimol Corporation S.A. (Agrocentro Uruguay), has been assessed for impairment in conjunction with the review of the earn-out provision (refer Note 19). The assessment was based on the present value of forecast EBITDA and other cash flows over a five year period with a 4 per cent terminal growth rate. This assessment supported the carrying value of the investment.

6 FAIR VALUE ADJUSTMENTS

	2017 $000	2016 $000
Assets held for sale	(121)	(670)
Biological assets	28	552
Investments	(327)	(114)
	(420)	**(232)**

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

7 INTEREST – FINANCE INCOME AND EXPENSE

	2017 $000	2016 $000
Finance income contains the following item:		
Other interest income	211	73
Finance income	211	73
Interest funding contains the following items:		
Interest on loans and overdrafts	(5,747)	(6,304)
Net interest on interest rate derivatives	(367)	(282)
Fair value change on interest rate derivatives	392	(846)
Effective interest on expected earnout payments	(27)	(809)
Effective interest on defined pension ESCT payments	(122)	–
Other interest expense	(108)	(3)
Bank facility fees	(772)	(845)
Interest funding expense	(6,751)	(9,089)
Foreign exchange contains the following items:		
Net gain/(loss) on foreign denominated items	(924)	(3,717)
Fair value change on foreign exchange derivatives	1,306	2,259
Foreign exchange income/(expense)	382	(1,458)
Net interest and finance costs	**(6,158)**	**(10,474)**

8 INCOME TAXES

	2017 $000	2016 $000
Current tax expense		
Current year	(11,331)	(14,085)
Adjustments for prior years	(1,725)	3,517
	(13,056)	(10,568)
Deferred tax expense		
Origination and reversal of temporary differences	915	(548)
Recognition of previously unrecognised tax losses	–	296
Adjustments for prior years	1,714	354
	2,629	102
Income tax (expense)/income	**(10,428)**	**(10,466)**
Profit/(loss) for the year	46,311	43,779
Income tax (expense)/income	(10,428)	(10,466)
Tax on discontinued operations	(4)	82
Profit/(loss) excluding income tax	**56,743**	**54,163**

	2017 %	2017 $000	2016 %	2016 $000
Income tax using the Company's domestic tax rate	28.0%	(15,888)	28.0%	(15,166)
Effect of tax rates in foreign jurisdictions	–1.6%	933	–1.8%	983
Non–deductible expenses	–3.3%	1,872	4.0%	(2,178)
Tax effect of discontinued operations	0.0%	(4)	–0.2%	82
Tax exempt income	–5.1%	2,881	–3.0%	1,646
Under/(over) provided in prior years	0.0%	(11)	–7.1%	3,871
Recognition of previously unrecognised tax losses	0.0%	–	–0.5%	296
Current year tax losses not recognised	0.4%	(210)	0.0%	–
	18.4%	**(10,428)**	**19.3%**	**(10,466)**

Income tax recognised directly in equity

	2017 $000	2016 $000
Income/deferred tax on changes in fair value of cash flow hedges	571	(1,088)
Deferred tax on movement of actuarial gains/losses on employee benefit plans	(2,389)	2,987
Total income tax recognised directly in equity	**(1,818)**	**1,899**

The Group has $0.32 million imputation credits as at 30 June 2017 (2016: $1.12 million). This balance includes the third provisional tax instalment made on 28 July 2017 in respect of the year ended 30 June 2017.

Refer to Accounting Policies – page 16.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

8 INCOME TAXES (CONTINUED)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2017 $000	ASSETS 2016 $000	LIABILITIES 2017 $000	LIABILITIES 2016 $000	NET 2017 $000	NET 2016 $000
Group						
Property, plant and equipment	–	–	(518)	(2,335)	(518)	(2,335)
Intangible assets	–	–	(455)	(435)	(455)	(435)
Employee benefits	9,635	12,356	–	–	9,635	12,356
Provisions	4,676	4,636	(97)	(1,609)	4,579	3,027
Other items	1,904	1,721	–	–	1,904	1,721
Tax asset/(liability)	**16,215**	**18,713**	**(1,070)**	**(4,379)**	**15,145**	**14,334**

Movement in deferred tax on temporary differences during the year

	BALANCE 1 JUL 2015 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2016 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2017 $000
Group							
Property, plant and equipment	(5,216)	2,881	–	(2,335)	1,817	–	(518)
Intangible assets	(725)	290	–	(435)	(20)	–	(455)
Employee benefits	9,662	(293)	2,987	12,356	(332)	(2,389)	9,635
Provisions	7,656	(3,541)	–	4,115	981	–	5,096
Other items	956	765	(1,088)	633	183	571	1,387
	12,333	102	1,899	14,334	2,629	(1,818)	15,145

Unrecognised tax losses / Unrecognised temporary differences

At 30 June 2017 the Group has $6.37 million of unrecognised deferred tax assets relating to unrecognised losses (2016: $6.31 million) and $2.39 million of unrecognised deferred tax assets relating to unrecognised temporary differences (2016: $2.32 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.

9 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 was based on the profit/(loss) attributable to ordinary shareholders of $46,311,000 (2016:$43,779,000) by the weighted average number of shares, 754,848,774 (2016: 754,848,774) on issue. There are no dilutive shares or options (2016: Nil).

	2017 000	2016 000
Number of shares		
Weighted average number of ordinary shares	754,849	754,849
Number of ordinary shares	**754,849**	**754,849**

	2017 $000	2016 $000
Net Tangible Assets		
Total assets	702,149	687,216
Total liabilities	(412,437)	(412,917)
less intangible assets	(9,129)	(7,079)
less deferred tax	(15,145)	(14,334)
	265,438	**252,886**

	2017 $	2016 $
Net tangible assets per share	0.352	0.335
Earnings per share	0.061	0.058

Earnings per Share Accounting Policies

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

10 CASH AND FINANCING FACILITIES

	2017 $000	2016 $000
Cash and cash equivalents	9,403	7,561
Current financing facilities	(26,719)	(36,623)
Term financing facilities	(110,925)	(97,511)
Net interest bearing debt	**(128,241)**	**(126,573)**
Go range of livestock product receivables	32,371	12,178
Net interest-bearing debt less *Go* livestock receivables	**(95,870)**	**(114,395)**

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 $19.40 million as at 30 June 2017 including:

- Overdraft facilities of $9.55 million.
- Guarantee and trade finance facilities of $6.68 million.
- Finance lease facilities of $3.17 million.

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

In addition, two of the Group's wholly-owned Uruguayan subsidiaries (Wrightson Pas S.A. and Agrosan S.A.) jointly and severally are obligors to a bank club financing structure. The bank 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 Uruguayan logistics centre and provide:

- An amortising logistics centre facility of $12.79 million (USD 9.37 million) maturing on 17 September 2022.
- A committed facility of $16.37 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 $15.53 million (USD 11.34 million) as at 30 June 2017.

11 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 $000	2016 $000
Derivative assets held for risk management		
Current	3,528	3,743
Non-current	427	1,516
	3,955	5,259
Derivative liabilities held for risk management		
Current	(991)	(1,438)
Non-current	(661)	(940)
	(1,652)	(2,378)
Net derivatives held for risk management	**2,303**	**2,881**

Derivatives held for risk management

The Group uses interest rate swaps and options to hedge its exposure to changes in the market rates of variable and fixed interest rates. The Group also uses forward foreign exchange contracts, spot foreign exchange contracts and foreign exchange options to manage its exposure to foreign currency fluctuations.

Derivative Financial Instruments Accounting Policies

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

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

12 *GO* LIVESTOCK PRODUCT RECEIVABLES

The Group holds receivables in respect of its *Go* range of livestock products. Launched in November 2015, the *Go* range allow farmers to defer payment for the purchase of livestock. The counterparty to the *Go* product is fully exposed to the risks and rewards of ownership. To mitigate credit risk the Group retains title to the livestock until sale. Fee income received in respect of the *Go* range of livestock receivables are recognised by the Group as interest income over the respective contract period. Interest income on the *Go* range of livestock receivables is included within operating revenue (see Note 1 Operating Revenue) of the Agency operating segment.

	2017 $000	2016 $000
Go livestock receivables - less than one year	32,371	12,178
Go livestock receivables - greater than one year	–	–
Less provision for doubtful debts - *Go* range of livestock receivables	–	–
	32,371	**12,178**

The status of the *Go* range of livestock receivables at the reporting date is as follows:

	NOT IMPAIRED 2017 $000	IMPAIRED 2017 $000	NOT IMPAIRED 2016 $000	IMPAIRED 2016 $000
Not past due - *Go* range of livestock receivables	32,371	–	12,178	–
Past due 0 – 90 days	–	–	–	–
Past due 91 – 365 days	–	–	–	–
Impairment	–	–	–	–
	32,371	**–**	**12,178**	**–**

13 TRADE AND OTHER RECEIVABLES

	2017 $000	2016 $000
Accounts receivable	193,233	204,956
Trade receivables due from related parties	18,877	17,007
Less provision for doubtful debts	(6,358)	(6,072)
Net accounts receivable	205,752	215,891
Other receivables and prepayments	24,270	22,417
	230,022	**238,308**
Analysis of movements in provision for doubtful debts		
Balance at beginning of year	(6,072)	(5,557)
Movement in provision	(286)	(515)
Balance at end of year	**(6,358)**	**(6,072)**

The Group has transacted with its related party Agimol Corporation S.A and its subsidiaries during the period ended 30 June 2017. The aggregate value of transactions during the period between the Group and Agimol Corporation S.A. and its subsidiaries amounted to $28.03 million (2016: between the date of acquisition and the year ended 30 June 2016 amounted to $29.35 million). The outstanding balance as at 30 June 2017 was $18.88 million (2016: $17.01 million). No provision is held in respect of the outstanding balance (2016: Nil).

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

	TOTAL DEBTORS 2017 $000	PROVISION 2017 $000	TOTAL DEBTORS 2016 $000	PROVISION 2016 $000
Not past due	163,641	–	197,086	–
Past due 1 – 30 days	24,855	(18)	13,695	(245)
Past due 31 – 60 days	8,332	(17)	2,550	(2)
Past due 61 – 90 days	964	(28)	6,601	(3,854)
Past due 90 plus days	14,318	(6,295)	2,031	(1,971)
	212,110	**(6,358)**	**221,963**	**(6,072)**

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 2017

14 INVENTORY

	2017 $000	2016 $000
Merchandise/finished goods	258,536	248,543
Work in progress	761	48
Less provision for inventory write down	(5,697)	(4,517)
	253,600	**244,074**

During the year ended 30 June 2017, finished goods, work in progress, raw materials and consumables included in cost of sales in the Statement of Profit or Loss amounted to $755.14 million (2016: $794.67 million) (see Note 2).

During the year ended 30 June 2017 inventories written down to net realisable value amounted to $1.94 million (2016: $4.43 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.

15 GROUP ENTITIES

SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	DIRECT PARENT	OWNERSHIP INTEREST 2017 %	2016 %
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%
Grasslands Innovation Limited	New Zealand	PGG Wrightson Seeds Holdings Limited	70%	70%
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%
Agricom 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%
PGG Wrightson Seeds Argentina S.A. *(previously Alfalfares S.A.)*	Argentina	PGW AgriTech South America S.A.	100%	100%
PGW Sementes Ltda *(previously NZ Ruralco Participacoes Ltda)*	Brazil	PGW AgriTech South America S.A.	100%	100%
Hunker S.A.	Uruguay	Juzay S.A.	100%	100%
Lanelle S.A.	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 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. The acquisition involved an upfront payment and an earn-out component paid over a period of up to eight years. Management has estimated the fair value of the earn-out in determining the total consideration for the acquisition as $0.72 million. The business is included in the Group's Seed and Grain business segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

16 OTHER INVESTMENTS

	2017 $000	2016 $000
Current investments		
BioPacificVentures	30	3,170
Advances to equity accounted investees	3,411	3,521
	3,441	**6,691**
Non-current investments		
Sundry other investments	1,906	2,165
	1,906	**2,165**

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 had a total lifespan of 12 years and matured in March 2017. The investors agreed to continue with the fund manager in facilitating the wind down of the remaining investments held.

At 30 June 2017 $13.95 million has been drawn on the committed level of investment (30 June 2016: $13.95 million). A fair value gain of $0.24 million was recorded in the Statement of Other Comprehensive Income in the period to 30 June 2017 (2016: a fair value gain of $5.43 million). In addition the Group received a capital return of $3.58 million in respect of its BioPacificVentures investment in the period to 30 June 2017 (30 June 2016: $9.68 million).

Advances to equity accounted investees

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

Sundry other investments including saleyards

Sundry other investments including saleyards, which do not have a market price in an active market and whose fair value 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.

17 INTANGIBLE ASSETS

	SOFTWARE $000	TRADEMARKS, PATENTS & RIGHTS $000	TOTAL $000
Cost			
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	**22,151**	**2,088**	**24,239**
Balance at 1 July 2016	22,151	2,088	24,239
Additions	4,154	160	4,314
Added as part of a business combination/amalgamation	–	682	682
Disposals and reclassifications	(7,720)	–	(7,720)
Effect of movement in exchange rates	(5)	–	(5)
Balance at 30 June 2017	**18,580**	**2,930**	**21,510**
Amortisation and impairment losses			
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	**16,416**	**744**	**17,160**
Balance at 1 July 2016	16,416	744	17,160
Amortisation for the year	2,451	490	2,941
Disposals and reclassifications	(7,720)	–	(7,720)
Effect of movement in exchange rates	(1)	1	–
Balance at 30 June 2017	**11,146**	**1,235**	**12,381**
Carrying amounts			
At 1 July 2015	**6,211**	**449**	**6,660**
At 30 June 2016	**5,735**	**1,344**	**7,079**
At 1 July 2016	**5,735**	**1,344**	**7,079**
At 30 June 2017	**7,434**	**1,695**	**9,129**

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.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

18 PROPERTY, PLANT AND EQUIPMENT

	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORKS PROJECT* $000	TOTAL $000
Cost					
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	**21,835**	**52,686**	**109,412**	**4,345**	**188,278**
Balance at 1 July 2016	21,835	52,686	109,412	4,345	188,278
Additions	125	2,100	10,966	(336)	12,855
Added as part of a business combination/amalgamation	–	–	–	–	–
Disposals and transfers to other asset classes	(1,504)	(11,589)	(3,261)	(5)	(16,359)
Effect of movements in exchange rates	(84)	(637)	(416)	(1)	(1,138)
Balance at 30 June 2017	**20,372**	**42,560**	**116,701**	**4,003**	**183,636**
Depreciation and impairment losses					
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
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	**–**	**5,710**	**57,565**	**–**	**63,275**
Balance at 1 July 2016	–	5,710	57,565	–	63,275
Depreciation for the year	–	1,132	6,660	–	7,792
Depreciation recovered to COGS	–	–	1,068	–	1,068
Disposals and transfers to other asset classes	–	(1,188)	(4,373)	–	(5,561)
Effect of movements in exchange rates	–	(112)	(191)	–	(303)
Balance at 30 June 2017	**–**	**5,542**	**60,729**	**–**	**66,271**
Carrying amounts					
At 1 July 2015	**28,404**	**41,123**	**44,728**	**9,902**	**124,157**
At 30 June 2016	**21,835**	**46,976**	**51,847**	**4,345**	**125,003**
At 1 July 2016	**21,835**	**46,976**	**51,847**	**4,345**	**125,003**
At 30 June 2017	**20,372**	**37,018**	**55,972**	**4,003**	**117,365**

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

Capital gains on the sale of property, plant and equipment of $8.74 million were recognised in non-operating items in the current period (2016: $4.99 million).

Refer to Accounting Policies – page 27.

18 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.

19 TRADE AND OTHER PAYABLES

	2017 $000	2016 $000
Trade creditors	132,668	136,685
Trade payables due to related parties	5,002	4,727
Loyalty reward programme	1,318	1,358
Deposits received in advance	3,589	2,584
Accruals and other liabilities	87,676	81,948
Employee entitlements	22,946	20,982
	253,199	**248,284**
Payable within 12 months	248,290	239,696
Payable beyond 12 months	4,909	8,588
	253,199	**248,284**

Agrocentro Uruguay earn-out provision

The initial investment recorded for this equity accounted investee company in 2016 included a provision for expected future earn-out payments. This provision is included within accruals and other liabilities. This provision has been re-assessed at 30 June 2017 resulting in a reduction in the provision held . The reduction of $2.37 million, has been recorded through the Profit and Loss in non-operating items.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

20 DEFINED BENEFIT ASSET / LIABILITY

	2017 $000	2016 $000
Present value of funded obligations	(71,106)	(73,417)
Fair value of plan assets	58,835	52,702
Net defined benefit asset / (liability)	(12,271)	(20,715)
ESCT on committed contributions - short-term	(942)	(2,642)
ESCT on committed contributions - long-term	(2,614)	(2,372)
Total defined benefit asset / (liability)	**(15,827)**	**(25,729)**

The Group makes contributions to two defined benefit plans that provide a range of superannuation and insurance benefits for employees and former employees. During the period the assets and liabilities of the Wrightson Retirement Plan were transferred to the PGG Wrightson Employee Benefits Plan. This resulted in the Wrightson Retirement Plan having no liability as at 31 December 2016. The remaining defined benefit plan is not open to new members The plan's retired employees are entitled to receive an annual pension payment payable on their life and in some cases on the life of a surviving spouse.

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2017	2016	2017	2016
Group / Company Plan assets consist of:				
Equities	64%	79%	0%	79%
Fixed interest	28%	19%	0%	19%
Cash	8%	2%	0%	2%
	100%	**100%**	**0%**	**100%**

Plan assets included exposure to the Company's ordinary shares of Nil (2016: $1.66 million).

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2017	2016	2017	2016
Actuarial Assumptions:				
Principal actuarial assumptions at the reporting date (expressed as weighted averages):				
Discount rate used (10 year New Zealand Government Bond rate)	2.97%	2.34%	0.00%	2.34%
Inflation	2.00%	2.00%	0.00%	2.00%
Future salary increases	3.00%	3.00%	0.00%	3.00%
Future pension increases	2.00%	2.00%	0.00%	2.00%

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

	PGG WRIGHTSON EMPLOYMENT BENEFIT PLAN		WRIGHTSON RETIREMENT PLAN	
	2017	2016	2017	2016
Longevity at age 65 for current pensioners				
Males	21	21	–	21
Females	24	24	–	24
Longevity at age 65 for current members aged 45				
Males	24	24	–	24
Females	28	27	–	27

As at 30 June 2017 the weighted average duration of the defined benefit obligation was 8.5 years for the PGG Wrightson Employment Benefits Plan (2016: 7.7 years for the PGG Wrightson Employment Benefits Plan and 10.1 years for the Wrightson Retirement Plan).

Refer to Accounting Policies – page 31.

20 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

Sensitivity analysis

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

	2017 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2017 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000	2016 IMPACT ON DBO WITH INCREASE IN ASSUMPTION $000	2016 IMPACT ON DBO WITH DECREASE IN ASSUMPTION $000
Change in assumption				
Discount rate (0.50% movement)	1,635	(1,778)	2,039	(2,202)
Salary growth rate (0.50% movement)	(284)	284	(457)	392
Pension growth rate (0.25% movement)	(711)	640	(824)	816
Life expectancy (1 year movement)	(1,493)	1,493	(1,052)	1,126

	2017 $000	2016 $000	2015 $000	2014 $000	2013 $000
Historical information					
Present value of the defined benefit obligation	(71,106)	(73,417)	(72,153)	(68,330)	(72,765)
Fair value of plan assets	58,835	52,702	57,498	54,802	51,946
(Deficit) / surplus in the plan	**(12,271)**	**(20,715)**	**(14,655)**	**(13,528)**	**(20,819)**

The Group expects to pay $3.02 million in contributions to defined benefit plans in 2018 (2017: $9.51 million). Member contributions are expected to be $0.92 million (2017: $0.97 million).

Refer to Accounting Policies – page 31.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

20 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

	2017 $000	2016 $000
Movement in the liability for defined benefit obligations:		
Liability for defined benefit obligations at 1 July	73,417	72,153
Benefits paid by the plan	(6,010)	(3,482)
Current service costs	989	1,083
Interest costs	1,579	2,592
Member contributions	1,199	1,254
Actuarial (gains)/losses recognised in Other Comprehensive Income arising from:		
(Gains)/losses from change in financial assumptions	(2,197)	4,820
Experience (gains)/losses	2,129	(5,003)
Liability for defined benefit obligations at 30 June	**71,106**	**73,417**
Movement in plan assets:		
Fair value of plan assets at 1 July	52,702	57,498
Contributions paid into the plan	5,920	1,204
Member contributions	1,199	1,254
Benefits paid by the plan	(6,010)	(3,482)
Current service costs and interest	1,199	2,063
Actuarial gains/(losses) recognised in equity:		
Expected return on plan assets	3,825	(5,835)
Fair value of plan assets at 30 June	**58,835**	**52,702**
Expense recognised in profit or loss:		
Current service costs	989	1,083
Interest	380	529
	1,369	**1,612**
Recognised in non-operating items	649	408
Recognised in Employee Benefit Expense	720	1,204
	1,369	**1,612**
Movements recognised in equity:		
Cumulative gains/(losses) at 1 July	(36,397)	(24,119)
Net Profit or Loss impact from current period costs	(1,369)	(1,612)
Gains/(losses) recognised during the year	3,893	(5,652)
ESCT provision	(772)	(5,014)
Cumulative gains/(losses) at 30 June	**(34,645)**	**(36,397)**

The Group has reclassified its comparative period for the return on plan assets. The reclassification relates to previous expensing of the return on plan assets for the 2014 through to 2016 years which have now been recognised through Other Comprehensive Income. This has resulted in an immaterial net reclassification for the 2014 through to 2016 years within equity of $0.07 million. The impact on the 2016 comparative year was a decrease in non-operating expenses leading to an increase in net profit after tax of $4.20 million. The reclassification had no impact on the defined benefit asset / liability, total equity or operating cash flows for the 2014 through to 2016 years.

Refer to Accounting Policies – page 31.

20 DEFINED BENEFIT ASSET / LIABILITY (CONTINUED)

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.

21 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.

Market Risk

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

Foreign Currency Risk

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. It is the Group's policy to hedge foreign currency risks as they arise. 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.

Refer to Accounting Policies – page 37.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

21 FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

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

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

Floating rate borrowings are used for general funding activities. Interest rate swaps, interest rate options and forward rate agreements are used to hedge the floating rate exposure as deemed appropriate. The Group had $93.0 million of interest rate derivatives at balance date (2016: $91.0 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.

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 2017, 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%	
	2017 $000	2016 $000	2017 $000	2016 $000
Impact on net profit after tax	(1,418)	(1,167)	1,421	1,163
Members' equity	(1,418)	(1,167)	1,421	1,163

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 37.

21 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
2017					
Liabilities					
Debt	33,375	123,195	3,487	160,057	137,644
Derivative financial instruments	991	661	–	1,652	1,652
Trade and other payables	137,670	–	–	137,670	137,670
	172,036	**123,856**	**3,487**	**299,379**	**276,966**
2016					
Liabilities					
Debt	45,532	106,608	12,969	152,140	134,134
Derivative financial instruments	1,438	940	–	2,378	2,378
Trade and other payables	141,412	–	–	141,412	141,412
	188,382	**107,548**	**12,969**	**295,930**	**277,924**

(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 37.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

(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
2017				
Cash and cash equivalents	2	4,819	1,378	17
Trade and other receivables	7,683	39,114	23,040	44,837
Debt	–	(41,871)	–	–
Trade and other payables	(141)	(9,582)	(2,823)	(7,285)
Net balance sheet position	**7,544**	**(7,520)**	**21,595**	**37,569**
Forward exchange contracts				
Notional forward exchange cover	7,542	29,562	20,243	37,556
Net unhedged position	**2**	**(37,082)**	**1,352**	**13**
2016				
Cash and cash equivalents	11	2,451	178	13
Trade and other receivables	7,867	55,214	9,585	24,160
Debt	–	(46,378)	–	–
Trade and other payables	(638)	(50,845)	(2,066)	(1,692)
Net balance sheet position	**7,240**	**(39,558)**	**7,697**	**22,481**
Forward exchange contracts				
Notional forward exchange cover	7,232	4,774	7,867	22,540
Net unhedged position	**8**	**(44,332)**	**(170)**	**(59)**

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
2017					
Liabilities					
Debt	137,644	–	–	–	137,644
Derivative financial instruments	(78,000)	15,000	63,000	1,652	1,652
Trade and other payables	–	–	–	137,670	137,670
	59,644	**15,000**	**63,000**	**139,322**	**276,966**
2016					
Liabilities					
Debt	134,134	–	–	–	134,134
Derivative financial instruments	(76,000)	15,000	61,000	2,378	2,378
Trade and other payables	–	–	–	141,412	141,412
	58,134	**15,000**	**61,000**	**143,790**	**277,924**

Refer to Accounting Policies – page 37.

21 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
2017					
Assets					
Cash and cash equivalents	–	–	9,403	9,403	9,403
Derivative financial instruments	–	3,955	–	3,955	3,955
Trade and other receivables	–	–	205,752	205,752	205,752
Other investments	30	–	5,317	5,347	5,347
Go livestock receivables	–	–	32,371	32,371	32,371
	30	**3,955**	**252,843**	**256,828**	**256,828**
Liabilities					
Derivative financial instruments		1,652	–	1,652	1,652
Trade and other payables	–	–	137,670	137,670	137,670
Debt	–	–	137,644	137,644	137,644
	–	**1,652**	**275,314**	**276,966**	**276,966**
2016					
Assets					
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
Go livestock receivables	–	–	12,178	12,178	12,178
	5,800	**2,269**	**241,316**	**249,745**	**249,745**
Liabilities					
Derivative financial instruments	75	2,303	–	2,378	2,378
Trade and other payables	–	–	141,412	141,412	141,412
Debt	–	–	134,134	134,134	134,134
	75	**2,303**	**275,546**	**277,924**	**277,924**

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 Policy – page 37.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

21 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 2017.

	NOTE	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2017					
Assets					
Derivative financial instruments		–	3,955	–	3,955
Other investments	16	–	–	30	30
		–	**3,955**	**30**	**3,985**
Liabilities					
Derivative financial instruments		–	1,652	–	1,652
		–	**1,652**	**–**	**1,652**
2016					
Assets					
Derivative financial instruments		–	5,259	–	5,259
Other investments	16	–	–	3,170	3,170
		–	**5,259**	**3,170**	**8,429**
Liabilities					
Derivative financial instruments		–	2,378	–	2,378
		–	**2,378**	**–**	**2,378**

(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:

	2017 $000	2016 $000
Total trade and other receivables and Go livestock receivables		
New Zealand	158,936	141,102
Australia	13,314	14,051
South America	65,873	72,916
	238,123	**228,069**

Concentrations of Credit Risk

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

Refer to Accounting Policies – page 37.

21 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 or Loss, the initial investment includes transaction costs that are directly attributable to the asset's acquisition or origination. The Group subsequently measures financial assets at either fair value or amortised cost.

Financial assets measured at amortised cost

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

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

Financial assets measured at fair value

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

However, for investments in equity instruments that are not held for trading, the Group may elect at initial recognition to present gains and losses through Other Comprehensive Income. For instruments measured at fair value through Other Comprehensive Income gains and losses are never reclassified to Profit and Loss and no impairments are recognised in Profit or 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.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

22 OPERATING LEASES

	2017 $000	2016 $000
Non-cancellable operating lease rentals are payable as follows:		
Within one year	25,376	19,938
Between one and five years	56,981	44,333
Beyond five years	33,332	14,045
	115,689	**78,316**

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 one to fifteen years with various rights of renewal. Where surplus properties are unable to be exited, sublease revenue is obtained where possible on a short-term temporary basis. During the year ended 30 June 2017 sublease revenue totalling $1.20 million (2016: $1.14 million) was received.

23 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 and Grain activities are significantly weighted to the second half of the financial year. Seed and 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.

24 COMMITMENTS

	NOTE	2017 $000	2016 $000
There are commitments with respect to:			
Capital expenditure not provided for		1,432	1,427
Investment in BioPacificVentures	16	51	51
Contributions to Primary Growth Partnership		867	1,429
		2,350	**2,907**

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 is $3.61 million (2016: total commitment of $3.61 million). As at 30 June 2017 total contributions of $2.74 million (2016: $2.18 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.

25 CONTINGENT LIABILITIES

PGG Wrightson Loyalty Reward Programme

A provision is retained for the expected level of points redemption from the PGG Wrightson Loyalty Reward Programme. A contingent liability of $0.14 million represents the balance of live points that do not form part of the provision (2016: $0.13 million). Losses are not expected to arise from this contingent liability.

26 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

	2017 $000	2016 $000
Short-term employee benefits	7,924	5,798
Post-employment benefits	121	185
Termination benefits	–	–
	8,045	**5,983**

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

Other Transactions with Key Management Personnel

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

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

Key Management Personnel/Director	Transaction	TRANSACTION VALUE 2017 $000	BALANCE OUTSTANDING 2017 $000	TRANSACTION VALUE 2016 $000	BALANCE OUTSTANDING 2016 $000
John Nichol	Purchase of retail goods	4	–	2	–
Trevor Burt	Purchase of retail goods, livestock transactions and rental receipts	965	–	902	6
Mark Dewdney	Purchase of retail goods and livestock transactions	543	20	487	11
David Green	Purchase of retail goods and rental receipts	104	–	114	4
Stephen Guerin	Purchase of retail goods and livestock transactions	16	–	15	–
John McKenzie	Purchase of retail goods, sale of seed under production contracts, sale of wool, water services and livestock transactions	5,351	(382)	4,223	2
Peter Newbold	Purchase of retail goods	25	–	13	–
Cedric Bayly	Purchase of retail goods	9	–	18	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

27 EVENTS SUBSEQUENT TO BALANCE DATE

Dividend

On 7 August 2017 the Directors of PGG Wrightson Limited resolved to pay a final dividend of 2.00 cents per share on 4 October 2017 to shareholders on the Company's share register as at 5.00pm on 5 September 2017. This dividend will be fully imputed.

Acquisition of business

On 28 July the Group signed a sale and purchase agreement to acquire the assets and business of the Superior Seed Company (Superior) at Deniliquin in the Riverina Region of New South Wales for $0.84 million. Settlement is expected at the end of August 2017. Superior is a seed production, cleaning and wholesale marketing business. The business is included in the Group's Seed and Grain business segment. Management is determining the fair value of the assets acquired.

28 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 2017 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.

29 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 7 August 2017.

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.

Fair Value Hierarchy

Fair value are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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.

29 BASIS OF PREPARATION (CONTINUED)

Use of Estimates and Judgements

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

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

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

Note	Judgement
5	Carrying value of equity accounted investees
13	Carrying value of trade and other receivables
14	Valuation of seeds inventory
19	Reassessment of earn-out provisions

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

30 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

30 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

30 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 2017 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. Initial review has determined that this new standard will not have a significant financial impact on the Group's financial statements.
- 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. Initial review has determined that this new standard will not have a significant financial impact on the Group's financial statements.
- 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. Initial review has determined that this new standard will likely have a significant financial impact on both the balance sheet and Profit or Loss given the extent of operating leases the Group is exposed to.
- 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 significant impact on the Group's financial results.

PGG WRIGHTSON LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	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 2015	606,324	(269)	23,443	556	(1,332)	(10,481)	(3,021)	(350,662)	2,810	267,368
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	43,024	755	43,779
Other comprehensive income										
Foreign currency translation differences	–	(8,480)	–	–	–	–	–	–	(33)	(8,513)
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	–	–	–	–	–	(7,679)	–	–	–	(7,679)
Total Other Comprehensive Income	–	(8,480)	–	–	2,800	(7,679)	5,433	–	(33)	(7,959)
Total comprehensive income for the period	–	(8,480)	–	–	2,800	(7,679)	5,433	43,024	722	35,820
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Dividends to shareholders	–	–	–	–	–	–	–	(28,684)	(205)	(28,889)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(28,684)	(205)	(28,889)
Transfer to retained earnings	–	–	–	–	–	990	–	294	(1,284)	–
Balance at 30 June 2016	**606,324**	**(8,749)**	**23,443**	**556**	**1,468**	**(17,170)**	**2,412**	**(336,028)**	**2,043**	**274,299**
Balance at 1 July 2016	606,324	(8,749)	23,443	556	1,468	(17,170)	2,412	(336,028)	2,043	274,299
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	45,607	704	46,311
Other comprehensive income										
Foreign currency translation differences	–	(1,532)	–	–	–	–	–	–	363	(1,169)
Changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	240	–	–	240
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	(1,468)	–	–	–	–	(1,468)
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	732	–	–	–	732
Total Other Comprehensive Income	–	(1,532)	–	–	(1,468)	732	240	–	363	(1,665)
Total comprehensive income for the period	–	(1,532)	–	–	(1,468)	732	240	45,607	1,067	44,646
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Dividends to shareholders	–		–	–	–	–	–	(28,588)	(646)	(29,234)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(28,588)	(646)	(29,234)
Transfer to retained earnings	–	–	–	–	–	2,351	(5,239)	2,888	–	–
Balance at 30 June 2017	**606,324**	**(10,281)**	**23,443**	**556**	**–**	**(14,087)**	**(2,587)**	**(316,121)**	**2,464**	**289,711**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2017

31 CAPITAL AND RESERVES

	No. OF SHARES 2017 000	No. OF SHARES 2016 000	2017 $000	2016 $000
On issue at 1 July	754,849	754,849	606,324	606,324
Share capital on issue at 30 June	**754,849**	**754,849**	**606,324**	**606,324**

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

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations 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. During the period the amount of $2.35 million was transferred from the defined benefit reserve to retained earnings. This amount represented ESCT payments on lump sum cash contributions made during the 2017 year.

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. During the period the amount of $5.24 million was transferred from the fair value reserve to retained earnings with the amount representing cumulative gains on derecognition of certain underlying investments held as part of BioPacificVentures.

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 2017 interim dividend of 1.75 cents per share was paid on 4 April 2017 and a fully imputed 2016 final dividend of 2.0 cents per share was paid on 4 October 2016 (2016: 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).

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

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of PGG Wrightson Limited (the company) and its subsidiaries (the Group) on pages 1 to 46:

i. present fairly in all material respects the Group's financial position as at 30 June 2017 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2017;
- the consolidated profit or loss, statements of other comprehensive income, changes in equity and cash flows for the year then ended;
- the segment report as at and for the year ended 30 June 2017; and
- additional financial disclosures including notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the Group in relation to regulatory audit, agreed upon procedures, tax consulting and IT advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2,400,000 determined with reference to a benchmark of group profit from continuing operations before income taxes. We chose the benchmark because, in our view, this is a key measure of the group's performance.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Climatic Environment – Impact on the carrying value of inventory ($253.6 million – refer Note 14)	
The Group is exposed to risk associated with climatic events, particularly in New Zealand, Australia and South America. The potential impact on the carrying value of inventory is considered a key audit matter due to the significance of inventory value to the Group's operating performance. Weather events have an impact on harvest yields, specifically within the Seed and Grain business, and also autumn demand for replanting. This combined with the quality of Seed and Grain inventory, in particular germination levels of seeds, impacts on the carrying value of inventory at year end. Weather events can also impact on the quantity and mix of products sold across other operating segments	Our audit procedures included: • Challenging the methodology applied by management to calculate the inventory provision. In addition, we checked on a sample basis, inputs into the calculation of the inventory provision was consistent with last purchase date, sales volume in the last 12 months, aging of the inventory items and months of inventory cover. • Comparing products sold with negative margins during the financial year to the level of product on hand at year end and assessed whether the inventory is held at the lower of cost and net realisable value. • For seed inventory, on a sample basis we reviewed externally completed germination testing and noted there was no indication of low quality inventory requiring additional provisioning. • Assessing the level of inventory provisions at year end and found them to be comparable to actual losses recognised during the current and historical years. Any variations identified did not materially impact the carrying value of the inventory.

The key audit matter	How the matter was addressed in our audit
Economic Risk Factors – Impact on the recoverability of trade receivables ($230.0 million - refer Note 13)	
The Group is exposed to both domestic and international economies. Economic risk is considered a key audit matter given the impact this has on the ability of the Group to collect outstanding accounts receivable. The credit quality of farmer customers is often dependent on domestic and international economic performance, including the impact of commodity prices, foreign exchange rates and the liquidity within the banking environment. Refer Note 13 for further details on outstanding trade receivables and credit quality at year end and to Note 21 for details on how the Group manages credit risk.	Our audit procedures included: • Challenging the methodology applied by management to calculate the provision for doubtful debts by considering the policy applied, which varies across business units and challenging that the underlying assumptions were appropriate. • Evaluating whether the aged accounts receivable listing (used as the initial basis by management to determine whether a provision is required) was correct. We sampled individual outstanding trade receivables in the aged listing to original sales documentation. • Assessing the level of provision for doubtful debts at year end by comparing to actual losses recognised during the current and historical years. We also considered whether the aging of historical balances had deteriorated. There was no significant deterioration and the provision raised in FY16 was reflective of actual losses incurred by the Group during the FY17 year. Our audit procedures did not identify variations that would materially impact on the carrying value of trade receivables.

Other Information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman and Chief Executive Officer's report, disclosures relating to corporate governance, statutory disclosures and shareholder information. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

Use of this Independent Auditor's Report

This report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our Independent Auditor's Report.

KPMG

Peter Taylor

For and on behalf of

KPMG
Christchurch

7 August 2017