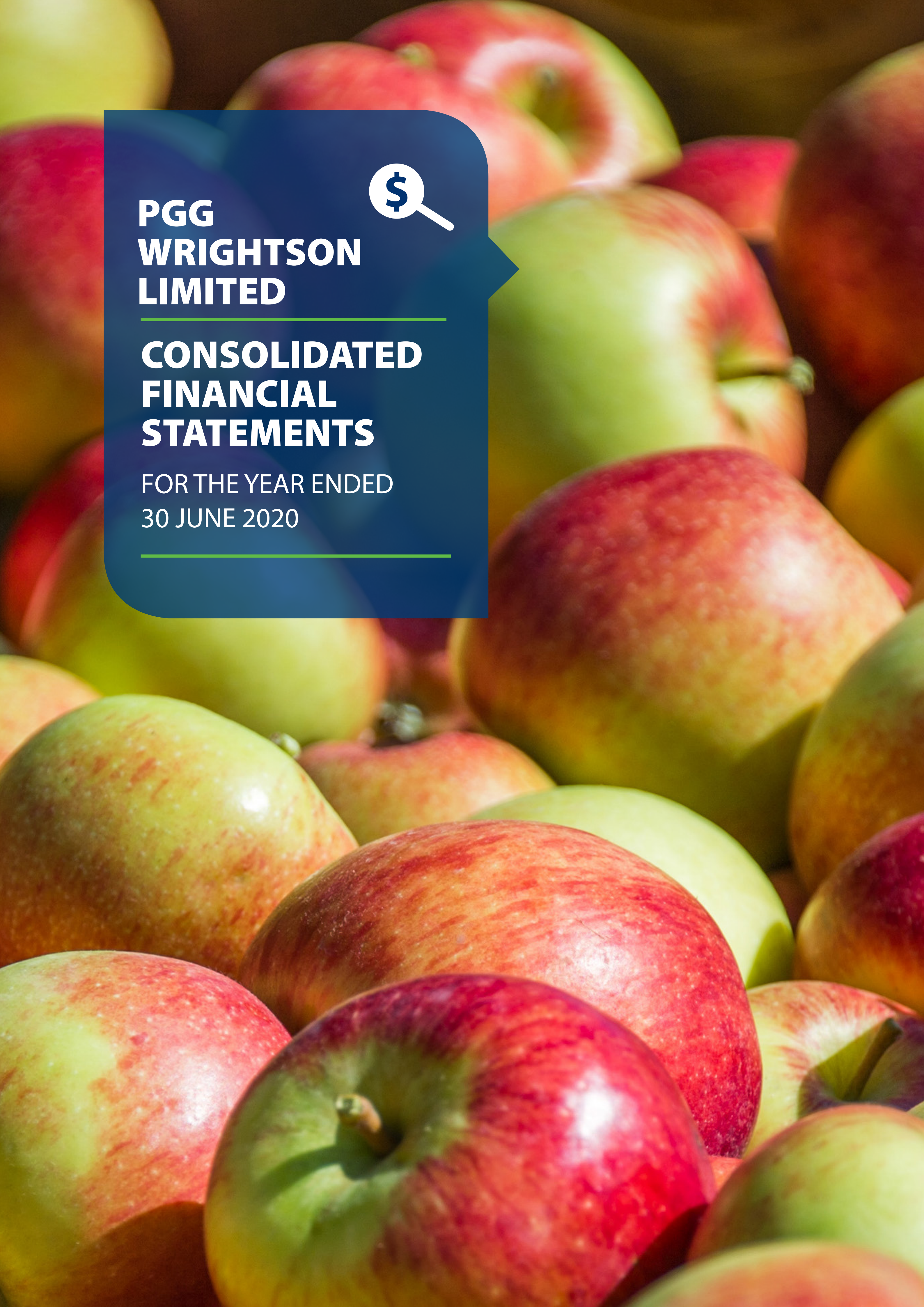


PGG WRIGHTSON LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

The Directors are responsible for ensuring that the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2020 and the financial performance and cash flows for the year ended on that date.

The Directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all of the relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the consolidated financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Directors are pleased to present the consolidated financial statements for PGG Wrightson Limited and its controlled entities (together the "Group") set out on pages 1 to 45 for the year ended 30 June 2020.

The consolidated financial statements contained on pages 1 to 45 have been authorised for issue on 17 August 2020.

For and on behalf of the Board.

Rodger Finlay
Chairman

David Cushing
Director and Audit Committee Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

	NOTE	2020* $000	2019** $000
Continuing operations			
Operating revenue	1	788,036	798,834
Cost of sales	2	(583,855)	(579,280)
Gross profit		204,181	219,554
Other income		292	241
Employee expenses	6	(113,964)	(123,137)
Other operating expenses	3	(45,327)	(71,721)
Equity accounted earnings/(losses) of investees		8	(40)
Operating EBITDA	27(D)	**45,190**	**24,897**
Non–operating gains/(losses)		132	(2,170)
Impairment and fair value gains/(losses)	4	(807)	(3,187)
Depreciation and amortisation expense		(29,464)	(9,333)
EBIT	27(D)	**15,051**	**10,207**
Net interest and finance costs	5	(5,032)	(6,067)
Profit from continuing operations before income tax		10,019	4,140
Income tax benefit/(expense)	7	(2,886)	370
Profit from continuing operations, net of income tax		7,133	4,510
Discontinued operations			
Results from discontinued operations, net of income tax		(371)	(6,985)
Gain on sale of discontinued operations, net of income tax		1,078	134,281
Profit/(loss) from discontinued operations, net of income tax		707	127,296
Net profit after tax		**7,840**	**131,806**
Profit attributable to:			
Shareholders of the Company		7,840	131,123
Non-controlling interest		–	683
Net profit after tax		**7,840**	**131,806**

Basic & diluted earnings per share (EPS)

		2020 $	2019 $
Basic & diluted EPS on issued ordinary shares at the end of the period	8, 27(D)	0.104	0.174
Basic & diluted EPS on issued ordinary shares at the end of the period – continuing operations	8, 27(D)	0.094	0.006
Basic & diluted EPS on a weighted average basis	8	0.050	0.174
Basic & diluted EPS on a weighted average basis – continuing operations	8	0.045	0.006

* ***The Group adopted NZ IFRS 16 Leases from 1 July 2019 using the modified retrospective approach. Under this approach, the 2020 reporting period includes NZ IFRS 16 adjustments; however, the comparative period excludes such adjustments. Excluding NZ IFRS 16, the Operating EBITDA and NPAT for the June 2020 period were $23.4 million and $9.8 million, respectively. Refer to page 3 for the impact of the standard on the June 2020 profit or loss.***

** *The 2019 comparatives have been restated to present the Standardbred business as a discontinued operation and reclassifications. Refer to Note 26 Basis of Preparation.*

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	NOTE	2020 $000	2019 $000
Net profit after tax		**7,840**	**131,806**
Other comprehensive income/(loss):			
Continuing operations			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments		–	21
Remeasurements of defined benefit liability	18	(3,942)	(6,101)
Deferred tax on remeasurements of defined benefit liability	7	1,104	703
		(2,838)	(5,377)
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations		–	(884)
		–	(884)
Other comprehensive income/(loss) for continuing operations		(2,838)	(6,261)
Discontinued operations			
Items that will never be reclassified to profit or loss			
Changes in asset revaluation reserve		–	403
Other comprehensive income/(loss) for discontinued operations		–	403
Total other comprehensive income/(loss) for the period		(2,838)	(5,858)
Total comprehensive income for the period		**5,002**	**125,948**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		5,002	125,282
Non-controlling interest		–	666
Total comprehensive income for the period		**5,002**	**125,948**

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

IMPACT OF NZ IFRS 16 LEASES

For the year ended 30 June 2020

On 1 July 2019, the Group adopted NZ IFRS 16 *Leases* using the modified retrospective approach. The Group recognised right-of-use assets ($109.17 million) and a corresponding amount of lease liabilities ($106.63 million) and make good provisions ($2.54 million) as at 1 July 2019. The transition to NZ IFRS 16 did not have an impact on retained earnings as at that date.

Under the modified retrospective approach, comparative information is not restated and continues to be reported under NZ IAS 17. Refer to Note 15 *Right-of-Use Assets and Lease Liabilities* for the change in accounting policy in respect of leases.

The impact of NZ IFRS 16 on the consolidated financial statements for the year ended 30 June 2020 is significant. The following tables show the impact on the consolidated statement of profit or loss, consolidated statement of financial position and consolidated statement of cash flows. These tables are intended to provide comparability to the prior year results.

A. Impact on the consolidated statement of profit or loss

	2020 INCLUDING NZ IFRS 16 $000	NZ IFRS 16 IMPACT $000	2020 EXCLUDING NZ IFRS 16 (NON-GAAP) $000	2019 $000
Continuing operations				
Operating revenue	788,036	–	788,036	798,834
Cost of sales	(583,855)	–	(583,855)	(579,280)
Gross profit	204,181	–	204,181	219,554
Other income	292	–	292	241
Employee expenses	(113,964)	–	(113,964)	(123,137)
Other operating expenses	(45,327)	(21,744)	(67,071)	(71,721)
Equity accounted earnings/(losses) of investees	8	–	8	(40)
Operating EBITDA	**45,190**	**(21,744)**	**23,446**	**24,897**
Non-operating gains/(losses)	132	(853)	(721)	(2,170)
Impairment and fair value gains/(losses)	(807)	852	45	(3,187)
Depreciation and amortisation expense	(29,464)	20,265	(9,199)	(9,333)
EBIT	15,051	(1,480)	13,571	10,207
Net interest and finance income/(expense)	(5,032)	4,183	(849)	(6,067)
Profit/(loss) from continuing operations before income tax	10,019	2,703	12,722	4,140
Income tax benefit/(expense)	(2,886)	(756)	(3,642)	370
Profit/(loss) from continuing operations, net of income tax	7,133	1,947	9,080	4,510
Discontinued operations				
Profit/(loss) from discontinued operations, net of income tax	707	1	708	127,296
Net profit after tax	**7,840**	**1,948**	**9,788**	**131,806**

IMPACT OF NZ IFRS 16 LEASES CONTINUED

For the year ended 30 June 2020

B. Impact on the consolidated statement of financial position

	2020 INCLUDING NZ IFRS 16 $000	NZ IFRS 16 IMPACT $000	2020 EXCLUDING NZ IFRS 16 (NON-GAAP) $000	2019 $000
Total current assets	280,212	–	280,212	495,292
Total non-current assets	179,241	(105,382)	73,859	70,262
Total assets	**459,453**	**(105,382)**	**354,071**	**565,554**
Total current liabilities	179,669	(16,049)	163,620	159,714
Total non-current liabilities	123,083	(91,281)	31,801	7,576
Total liabilities	**302,751**	**(107,330)**	**195,421**	**167,290**
Total equity as at 30 June 2020	**156,702**	**1,948**	**158,650**	**398,264**

C. Impact on the consolidated statement of cash flows

	2020 INCLUDING NZ IFRS 16 $000	NZ IFRS 16 IMPACT $000	2020 EXCLUDING NZ IFRS 16 (NON-GAAP) $000	2019 $000
Net cash inflow/(outflow) from operating activities	34,227	(17,586)	16,641	(49,001)
Net cash inflow/(outflow) from investing activities	(11,020)	–	(11,020)	379,280
Net cash inflow/(outflow) from financing activities	(216,830)	17,586	(199,244)	(130,714)
Total cash inflow/(outflow)	**(193,623)**	**–**	**(193,623)**	**199,565**

SEGMENT REPORT

For the year ended / as at 30 June 2020

A. Operating segments

The Group has two primary operating segments, Agency and Retail & Water, which are the Group's strategic divisions. These operating segments operate within New Zealand.

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

The Group's segments are described below:

- **Agency:** This segment derives its revenue primarily from commissions in respect of rural Livestock, Wool, Insurance, Real Estate and Finance transactions. This segment also derives revenue from wool and velvet product sales, and interest revenue from its *Go* receivables (refer to Note 12 *Go Livestock Receivables* for further explanation regarding this programme).
- **Retail & Water:** This segment includes Rural Supplies and Fruitfed Supplies retail operations, PGG Wrightson Water, PGW Consulting, Agritrade, ancillary sales support and supply chain functions. This segment derives its revenue primarily from the sale of goods as well as the design, installation and servicing of irrigation solutions.
- **Other:** Other relates to certain Group Corporate activities including Governance, Finance, Treasury, Risk and Assurance, HR, IT, Marketing and other support services (including corporate property services) and includes consolidation/elimination adjustments. The Marketing function derives sales revenue from its rewards and on-charging programmes.
- **Discontinued operations:** Relates to PGG Wrightson Seeds Holdings Limited together with its subsidiaries and investments in jointly controlled entities (formerly the Seed & Grain segment) which was sold in May 2019; and PGW Rural Capital Limited (PGWRC) which was established in 2012 to hold and recover certain excluded loans related to the sale of the Group's finance subsidiary, PGG Wrightson Finance Limited. Also includes the Standardbred business (previously included within Agency) which was closed in January 2020.

Assets and liabilities allocated to each business unit combine to form total assets and liabilities for the Agency and Retail & Water business segments. Certain other assets and liabilities are held at a Corporate level including those for the Corporate functions noted above. Similarly, the profit/loss for each business unit combines to form total profit/loss of the Agency and Retail & Water business segments. Certain other revenues and expenses are recorded at the Corporate level for the Corporate functions noted above.

Corporate costs allocation

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

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

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

B. Geographical segment

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

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2020

C. Operating Segment Information

	AGENCY		RETAIL & WATER		OTHER		DISCONTINUED OPERATIONS		TOTAL	
	2020* $000	2019** $000	2020* $000	2019** $000	2020* $000	2019** $000	2020* $000	2019** $000	2020* $000	2019** $000
Sales revenue	72,154	84,171	604,409	577,899	2,816	4,962	–	–	679,379	667,032
Commission revenue	88,770	105,142	97	80	112	133	–	–	88,979	105,355
Construction contract revenue	–	–	13,640	20,985	–	–	–	–	13,640	20,985
Interest revenue on *Go* livestock receivables	4,258	3,900	–	–	–	–	–	–	4,258	3,900
Debtor interest charges	659	629	962	781	159	152	–	–	1,780	1,562
Total external operating revenues	165,841	193,842	619,108	599,745	3,087	5,247	–	–	788,036	798,834
Operating EBITDA	**15,706**	**15,865**	**34,729**	**19,296**	**(5,245)**	**(10,264)**	**–**	**–**	**45,190**	**24,897**
Non-operating gains/(losses)	78	96	31	1,318	23	(3,584)	–	–	132	(2,170)
Impairment and fair value gains/(losses)	243	(2,286)	(1,425)	–	375	(901)	–	–	(807)	(3,187)
Depreciation and amortisation expense	(8,907)	(1,682)	(16,388)	(4,922)	(4,169)	(2,729)	–	–	(29,464)	(9,333)
EBIT	7,120	11,993	16,947	15,692	(9,016)	(17,478)	–	–	15,051	10,207
Net interest and finance costs	(1,672)	1,460	(3,062)	(357)	(298)	(7,170)	–	–	(5,032)	(6,067)
Profit/(loss) from continuing operations before income tax	5,448	13,453	13,885	15,335	(9,314)	(24,648)	–	–	10,019	4,140
Income tax benefit/(expense)	(1,686)	(3,323)	(3,707)	(3,860)	2,507	7,553	–	–	(2,886)	370
Profit/(loss) from continuing operations, net of income tax	3,762	10,130	10,178	11,475	(6,807)	(17,095)	–	–	7,133	4,510
Profit/(loss) from discontinued operations, net of income tax	–	–	–	–	–	–	707	127,296	707	127,296
Net profit/(loss) after tax	**3,762**	**10,130**	**10,178**	**11,475**	**(6,807)**	**(17,095)**	**707**	**127,296**	**7,840**	**131,806**
Segment assets	184,714	168,661	241,827	154,299	32,872	239,066	–	1,202	459,413	563,228
Assets held for sale	–	–	40	218	–	2,108	–	–	40	2,326
Total segment assets	184,714	168,661	241,867	154,517	32,872	241,174	–	1,202	459,453	565,554
Total segment liabilities	(87,481)	(81,876)	(145,907)	(66,373)	(69,345)	(19,041)	(18)	–	(302,751)	(167,290)
Capital expenditure	5,571	2,857	14,807	5,064	8,639	2,736	–	7,251	29,017	17,908

D. Impact of NZ IFRS 16

	AGENCY		RETAIL & WATER		OTHER		DISCONTINUED OPERATIONS		TOTAL	
	2020* $000	2019** $000	2020* $000	2019** $000	2020* $000	2019** $000	2020* $000	2019** $000	2020* $000	2019** $000
Operating EBITDA including NZ IFRS 16	**15,706**	**15,865**	**34,729**	**19,296**	**(5,245)**	**(10,264)**	**–**	**–**	**45,190**	**24,897**
Less NZ IFRS16 adjustments:										
Other operating expenses	7,300	–	12,773	–	1,671	–	–	–	21,744	–
Operating EBITDA excluding NZ IFRS 16	**8,406**	**15,865**	**21,956**	**19,296**	**(6,916)**	**(10,264)**	**–**	**–**	**23,446**	**24,897**
NZ IFRS 16 impact on the consolidated statement of financial position										
Segment assets	25,111	–	71,230	–	9,041	–	–	–	105,382	–
Segment liabilities	(25,565)	–	(72,322)	–	(9,443)	–	–	–	(107,330)	–
Capital expenditure	4,175	–	7,835	–	5,132	–	–	–	17,142	–

* *The Group adopted NZ IFRS 16 Leases from 1 July 2019 using the modified retrospective approach. The 2020 reporting period includes NZ IFRS 16 adjustments; however, the comparative period excludes such adjustments.*

** *The comparative period has been restated to reflect the transfer of Marketing, IT and HR functions, which were previously included within Agency and Retail & Water segments, to Group Corporate during the period. The comparative period has also been restated to reflect the reclassification of the Standardbred division, which was previously included within Agency, to Discontinued Operations during the period.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	NOTE	2020 $000	2019 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		809,733	1,216,387
Dividends received		17	2
Interest received		6,622	6,399
		816,372	1,222,788
Cash was applied to:			
Payments to suppliers and employees		(772,069)	(1,238,239)
Lump sum contributions to defined benefit plans (ESCT inclusive)		–	(10,274)
Interest paid		(923)	(8,322)
Interest paid on lease liabilities		(4,185)	–
Income tax paid		(4,968)	(14,954)
		(782,145)	(1,271,789)
Net cash inflow/(outflow) from operating activities		**34,227**	**(49,001)**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		855	624
Cash acquired on purchase of investments		–	1,523
Proceeds from sale of investments		–	425,851
		855	427,998
Cash was applied to:			
Purchase of property, plant and equipment		(5,419)	(11,571)
Purchase of intangibles		(6,456)	(4,934)
Investment sale costs		–	(6,799)
Cash disposed on sale of investments		–	(25,414)
		(11,875)	(48,718)
Net cash inflow/(outflow) from investing activities		**(11,020)**	**379,280**
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft		47,320	–
		47,320	–
Cash was applied to:			
Share repurchase and cancellation		(234,000)	(6)
Dividends paid to shareholders		(12,564)	(15,267)
Dividends paid to minority interests		–	(1,189)
Repayment of external borrowings and bank overdraft		–	(114,252)
Repayment of principal portion of lease liabilities		(17,586)	–
		(264,150)	(130,714)
Net cash inflow/(outflow) from financing activities		**(216,830)**	**(130,714)**
Net increase/(decrease) in cash held		(193,623)	199,565
Opening cash		210,491	10,926
Cash and cash equivalents	9	**16,868**	**210,491**

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

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

For the year ended 30 June 2020

	2020 $000	2019 $000
Net profit after tax	7,840	131,806
Add/(deduct) non-cash/non-operating items:		
Depreciation and amortisation	29,503	13,891
Impairment and fair value losses	807	4,079
Bad debts written off (net)	489	2,519
Loss/(profit) on sale of assets/investments	(1,259)	(134,218)
Loss/(profit) from equity accounted investees	(8)	6,412
Foreign exchange loss/(gain)	135	(5,879)
Deferred tax expense/(benefit)	788	2,111
Defined benefit expense/(gain)	13	(817)
Pension contributions not expensed through profit or loss	–	(10,274)
Other non-cash/non-operating items	(302)	(2,357)
	38,006	7,273
Add/(deduct) movement in working capital items:		
Change in working capital due to sale/purchase of businesses	–	(199,376)
Change in inventories	(1,110)	176,575
Change in accounts receivable and prepayments	22,825	85,936
Change in trade creditors, provisions and accruals	(22,222)	(112,759)
Change in income tax payable/receivable	(3,661)	(4,997)
Change in other current assets/liabilities	389	(1,653)
	(3,779)	(56,274)
Net cash flow from operating activities	**34,227**	**(49,001)**

Cash Flows Accounting Policies

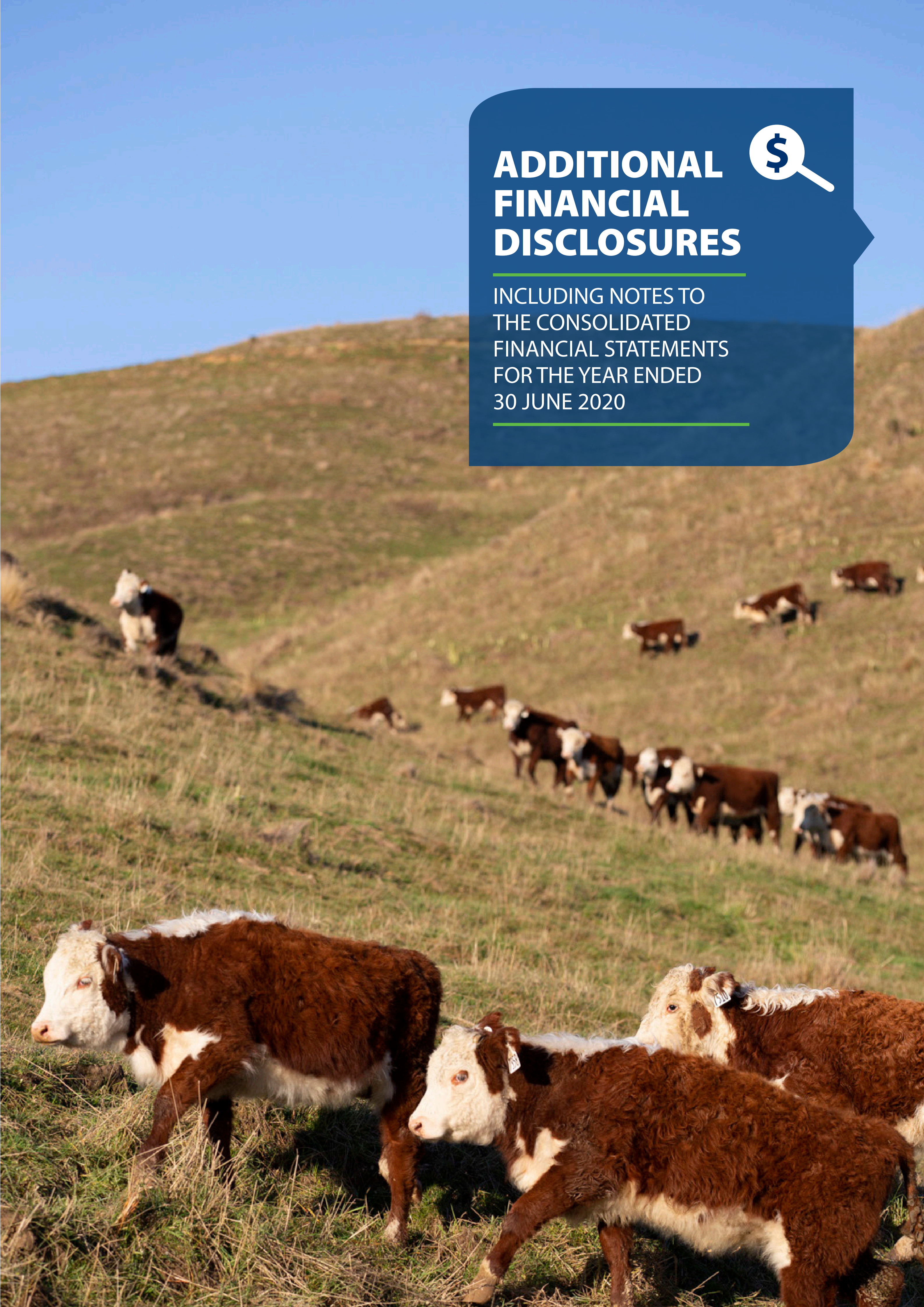
In the statement of cash flows, cash receipts and payments on behalf of customers which reflect the activities of the customer rather than those of the Group are reported on a net basis.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	NOTE	2020 $000	2019 $000
ASSETS			
Current			
Cash and cash equivalents	9	16,868	210,491
Short-term derivative assets	10	707	614
Trade and other receivables	11	122,946	145,881
Go livestock receivables	12	48,111	47,754
Income tax receivable		2,369	–
Inventories	13	87,111	85,969
Intangible assets	14	2,056	2,222
Assets classified as held for sale		40	2,326
Other current assets		4	35
Total current assets		280,212	495,292
Non-current			
Long-term derivative assets	10	235	387
Deferred tax asset	7	10,292	9,976
Investments in equity accounted investees		79	71
Other investments		471	470
Intangible assets	14	17,180	14,644
Right-of-use assets	15	104,625	–
Property, plant and equipment	16	46,330	44,702
Other non-current assets		29	12
Total non-current assets		179,241	70,262
Total assets		**459,453**	**565,554**
LIABILITIES			
Current			
Debt due within one year	9	30,000	2,680
Short-term derivative liabilities	10	562	280
Accounts payable and accruals	17	132,601	155,903
Short-term lease liabilities	15	16,506	–
Income tax payable		–	851
Total current liabilities		179,669	159,714
Non-current			
Long-term debt	9	20,000	–
Long-term derivative liabilities	10	45	62
Long-term lease liabilities	15	90,398	–
Long-term provisions	17	2,802	1,631
Defined benefit liability	18	9,838	5,883
Total non-current liabilities		123,083	7,576
Total liabilities		**302,751**	**167,290**
EQUITY			
Share capital	28	372,318	606,318
Reserves	28	7,586	10,424
Retained earnings	28	(223,202)	(218,478)
Total equity		**156,702**	**398,264**
Total liabilities and equity		**459,453**	**565,554**

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



ADDITIONAL FINANCIAL DISCLOSURES

INCLUDING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1 OPERATING REVENUE

	2020 $000	2019 $000
Revenue from contracts with customers		
Sales revenue	679,379	667,032
Commission revenue	88,979	105,355
Construction contract revenue	13,640	20,985
Other operating revenue		
Interest revenue on *Go* livestock receivables	4,258	3,900
Debtor interest charges	1,780	1,562
	788,036	**798,834**

Income Recognition Accounting Policies

The Group adopted NZ IFRS 15 *Revenue from Contracts with Customers* from 1 July 2018. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sales revenue

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

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

The Group offers a range of payment terms, and in some cases can be up to 12 months. The Group does not recognise a financing element for contracts with terms of 12 months or less.

When part of the Group's performance obligation in selling its products is to arrange freight and/or insurance, the Group is considered to be acting as an agent and these costs are recognised net against freight recoveries.

The Group offers warranties and returns as required by New Zealand law and/or per the terms and conditions of the contracts with customers. The Group recognises the obligations under these warranties as a provision.

Commission revenue

Commission revenue comprises commission for transactions where the Group acts as an agent. For agency commissions, the Group does not take inventory risk or title for inventories, or for the Group's Livestock and Real Estate businesses, biological assets and properties respectively. The Group generates commissions from acting as an agent for organising the sale of livestock or real estate, and from the successful referral of clients to unrelated lending and insurance partners.

Revenue is recognised at a point in time upon completion of service.

Construction contract revenue

Construction services are provided to customers in the Water business to construct pivots and irrigation systems. Most contracts contain a single performance obligation. The size and duration of the contracts can vary significantly, and customers are invoiced as work progresses. Most contracts are completed within 12 months; therefore, the unearned revenue on these contracts has not been disclosed.

The Group accounts for revenue over time, which best depicts the pattern of transfer of the construction services to the customer. The Group uses an input method to recognise revenue based on a percentage of cost completed. This method involves judgements relating to a contract's expected margin and its stage of completion.

Interest and similar income and expense

The Group recognises the fixed fees charged to customers under its *Go* programme as interest revenue. Refer to Note 12 *Go Livestock Receivables* for further explanation regarding this programme. This interest revenue is recognised over the term of the *Go* contracts.

The Group also recognises interest revenue and establishment fees on an accruals basis when the services are rendered using the effective interest method. Refer to the accounting policies under Note 5 *Net Interest and Finance Costs* for further explanation on the effective interest method.

2 COST OF SALES

	NOTE	2020 $000	2019 $000
Depreciation and amortisation		181	182
Employee benefits including commissions		23,953	30,754
Inventories, finished goods, work in progress, raw materials and consumables	13	534,366	534,811
Other		25,355	13,533
		583,855	**579,280**

3 OTHER OPERATING EXPENSES

		2020 $000	2019 $000
Audit of annual consolidated financial statements of the Company by KPMG	3(A)	190	290
Regulatory and other assurance services provided by KPMG		11	14
Directors' fees		611	718
Donations		1	1
Increase/(decrease) in provision for impaired debtors		343	1,305
Net bad debts written off/(recovered)		147	298
IT & telecommunication costs		11,641	9,721
Marketing		3,818	4,037
Motor vehicle costs		5,804	6,575
Travel costs		3,044	4,105
Rental and operating lease costs		279	21,869
Occupancy costs (excluding rental and operating lease)		5,542	5,022
Other staff costs		6,558	7,535
Other expenses		7,338	10,231
		45,327	**71,721**

A. Audit fees

In FY19, the Group paid additional fees of $0.34 million to KPMG which were disclosed separately within the results of discontinued operations. These additional fees were for the audit of PGG Wrightson Seeds Holdings Limited's balance sheets as part of the sale of the Seed & Grain segment, and for the audit of annual consolidated financial statements of the subsidiaries and equity accounted investees within the Seed & Grain segment.

4 IMPAIRMENT AND FAIR VALUE GAINS/(LOSSES)

		2020 $000	2019 $000
Net impairment reversal/(impairment) – Property, plant and equipment	4(A)	253	(2,260)
Net impairment reversal/(impairment) – Right-of-use assets	4(B)	(852)	–
Fair value gains/(losses) – Assets held for sale	16(A)	(198)	(181)
Impairment – Investment in equity accounted investee		–	(720)
Fair value gains/(losses) – Biological assets		(10)	(26)
		(807)	**(3,187)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

4 IMPAIRMENT AND FAIR VALUE GAINS/(LOSSES) (CONTINUED)

A. Saleyards

During the year, the Group reviewed the status of each saleyard as strategic or non-strategic, and tested them for impairment. The Group recognised impairments of $0.41 million on two saleyards which management no longer considers strategic. The Group also reversed $0.66 million of previously recognised impairment losses on five saleyards based on updated valuations. The net impairment reversal recognised in the profit or loss is $0.25 million.

B. Right-of-use assets

The Group reviewed its right-of-use assets for indicators of impairment and has recognised an impairment of $2.25 million in respect of three leased properties. Most of the impairment relates to the Water business following the Group's decision to restructure that business. The Group also recorded an impairment reversal of $1.40 million on a leased property previously treated as an onerous lease, as there is no longer an indication that site is impaired. The net impairment loss recognised in the profit or loss is $0.85 million.

Impairment Accounting Policies

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

Non-financial assets

The carrying amounts of the Group's non-financial assets (other than biological assets, inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset or the cash-generating unit (CGU) to which the asset relates is estimated. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups.

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

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

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

5 NET INTEREST AND FINANCE COSTS

	2020 $000	2019 $000
Interest income	579	771
Interest funding expense		
Bank interest on loans and overdrafts	(923)	(4,928)
Other interest expense	–	(312)
Bank facility fees	(683)	(1,885)
	(1,606)	(7,125)
Net interest on interest rate derivatives	–	(761)
Fair value gain/(loss) on interest rate derivatives	–	535
Effective interest on defined benefit pension ESCT payments	–	(299)
	(1,606)	(7,650)
Net interest income/(expense) excluding interest on lease liabilities	(1,027)	(6,879)
Interest on lease liabilities	(4,183)	–
Foreign exchange income/(expense)		
Net gain/(loss) on foreign denominated items	502	(423)
Fair value gain/(loss) on foreign exchange derivatives	(324)	1,235
	178	812
Net interest and finance income/(expense)	**(5,032)**	**(6,067)**

Interest and Finance Income/Expense Accounting Policies

Interest and similar income and expense

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

Fair value change on foreign exchange derivatives

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. The Group uses forward, spot foreign exchange contracts and foreign exchange options to manage these exposures. These derivatives are recorded at their fair value with mark-to-market fair value movements flowing through fair value change on foreign exchange derivatives in the profit or loss. A portion of the underlying hedged future sale or purchase transactions have not yet been recognised by the Group. For this portion, no corresponding offsetting net gain/(loss) on foreign denominated items has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

6 GOVERNMENT GRANT

COVID-19 wage subsidy

On 11 March 2020, the World Health Organisation declared the outbreak of Coronavirus ("COVID-19") a pandemic. The Group's financial performance for 2020 has been significantly impacted by COVID-19. Whilst the Group's retail stores and warehouse supplies facilities continued operating as an "essential service" during all of New Zealand's alert levels, the Group's Water, Wool, Real Estate and Livestock saleyard businesses were closed at alert level 4 and only reopened under alert level 3 following strict protocols.

The Group received $4.11 million under the Government's COVID-19 wage subsidy scheme which is aimed at supporting employers affected by the COVID-19 lockdown to continue to employ staff. $3.15 million of this subsidy has been recognised in the profit or loss within the Employee Expenses line, with the remaining $0.96 million being recognised as deferred income on the balance sheet as at balance date. There are no unfulfilled conditions or other contingencies attaching to these grants.

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

Government Grant Accounting Policies

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

7 INCOME TAXES

A. Income tax recognised in profit or loss

	2020 $000	2019 $000
Current tax benefit/(expense)		
Current year	(2,201)	1,982
Adjustments for prior years	103	612
	(2,098)	2,594
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	(973)	(2,559)
Adjustments for prior years	185	335
	(788)	(2,224)
Income tax benefit/(expense)	**(2,886)**	**370**
Reconciliation		
Profit from continuing operations before income tax	10,019	4,140
Income tax using the Company's domestic tax rate (28%)	(2,805)	(1,159)
Non-deductible expenditure	(792)	(625)
Tax exempt income	481	260
Defined benefit scheme contributions	–	777
Tax credits	109	170
Over/(under) provided in prior years	288	947
Other	(167)	–
Income tax benefit/(expense)	**(2,886)**	**370**

Refer to Accounting Policies – page 18.

7 INCOME TAXES CONTINUED

B. Income tax recognised directly in equity

	2020 $000	2019 $000
Deferred tax on movement of actuarial gains/losses on employee benefit plans	1,104	703
Deferred tax on transition adjustment upon adoption of NZ IFRS 9	–	126
Income tax benefit/(expense) recognised directly in equity	**1,104**	**829**

C. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2020 $000	ASSETS 2019 $000	LIABILITIES 2020 $000	LIABILITIES 2019 $000	NET 2020 $000	NET 2019 $000
Property, plant and equipment	616	818	–	–	616	818
Intangible assets	–	–	(1,549)	(759)	(1,549)	(759)
Right-of-use assets	–	–	(29,350)	–	(29,350)	–
Lease liabilities	29,987	–	–	–	29,987	–
Employee benefits	6,361	6,294	–	–	6,361	6,294
Provisions	4,227	3,623	–	–	4,227	3,623
Deferred tax asset/(liability)	**41,191**	**10,735**	**(30,899)**	**(759)**	**10,292**	**9,976**

	BALANCE 1 JUL 2019 $000	RECOGNISED IN PROFIT OR LOSS (CONTINUING) $000	RECOGNISED IN IN PROFIT OR LOSS (DISCONTINUED) $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	RECOGNISED IN RETAINED EARNINGS $000	ACQUISITION / SALE OF SUBSIDIARIES $000	BALANCE 30 JUN 2020 $000
Property, plant and equipment	818	(202)	–	–	–	–	616
Intangible assets	(759)	(790)	–	–	–	–	(1,549)
Right-of-use assets	–	(29,350)	–	–	–	–	(29,350)
Lease liabilities	–	29,987	–	–	–	–	29,987
Employee benefits	6,294	(1,037)	–	1,104	–	–	6,361
Provisions	3,623	604	–	–	–	–	4,227
	9,976	**(788)**	**–**	**1,104**	**–**	**–**	**10,292**

	BALANCE 1 JUL 2018 $000	RECOGNISED IN PROFIT OR LOSS (CONTINUING) $000	RECOGNISED IN IN PROFIT OR LOSS (DISCONTINUED) $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	RECOGNISED IN RETAINED EARNINGS $000	ACQUISITION / SALE OF SUBSIDIARIES $000	BALANCE 30 JUN 2019 $000
Property, plant and equipment	(162)	1,175	(983)	–	–	788	818
Intangible assets	(97)	(524)	2,600	–	–	(2,738)	(759)
Employee benefits	10,689	(3,973)	(329)	703	–	(796)	6,294
Provisions	4,878	1,098	(2,582)	–	126	103	3,623
Other items	951	–	–	–	–	(951)	–
	16,259	**(2,224)**	**(1,294)**	**703**	**126**	**(3,594)**	**9,976**

Refer to Accounting Policies – page 18.

7 INCOME TAXES CONTINUED

D. Unrecognised tax losses and temporary differences

At 30 June 2020, the Group has no unrecognised deferred tax assets relating to tax losses and temporary differences (2019: Nil).

E. Imputation credits

The Group has $8.8 million imputation credits as at 30 June 2020 (2019: $7.1 million).

Income Tax Accounting Policies

Income tax expense comprises current and deferred taxation and is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised directly in other comprehensive income or equity.

Current tax

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

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date. Deferred tax is not recognised for:

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

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

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

8 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

A. Earnings per share (EPS)

The calculation of EPS, as disclosed in the consolidated statement of profit or loss, is based on the following profit figures and number of authorised shares.

	ISSUED ORDINARY SHARES		WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	
	2020 000	2019 000	2020 000	2019 000
Issued ordinary shares at 1 July	754,839	754,849	754,839	754,849
Ordinary shares issued due to 2:1 share split	754,839	–	663,845	–
Ordinary shares repurchased and cancelled	(754,839)	(10)	(663,845)	(5)
Ordinary shares reduced due to 1:10 share consolidation	(679,355)	–	(597,460)	–
Balance at 30 June	**75,484**	**754,839**	**157,379**	**754,844**

There are no dilutive shares or options (2019: Nil).

	2020 $000	2019 $000
Profit (net of tax) attributable to Shareholders of the Company	**7,840**	**131,123**
Profit from continuing operations (net of tax) attributable to Shareholders of the Company	**7,133**	**4,510**

B. Net tangible assets (NTA)

The calculation of NTA per share is based on the following NTA figure and the Company's issued ordinary shares at the end of the period.

	2020 $000	2019 $000
Total assets	459,453	565,554
Total liabilities	(302,751)	(167,290)
less intangible assets	(19,236)	(16,866)
less deferred tax	(10,292)	(9,976)
Net tangible assets	**127,174**	**371,422**

	2020 $	2019 $
Basic & diluted EPS on issued ordinary shares at the end of the period	0.104	0.174
Basic & diluted EPS on issued ordinary shares at the end of the period – continuing operations	0.094	0.006
Basic & diluted EPS on a weighted average basis	0.050	0.174
Basic & diluted EPS on a weighted average basis – continuing operations	0.045	0.006
NTA per issued ordinary shares at the end of period	1.685	0.492

Earnings Per Share Accounting Policies

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

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

9 CASH AND FINANCING FACILITIES

		2020 $000	2019 $000
Cash and cash equivalents		16,868	210,491
Current financing facilities		(30,000)	(2,680)
Term financing facilities		(20,000)	–
Net interest-bearing (debt)/cash and cash equivalents		**(33,132)**	**207,811**
Go livestock receivables	12	48,111	47,754
Net interest-bearing (debt) / cash and cash equivalents after adjusting for *Go* livestock receivables		**14,979**	**255,565**

Financing facilities

On 2 July 2019, the Company entered into a new syndicated bank facility which provides the following:

- Term debt facility of $50.00 million maturing on 1 August 2021
- Working capital facilities of up to $70.00 million maturing on 1 August 2021 (subject to an annual Clean Down)

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

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

The syndicated facility agreement allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company's syndicated facility. The additional facilities are guaranteed by the security trust. These facilities amounted to $6.58 million as at 30 June 2020 (2019: $9.58 million).

- Overdraft facilities of $3.00 million
- Guarantee, letters of credit and trade finance facility of $3.58 million

10 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses forward foreign exchange contracts, spot foreign exchange contracts and foreign exchange options to manage its exposure to foreign currency fluctuations. The Group may also use interest rate swaps and options to hedge its exposure to changes in the market rates of variable and fixed interest rates. In accordance with the Group's treasury policy, the Group does not hold these derivative instruments for trading purposes. The Group does not currently apply hedge accounting.

Where the Group enters into derivative transactions, these agreements do not meet the criteria for offsetting in the consolidated statement of financial position. Amounts in the consolidated statement of financial position are the gross amounts.

	2020 $000	2019 $000
Derivative assets held for risk management		
Current	707	614
Non-current	235	387
	942	1,001
Derivative liabilities held for risk management		
Current	(562)	(280)
Non-current	(45)	(62)
	(607)	(342)
Net derivative asset/(liability) held for risk management	**335**	**659**

Derivative Financial Instruments Accounting Policies

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value, and changes therein are generally recognised in profit or loss.

The fair value of forward exchange contracts is based on broker quotes, 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.

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

11 TRADE AND OTHER RECEIVABLES

	2020 $000	2019 $000
Accounts receivable due from unrelated parties	108,547	136,798
Accounts receivable due from related parties	49	40
Gross accounts receivable	108,596	136,838
less Provision for impaired debtors	(4,025)	(4,635)
Net accounts receivable	104,571	132,203
Other receivables	16,410	11,373
Prepayments	1,965	2,305
Trade and other receivables	**122,946**	**145,881**
Analysis of movements in provision for impaired debtors		
Balance at beginning of year	(4,635)	(6,887)
Movement in provision	610	(2,025)
Increase in provision upon adoption of NZ IFRS 9	–	(450)
Increase in provision due to acquisition of subsidiary	–	(4,956)
Reduction in provision due to sale of Seed & Grain	–	9,683
Balance at end of year	**(4,025)**	**(4,635)**

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

	TOTAL DEBTORS 2020 $000	PROVISION 2020 $000	TOTAL DEBTORS 2019 $000	PROVISION 2019 $000
Not past due	99,860	(705)	125,625	(1,403)
Past due 1– 30 days	4,297	(311)	6,474	(41)
Past due 31 – 60 days	930	(204)	978	(20)
Past due 61 – 90 days	314	(157)	1,523	(987)
Past due 90 plus days	3,195	(2,648)	2,238	(2,184)
	108,596	**(4,025)**	**136,838**	**(4,635)**

Trade and Other Receivables Accounting Policies

Recognition and measurement

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

Impairment

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

The Group recognises loss allowances on expected credit loss (ECL) on trade receivables. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL. The ECL is a probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls). The ECL is discounted at the effective interest rate of the financial asset, although receivables with short duration are not discounted.

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

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

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

12 *GO* LIVESTOCK RECEIVABLES

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

	2020 $000	2019 $000
Go livestock receivables – less than one year	48,111	47,754
Go livestock receivables – greater than one year	–	–
less Provision for impairment – *Go* livestock receivables	–	–
	48,111	**47,754**
The status of the *Go* livestock receivables at the reporting date is as follows:		
Not past due	48,111	47,754
Past due	–	–
	48,111	**47,754**

Included within Trade and Other Receivables is accrued interest of $1.69 million (2019: $1.64 million).

13 INVENTORY

	2020 $000	2019 $000
Merchandise	68,639	67,892
Work in progress & finished goods	21,732	20,686
less provision for inventory write down	(3,260)	(2,609)
	87,111	**85,969**

During the year ended 30 June 2020, inventories of $534.37 million (2019: $534.81 million) are included in cost of sales in the profit or loss (refer to Note 2 *Cost of Sales*). Included within this amount are write-down of inventories of $1.93 million (2019: $1.75 million) to net realisable value and reversals of write-down of $0.09 million (2019: $0.45 million).

Inventories Accounting Policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

14 INTANGIBLE ASSETS

	SOFTWARE $000	TRADEMARKS, PATENTS & RIGHTS $000	GOODWILL $000	TOTAL $000
Cost				
Balance at 1 July 2018	29,015	3,194	–	32,209
Additions	7,442	131	–	7,573
Added as part of a business combination/amalgamation	–	–	13,741	13,741
Disposals and reclassifications	(2,531)	–	–	(2,531)
Disposed as part of a business disposal	(4,983)	(1,479)	(13,741)	(20,203)
Effect of movement in exchange rates	(67)	(28)	–	(95)
Balance at 30 June 2019	**28,876**	**1,818**	**–**	**30,694**
Balance at 1 July 2019	28,876	1,818	–	30,694
Additions	9,914	98	–	10,012
Disposals and reclassifications	(3,573)	–	–	(3,573)
Balance at 30 June 2020	**35,217**	**1,916**	**–**	**37,133**
Amortisation and impairment losses				
Balance at 1 July 2018	14,768	1,783	–	16,551
Amortisation for the year	4,978	23	–	5,001
Impairment	–	–	1,190	1,190
Disposals and reclassifications	(2,647)	–	–	(2,647)
Disposed as part of a business disposal	(4,562)	(493)	(1,190)	(6,245)
Effect of movement in exchange rates	(8)	(14)	–	(22)
Balance at 30 June 2019	**12,529**	**1,299**	**–**	**13,828**
Balance at 1 July 2019	12,529	1,299	–	13,828
Amortisation for the year	3,994	92	–	4,086
Disposals and reclassifications	(17)	–	–	(17)
Balance at 30 June 2020	**16,506**	**1,391**	**–**	**17,897**
Carrying amounts				
At 1 July 2018	**14,247**	**1,411**	**–**	**15,658**
At 30 June 2019	**16,347**	**519**	**–**	**16,866**
At 30 June 2020	**18,711**	**525**	**–**	**19,236**

Intangible Assets Accounting Policies

Software

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life between 1 and 15 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period and adjusted if appropriate.

Rights

Manufacturing and production rights are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life between 2 and 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period and adjusted if appropriate.

Impairment

The carrying amounts of the Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. For intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds the recoverable amount. Refer to the accounting policy under Note 4 *Impairment and Fair Value Gains/(Losses)* for further explanation.

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases many assets, including:

- leases of land and buildings from which it conducts operations. These leases range in length from one to fifteen years with various rights of renewal. Where surplus properties are unable to be exited, the Group subleases these properties where possible and derives sublease revenue on a short-term temporary basis.
- leases of vehicles for use by employees, agents and representatives. These leases range for a period of between three and six years.
- leases of office and IT equipment. These leases are typically for a period of four years.

Transition to NZ IFRS 16

The Group adopted NZ IFRS 16 *Leases* from 1 July 2019 using the modified retrospective approach. In accordance with the new standard, the Group recognised right-of-use assets of $109.17 million and lease liabilities of $106.63 million at the initial adoption date of 1 July 2019. The Group also recognised a provision for make good costs of $2.54 million as at 1 July 2019. There was no impact on retained earnings as at 1 July 2019.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The incremental borrowing rates applied to the lease liabilities on 1 July 2019 were 4.0% for properties and 3.5% for vehicles. The right-of-use assets were recognised at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

On transition, the Group applied various practical expedients including:

- The Group grandfathered the assessment of which transactions constitute leases and applied NZ IFRS 16 only to contracts that were previously identified as leases under NZ IAS 17. Contracts that were not identified as leases under NZ IAS 17 were not reassessed for whether there is a lease. The definition of a lease under NZ IFRS 16 was only applied to contracts entered into or changed on or after 1 July 2019.
- The Group elects to measure right-of-use assets at an amount equal to the lease liabilities upon transition.
- The Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group used hindsight in determining the lease term.
- The Group elected not to recognise a right-of-use asset and a lease liability for certain leases for which the lease term ends within 12 months of the initial adoption date.

In the process of adopting the new standard, a number of judgements and estimates have been made. These include:

- incremental borrowing rate at the time of adoption
- lease terms, including any rights of renewal expected to be exercised

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

	2020 $000
Amounts in consolidated statement of profit or loss	
Depreciation on right-of-use assets – continuing operations	(20,265)
Interest on lease liabilities	(4,183)
Short-term or low-value lease expenses	(333)
Variable lease payments not included in the measurement of lease liabilities	(168)
Income from sub-leasing right-of-use assets	1,149
Amounts in consolidated statement of cash flows	
Cash outflow for interest on lease liabilities (operating activities)	(4,185)
Cash outflow for principal portion of lease liabilities (financing activities)	(17,586)
Total cash outflow for leases	(21,771)

PGG WRIGHTSON LIMITED

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For the year ended 30 June 2020

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

Amounts in consolidated statement of financial position

	PROPERTY $000	VEHICLES $000	TOTAL $000
Right-of-use assets			
Balance at 1 July 2019	97,084	12,082	109,166
Additions	11,498	5,644	17,142
Modifications and terminations	(881)	342	(539)
Depreciation charge for the period	(13,623)	(6,669)	(20,292)
Net Impairment	(852)	–	(852)
Balance at 30 June 2020	**93,226**	**11,399**	**104,625**

	2020 $000
Lease liabilities	
Current lease liabilities	16,506
Non-current lease liabilities	90,398
Total recognised lease liabilities	**106,904**
Maturity analysis - minimum contractual undiscounted cash flows	
Less than one year	18,334
One to five years	39,174
More than five years	12,731
Total undiscounted lease liabilities at 30 June 2020	**70,239**

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonable certain to exercise the options if there is significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise all the extension options, would result in an increase in lease liability of $65.0 million.

	2020 $000
Reconciliation of recognised lease liabilities to operating lease commitments	
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	84,403
Operating lease commitments at 30 June 2019 discounted at the incremental borrowing rate at 1 July 2019	74,905
Value of operating leases not commenced as at 1 July 2019	(9,560)
Recognition exemption for short-term leases	(402)
Value of additional leases and future lease renewal options reasonably certain to be exercised	41,683
Lease liabilities recognised on initial adoption date of 1 July 2019	**106,626**

Refer to Accounting Policies – page 27.

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

Lease Accounting Policies

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

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

Lease liabilities

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

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

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

16 PROPERTY, PLANT AND EQUIPMENT

	NOTE	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORKS PROJECT* $000	TOTAL $000
Cost						
Balance at 1 July 2018		20,987	47,441	128,508	3,822	200,758
Additions		6	700	10,812	54	11,572
Added as part of a business combination		1,306	6,584	3,019	–	10,909
Disposals and transfers to other asset classes		(71)	(164)	(2,142)	–	(2,377)
Disposed as part of a business disposal		(8,741)	(40,042)	(89,019)	(1,072)	(138,874)
Effect of movements in exchange rates		(304)	(274)	(1,500)	–	(2,078)
Balance at 30 June 2019		**13,183**	**14,245**	**49,678**	**2,804**	**79,910**
Balance at 1 July 2019		13,183	14,245	49,678	2,804	79,910
Additions		–	119	5,362	(62)	5,419
Reclassification from/(to) assets held for sale	16(A)	322	1,706	–	–	2,028
Disposals and transfers		(3)	(727)	(3,045)	–	(3,775)
Balance at 30 June 2020		**13,502**	**15,343**	**51,995**	**2,742**	**83,582**

Refer to Accounting Policies – page 29.

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	NOTE	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORKS PROJECT* $000	TOTAL $000
Depreciation and impairment losses						
Balance at 1 July 2018		–	7,997	68,541	–	76,538
Depreciation for the year		–	848	6,800	–	7,648
Depreciation recovered to COGS		–	–	182	–	182
Added as part of a business combination		–	526	1,237	–	1,763
Disposals and transfers to other asset classes		–	(64)	(1,766)	–	(1,830)
Disposed as part of a business disposal		–	(5,119)	(44,686)	–	(49,805)
Impairment		–	2,256	–	–	2,256
Effect of movements in exchange rates		–	(104)	(1,440)	–	(1,544)
Balance at 30 June 2019		**–**	**6,340**	**28,868**	**–**	**35,208**
Balance at 1 July 2019		–	6,340	28,868	–	35,208
Depreciation for the year		–	285	4,828	–	5,113
Depreciation recovered to COGS		–	–	181	–	181
Reclassification from/(to) assets held for sale	16(A)	–	(60)	–	–	(60)
Disposals and transfers		–	(702)	(2,368)	–	(3,070)
Impairment / (impairment reversal)		–	(254)	133	–	(121)
Balance at 30 June 2020		**–**	**5,610**	**31,642**	**–**	**37,252**
Carrying amounts						
At 1 July 2018		**20,987**	**39,444**	**59,967**	**3,822**	**124,220**
At 30 June 2019		**13,183**	**7,905**	**20,810**	**2,804**	**44,702**
At 30 June 2020		**13,502**	**9,734**	**20,353**	**2,742**	**46,330**

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

Capital gains on the sale of property, plant and equipment of $0.15 million were recognised in non-operating items in the current period (2019: $0.20 million loss).

A. Reclassification from/(to) assets held for sale

During the year, the Group reclassified four properties which were previously classified as assets held for sale back to property, plant and equipment on the basis the likelihood of their sale in the next 12 months is low. These properties are remeasured at their carrying amount (adjusted for any depreciation that would have been recognised had the asset not previously been classified as held for sale) of $2.1 million. The loss on the remeasurement of the properties of $0.2 million was recognised in the profit or loss.

Refer to Accounting Policies – page 29.

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, Plant & Equipment Accounting Policies

Recognition and measurement

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

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

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

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

Depreciation

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

Impairment

The carrying amounts of the Group's property, plant & equipment assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds the recoverable amount. Refer the accounting policy under Note 4 *Impairment and Fair Value Gains/(Losses)* for further explanation.

17 TRADE AND OTHER PAYABLES

	NOTE	2020 $000	2019 $000
Trade creditors		81,835	96,802
Goods received but not invoiced		5,799	7,343
Deposits received in advance		1,474	1,042
Wage subsidy received in advance	6	958	–
Loyalty reward programme	21	998	1,015
Employee entitlements		13,960	16,821
Make good provision on leased properties	17(A)	2,680	90
Accruals and other liabilities		26,941	30,486
Other provisions (including product warranty provisions)		757	3,935
		135,403	**157,534**
Payable within 12 months		132,601	155,903
Payable beyond 12 months		2,802	1,631
		135,403	**157,534**

A. Make good provision on leased properties

The Group has recognised a provision of $2.54 million for estimated make good costs in respect of its leased properties upon the adoption of NZ IFRS 16 *Leases* as at 1 July 2019. During the year, the Group recognised an additional provision of $0.14 million in respect of new leased properties which it signed up to. The balance of the make good provision as at 30 June 2020 is $2.68 million. These costs have been capitalised to the right-of-use assets and are amortised over the life of the right-of-use assets.

The Group expects to settle this liability over the next 10–15 years as the leases expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

18 DEFINED BENEFIT LIABILITY

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

In June 2019, the Group brought the Plan to an actuarial equilibrium position (calculated on a different basis to the IFRS amounts below).

	2020 $000	2019 $000	2018 $000	2017 $000	2016 $000
Present value of funded obligations	(62,563)	(61,624)	(66,814)	(71,106)	(73,417)
Fair value of plan assets	52,725	55,741	59,092	58,835	52,702
Total defined benefit asset/(liability)	**(9,838)**	**(5,883)**	**(7,722)**	**(12,271)**	**(20,715)**

The Group expects to pay $0.85 million in contributions to defined benefit plans in 2021 (2020: expected $1.01 million and paid $0.69 million). Member contributions are expected to be $0.59 million in 2021 (2020: expected $0.65 million and paid $0.83 million).

As at 30 June 2020, the weighted average duration of the defined benefit obligation (DBO) is 12.5 years for the Plan (2019: 12.4 years).

A. Plan assets

	2020 %	2019 %
Consist of:		
Equities	58	54
Fixed interest	29	28
Cash	13	18
	100	**100**

Plan assets do not include any exposure to the Company's ordinary shares (2019: Nil).

B. Actuarial assumptions at the reporting date

	2020 %	2019 %
Discount rate used (10 year New Zealand Government Bond rate)	0.91	1.57
Inflation	1.50	2.00
Future salary increases	2.00	3.00
Future pension increases	1.50	2.00

	2020 YEARS	2019 YEARS
Assumptions regarding future mortality are based on published statistics and experience.		
Current longevities underlying the DBO values at the reporting date:		
Longevity at age 65 for current pensioners		
– Males	21	21
– Females	24	24
Longevity at age 65 for current members aged 45		
– Males	24	24
– Females	28	28

Refer to Accounting Policies – page 31.

18 DEFINED BENEFIT LIABILITY (CONTINUED)

C. Sensitivity analysis

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

	2020 DBO (INCREASE) / DECREASE WITH INCREASE IN ASSUMPTION $000	2020 DBO (INCREASE) / DECREASE WITH DECREASE IN ASSUMPTION $000	2019 DBO (INCREASE) / DECREASE WITH INCREASE IN ASSUMPTION $000	2019 DBO (INCREASE) / DECREASE WITH DECREASE IN ASSUMPTION $000
Discount rate (0.50% movement)	1,689	(2,252)	1,541	(1,849)
Salary growth rate (0.50% movement)	(188)	63	(185)	123
Pension growth rate (0.25% movement)	(1,001)	876	(801)	616
Life expectancy (1 year movement)	(2,127)	2,127	(1,787)	1,787

D. Movement in net defined benefit liability

	DEFINED BENEFIT OBLIGATION		FAIR VALUE OF PLAN ASSETS		NET DEFINED BENEFIT ASSET/ (LIABILITY)	
	2020 $000	2019 $000	2020 $000	2019 $000	2020 $000	2019 $000
Balance at 1 July	(61,624)	(66,814)	55,741	59,092	(5,883)	(7,722)
Included in profit or loss:						
Current service costs	(613)	(842)	–	–	(613)	(842)
Interest costs	(937)	(1,734)	845	1,623	(92)	(111)
Included in other comprehensive income:						
Gains/(losses) from change in financial assumptions	(799)	(3,797)	–	–	(799)	(3,797)
Experience gains/(losses)	(3,059)	(1,213)	–	–	(3,059)	(1,213)
Expected return on plan assets	–	–	(84)	(653)	(84)	(653)
Other:						
Employer contributions	–	–	692	8,455	692	8,455
Member contributions	(832)	(1,268)	832	1,268	–	–
Benefits paid by the plan	5,301	14,044	(5,301)	(14,044)	–	–
Balance at 30 June	**(62,563)**	**(61,624)**	**52,725**	**55,741**	**(9,838)**	**(5,883)**

Employee Benefits Accounting Policies

Defined benefit plans

The Group's net obligation with respect to defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the lower of the net assets of the plan or the current value of the contributions holiday that is expected to be generated.

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

Short-term employee benefits

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

Long-term employee benefits

Provisions made with respect to employee benefits which are not expected to be settled within twelve months are measured as the present value of the estimated future cash outflows to be made by the Group with respect to services provided by employees up to reporting date. Remeasurements are recognised in profit or loss in the period in which they arise.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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19 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Accounting classifications and fair values

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

	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME $000	MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS $000	AT AMORTISED COST $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000
2020					
Assets					
Cash and cash equivalents	–	–	16,868	16,868	16,868
Derivative financial instruments	–	942	–	942	942
Trade and other receivables	–	–	104,571	104,571	104,571
Go livestock receivables	–	–	48,111	48,111	48,111
Other investments	–	–	471	471	471
	–	**942**	**170,021**	**170,963**	
Liabilities					
Debt	–	–	50,000	50,000	50,000
Derivative financial instruments	–	607	–	607	607
Trade and other payables	–	–	81,835	81,835	81,835
Lease liabilities	–	–	106,904	106,904	
	–	**607**	**238,739**	**239,346**	
2019					
Assets					
Cash and cash equivalents	–	–	210,491	210,491	210,491
Derivative financial instruments	–	1,001	–	1,001	1,001
Trade and other receivables	–	–	132,203	132,203	132,203
Go livestock receivables	–	–	47,754	47,754	47,754
Other investments	–	–	470	470	470
	–	**1,001**	**390,918**	**391,919**	
Liabilities					
Debt	–	–	2,680	2,680	2,680
Derivative financial instruments	–	342	–	342	342
Trade and other payables	–	–	96,802	96,802	96,802
	–	**342**	**99,482**	**99,824**	

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

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

A. Accounting classifications and fair values (continued)

Fair value hierarchy

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

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

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2020				
Assets				
Derivative financial instruments	–	942	–	942
Liabilities				
Derivative financial instruments	–	607	–	607
2019				
Assets				
Derivative financial instruments	–	1,001	–	1,001
Liabilities				
Derivative financial instruments	–	342	–	342

There have been no material movements between the fair value hierarchy during the year ended 30 June 2020.

B. Financial management risk

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

The Group is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore, takes on controlled amounts of risk when considered appropriate. The Board of Directors is responsible for the review and ratification of the Group's systems of risk management, internal compliance and control, code of conduct and legal compliance. The Board maintains a formal set of delegated authorities (including policies for credit and treasury) that clearly define the responsibilities delegated to Management and those retained by the Board. The Board approves these delegated authorities and reviews them annually.

The following management committees review and manage key risks:

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

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

(i) Liquidity and funding risks

Liquidity risk is the risk that the Group will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. Funding risk is the risk of over-reliance on a funding source to the extent that a change in that funding source could increase overall funding costs or cause difficulty in raising funds.

The Group manages liquidity risk by forecasting daily cash requirements and future funding requirements, and maintaining an adequate liquidity buffer. The Group monitors its liquidity daily, weekly and monthly and maintains appropriate liquid assets and committed bank funding facilities to meet all obligations in a timely and cost efficient manner. The Group has a policy of funding diversification and utilises a banking syndicate to limit concentration risk in relation to liquidity and funding. The funding policy augments the Group's liquidity policy with its aim to ensure the Group has a stable diversified funding base without over-reliance on any one market sector.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

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

B. Financial management risk (continued)

(i) Liquidity and funding risks (continued)

Contractual maturity analysis

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

	CONTRACTUAL CASH FLOW				
	WITHIN 12 MONTHS $000	1 TO 5 YEARS $000	BEYOND 5 YEARS $000	TOTAL $000	AMOUNT IN BALANCE SHEET $000
2020					
Debt	31,456	20,103	–	51,559	50,000
Derivative financial instruments	562	45	–	607	607
Trade and other payables	81,835	–	–	81,835	81,835
Lease liabilities	20,296	57,544	47,228	125,068	106,904
	134,149	**77,692**	**47,228**	**259,069**	**239,346**
2019					
Debt	2,813	–	–	2,813	2,680
Derivative financial instruments	280	62	–	342	342
Trade and other payables	96,802	–	–	96,802	96,802
	99,895	**62**	**–**	**99,957**	**99,824**

(ii) Credit risk

Credit risk is the potential for loss that could occur as a result of a counterparty failing to discharge its obligations. This may be due to drought, bio-security issues or volatility in commodity prices.

Concentrations of credit risk

Financial instruments which potentially subject the Group to concentrations of credit risk principally consist of bank balances, 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.

(iii) Market risk

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

Concentrations of market risk

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

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities.

The Group manages this risk by using forward, spot foreign exchange contracts and foreign exchange options to hedge foreign currency risks as they arise.

Refer to Accounting Policies – page 37.

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

B. Financial management risk (continued)

(iii) Market risk continued

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
2020				
Cash and cash equivalents	–	1	13	1
Trade and other receivables	82	2,047	–	1,827
Trade and other payables	(532)	(8,366)	(972)	(2,151)
Net balance sheet position	**(450)**	**(6,318)**	**(959)**	**(323)**
Forward exchange contracts				
Notional forward exchange cover	8,356	(1,764)	972	(15,777)
Net unhedged position	**(8,806)**	**(4,555)**	**(1,931)**	**15,454**
2019				
Cash and cash equivalents	–	1	1	1
Trade and other receivables	1,213	2,235	237	4,697
Trade and other payables	(565)	(5,122)	(1,758)	(1,991)
Net balance sheet position	**648**	**(2,886)**	**(1,520)**	**2,707**
Forward exchange contracts				
Notional forward exchange cover	9,483	1,585	(1,758)	21,356
Net unhedged position	**(8,835)**	**(4,471)**	**238**	**(18,649)**

Interest rate risk

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

This risk is managed by operating within approved policy limits using an interest rate duration approach. Interest rate swaps, interest rate options and forward rate agreements may be used to hedge the floating rate exposure as deemed appropriate. The Group had no interest rate derivatives at balance date (2019: Nil).

Refer to Accounting Policies – page 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

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

(iii) Market risk continued

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
2020					
Debt	30,000	20,000	–	–	50,000
Derivative financial instruments	–	–	–	607	607
Trade and other payables	–	–	–	81,835	81,835
	30,000	**20,000**	**–**	**82,442**	**132,442**
2019					
Debt	2,680	–	–	–	2,680
Derivative financial instruments	–	–	–	342	342
Trade and other payables	–	–	–	96,802	96,802
	2,680	**–**	**–**	**97,144**	**99,824**

Sensitivity analysis

The Group's treasury policy effectively insulates earnings from the effect of short-term fluctuations in either foreign exchange or interest rates. Over the longer term however, permanent changes in foreign exchange rates and interest rates will have an impact on profit. A 1% change in interest rate has been applied as it is considered a reasonably possible change. The sensitivity of net profit after tax for the period to 30 June 2020, and shareholders equity at that date, to reasonably possible changes in conditions is shown below.

	INTEREST RATES INCREASE BY 1% 2020 $000	2019 $000	INTEREST RATES DECREASE BY 1% 2020 $000	2019 $000
Increase/(decrease) in net profit after tax and shareholders' equity	(198)	(748)	217	934

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

C. Capital management

The capital of the Group consists of share capital, reserves, and retained earnings. The policy of the Group is to maintain a strong capital base so as to maintain investor, creditor and market confidence while providing the ability to develop future business initiatives. This policy has not been changed during the period.

Refer to Accounting Policies – page 37.

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

Non-Derivative Financial Instruments Accounting Policies

(i) Non-derivative financial assets

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

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

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

Financial assets measured at amortised cost

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

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

Financial assets measured at fair value

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

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

Cash and cash equivalents

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

Trade and other receivables

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

(ii) Non-derivative financial liabilities

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are stated at cost.

(iii) Determination of fair values for non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

20 COMMITMENTS

A. Capital expenditure not provided for

The Group does not have any capital commitments as at 30 June 2020 (2019: $0.11 million).

B. Forward purchase commitments

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

21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A. PGG Wrightson Loyalty Reward Programme

The Group recognises a provision for the expected level of points redemption from the PGG Wrightson Loyalty Reward Programme. As at balance date, the balance of live points which does not form part of the recognised provision total $0.09 million (2019: $0.09 million). Losses are not expected to arise from this contingent liability.

B. Contingent liabilities

The Group receives client claims from time to time as part of the ordinary course of business and these claims are reviewed on a case by case basis to determine validity. As at balance date, the Group was in the process of reviewing certain claims for the supply of goods which are typically the responsibility of suppliers under terms of trade. The amount of any potential obligation in respect of these claims cannot be estimated with sufficient reliability and therefore, with the exception of the warranty provision of $0.4 million, the Group has no provisioning in respect of these claims.

C. Contingent assets

The Group is pursuing a claim against a contractual counterparty for repudiation of contract. The Directors are confident in the validity of the claim, however no receivable has been recognised at balance date as the outcome of the claim remains uncertain.

22 SEASONALITY OF OPERATIONS

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

23 SUBSEQUENT EVENTS

There have been no material events subsequent to balance date that impact on these consolidated financial statements.

24 RELATED PARTIES

A. Key management personnel compensation

	2020 $000	2019 $000
Key management personnel compensation comprised:		
Short-term employee benefits	3,216	7,129
Post-employment benefits	96	151
Termination benefits	–	1,169
	3,312	**8,449**

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

B. 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 (on a GST inclusive basis) 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 2020 $000	BALANCE OUTSTANDING 2020 $000	TRANSACTION VALUE 2019 $000	BALANCE OUTSTANDING 2019 $000
Nick Berry (from 1 August 2019)	Purchase of retail goods	2	–	–	–
David Cushing	Purchase of retail goods, livestock and wool transactions. Also includes real estate commissions on a property sale	2,424	43	392	37
Grant Edwards	Purchase of retail goods	–	–	1	–
Stephen Guerin	Purchase of retail goods and livestock transactions	9	1	7	1
Peter Moore	Purchase of retail goods and fuel on-charge transactions	5	1	–	–
Peter Newbold	Purchase of retail goods	25	3	27	2
Peter Scott	Purchase of retail goods and fuel on-charge transactions	4	1	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

25 REPORTING ENTITY

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

The consolidated financial statements of PGG Wrightson for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the provision of goods and services within the agricultural and horticultural sectors.

SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	DIRECT PARENT	OWNERSHIP INTEREST 2020 %	OWNERSHIP INTEREST 2019 %
Agriculture New Zealand Limited	New Zealand	PGG Wrightson Limited	100%	100%
AgriServices South America Limited	New Zealand	PGG Wrightson Limited	100%	100%
Bidr Limited	New Zealand	PGG Wrightson Limited	100%	100%
Bloch & Behrens Wool (NZ) Limited	New Zealand	PGG Wrightson Limited	100%	100%
NZ Agritrade Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Investments Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Real Estate Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Employee Benefits Plan Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGW Rural Capital Limited	New Zealand	PGG Wrightson Limited	100%	100%
Ag Property Holdings Limited	New Zealand	PGG Wrightson Investments Limited	100%	100%
PGG Wrightson Employee Benefits Plan Limited	New Zealand	PGG Wrightson Employee Benefits Plan Trustee Limited	100%	100%

26 BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

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

Functional and presentation currency

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

Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

Note

1 Operating revenue from construction contracts
11 Carrying value of trade and other receivables
13 Carrying value of inventories
15 Right-of-use assets and lease liabilities – Lease term (renewal options to be exercised) and discount rates
18 Measurement of defined benefit liability – Key actuarial assumptions

Management has determined that the COVID-19 pandemic has not significantly impacted the estimates and judgements used on the consolidated statement of financial position as at 30 June 2020. Management will continue to monitor and assess the impacts of future developments of COVID-19, which are highly uncertain and cannot be predicted, on its judgements and estimates.

Comparative information

Certain comparative amounts have been reclassified to conform with the current period's presentation, including the treatment of $10.4 million of fuel oncharge revenue and corresponding cost of sales that have now been netted, resulting in no change to gross profit or net profit after tax. In addition, the comparatives have been restated to present the Standardbred business as a discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

27 OTHER SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

B. Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the group entities at the exchange rates at the dates of the transactions.

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

C. Discontinued operation

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

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

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

D. Disclosure of non-GAAP financial information

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

– Operating EBITDA represents earnings before net interest and finance costs, income tax, depreciation, amortisation, results from discontinued operations, fair value adjustments and non-operating items.
– EBITDA represents earnings before net interest and finance costs, income tax, depreciation, amortisation and the results from discontinued operations.
– Basic & diluted EPS on issued ordinary shares at the end of the period represents the net profit after tax for the reporting period divided by the outstanding number of shares as at the end of the reporting period.
– Impact of NZ IFRS 16 on the consolidated financial statements for the year ended 30 June 2020.

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

Due to the share consolidation which occurred in August 2019, the Directors and management consider the basic & diluted EPS on issued ordinary shares at the end of the period measure facilitates a more meaningful comparison against the dividend per share measure for the 2020 year.

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

27 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Standards issued but not yet effective

A number of new standards and interpretations are not yet effective for the year ended 30 June 2020 and have not been applied in preparing these consolidated financial statements. These include:

- Definition of Material (Amendment to IAS 1 and IAS 8)
- A variety of minor improvements to standards have been made in order to clarify various treatments of specific transactions.

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

28 CAPITAL AND RESERVES

Share capital

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

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the consolidated financial statements of foreign operations and the translation of liabilities that hedge the Group's net investment in a foreign subsidiary. Following the sale of the Seed & Grain segment which includes all of the Group's foreign operations and subsidiaries, the amount in the translation reserve has been taken to profit or loss (within gain on sale in discontinued operations) and the translation reserve was cleared to nil.

Realised capital and revaluation reserve

The realised capital reserve comprises the cumulative net capital gains that have been realised. The revaluation reserve relates to historic revaluations of property, plant and equipment. The balances relating to the Seed & Grain segment have been transferred to retained earnings.

Defined benefit plan reserve

The defined benefit plan reserve contains actuarial gains and losses on plan assets and defined benefit obligations. During the year ended 30 June 2020, no amount was transferred from the defined benefit reserve to retained earnings (30 June 2019: $2.77 million which represented the tax impact of lump sum cash contributions made during that 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.

Retained earnings

Retained earnings equals accumulated undistributed profit.

Dividends

The following dividends were declared and paid by the Company during the year.

	PAYMENT DATE	$ PER SHARE
2020 interim dividend – fully imputed (post-share consolidation)	3 April 2020	0.09000
2019 final dividend – fully imputed (post-share consolidation)	2 October 2019	0.07500
2019 interim dividend – fully imputed (pre-share consolidation)	5 April 2019	0.00750
2018 final dividend – fully imputed (pre-share consolidation)	3 October 2018	0.01250

Share Capital Accounting Policies

Ordinary shares

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

Repurchase of ordinary shares

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

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	REALISED CAPITAL AND REVALUATION RESERVES $000	DEFINED BENEFIT PLAN RESERVE $000	FAIR VALUE RESERVE $000	RETAINED EARNINGS $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
Balance at 1 July 2018	606,324	(3,723)	23,999	(9,042)	(2,587)	(329,987)	2,478	287,462
Adjustment on adoption of NZ IFRS 9, net of tax	–	–	–	–	–	(324)	–	(324)
Adjusted balance at 1 July 2018	606,324	(3,723)	23,999	(9,042)	(2,587)	(330,311)	2,478	287,138
Total comprehensive income for the period								
Profit or loss	–	–	–	–	–	131,123	683	131,806
Other comprehensive income								
Foreign currency translation differences	–	(867)	–	–	–	–	(17)	(884)
Changes in asset revaluation reserve	–	–	403	–	–	–	–	403
Changes in fair value of equity instruments, net of tax	–	–	–	–	21	–	–	21
Defined benefit plan actuarial gain/(loss), net of tax	–	–	–	(5,398)	–	–	–	(5,398)
Total other comprehensive income	–	(867)	403	(5,398)	21	–	(17)	(5,858)
Total comprehensive income for the period	–	(867)	403	(5,398)	21	131,123	666	125,948
Transactions with shareholders recorded directly in equity								
Contributions by and distributions to shareholders								
Share repurchase and cancellation	(6)	–	–	–	–	–	–	(6)
Dividends to shareholders	–	–	–	–	–	(15,267)	(1,189)	(16,456)
Total contributions by and distributions to shareholders	(6)	–	–	–	–	(15,267)	(1,189)	(16,462)
Sale of PGG Wrightson Seed Holdings Limited								
Reclassification of reserves to profit or loss	–	3,741	–	–	–	–	(2,101)	1,640
Reclassification of reserves to retained earnings	–	849	260	–	–	(1,255)	146	–
Total reclassification to profit or loss	–	4,590	260	–	–	(1,255)	(1,955)	1,640
Transfer to retained earnings	–	–	–	2,768	–	(2,768)	–	–
Balance at 30 June 2019	**606,318**	–	**24,662**	**(11,672)**	**(2,566)**	**(218,478)**	–	**398,264**
Balance at 1 July 2019	606,318	–	24,662	(11,672)	(2,566)	(218,478)	–	398,264
Total comprehensive income for the period								
Profit or loss	–	–	–	–	–	7,840	–	7,840
Other comprehensive income								
Defined benefit plan actuarial gain/(loss), net of tax	–	–	–	(2,838)	–	–	–	(2,838)
Total other comprehensive income	–	–	–	(2,838)	–	–	–	(2,838)
Total comprehensive income for the period	–	–	–	(2,838)	–	7,840	–	5,002
Transactions with shareholders recorded directly in equity								
Contributions by and distributions to shareholders								
Share repurchase and cancellation	(234,000)	–	–	–	–	–	–	(234,000)
Dividends to shareholders	–	–	–	–	–	(12,564)	–	(12,564)
Total contributions by and distributions to shareholders	(234,000)	–	–	–	–	(12,564)	–	(246,564)
Balance at 30 June 2020	**372,318**	–	**24,662**	**(14,510)**	**(2,566)**	**(223,202)**	–	**156,702**

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

KPMG

Independent Auditor's Report

To the shareholders of PGG Wrightson Limited

Report on the audit of 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 45:

i. present fairly in all material respects the Group's financial position as at 30 June 2020 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 2020;
- the consolidated statements of profit or loss, other comprehensive income, cash flows and changes in equity for the year then ended;
- the segment report as at and for the year ended 30 June 2020; 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 assurance. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

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 $1,000,000 determined with reference to a combined benchmark of Group revenue and profit before tax. We chose the benchmark because, in our view, this is a key measure of the Group's performance that incorporated the impact of one-off events.

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
Economic Risk Factors – Impact of commodity price movements on the recoverability of trade receivables ($122.9m – refer note 11) and carrying value of inventory ($87.1m – refer note 13)	
The Group is exposed to both domestic and international economic risk due to movements in commodity prices. Global economies have experienced significant price volatility following the outbreak of the COVID-19 global pandemic. This has seen varied impacts on different agricultural commodities and the New Zealand dollar This is considered a key audit matter given the impact that commodity prices have on the carrying value of certain inventory items (primarily Wool) and in respect of on-farm performance and hence the ability for the Group to collect outstanding receivables. Both inventory and trade receivables represent significant components of the Group balance sheet.	Our audit procedures included: — Evaluating whether the aged trade receivable listing (used as the initial basis by management to determine whether a provision is required) was complete and accurately reflected the aging of outstanding amounts. We agreed a sample of individual outstanding trade receivables to original sales documentation. — Challenging the methodology applied by management to calculate the provision for doubtful debts by considering the policy applied and whether the underlying assumptions were appropriate, including the impact of COVID-19 on expected credit losses. — Assessing the level of provision for doubtful debts at year end by comparing to the actual losses recognised during the current and historical years. We also considered whether the ageing of historical balances had deteriorated and tested a sample of trade receivables to subsequent cash receipt. — Challenging the methodology applied by management to calculate the inventory provision. In addition, we checked a sample of inputs into inventory provision calculations, including current market prices for commodity inventory held. — Assessing any forward inventory purchase commitments, specifically Wool to the value of confirmed and anticipated sales contracts. — Comparing products sold with negative margin during the financial year to the level of product on hand at year end and assessing whether the inventory is held at the lower of cost and net realisable value. Our procedures did not identify any variations that would materially impact the carrying value of trade receivables or inventory.
Lease accounting - Adoption of NZ IFRS 16 ($104.6m right of use assets and $106.9m lease liabilities – refer note 15)	
As a national provider to the agricultural sector, the Group have a broad range of property and vehicle leases. The Group adopted the new accounting standard NZ IFRS 16 - *Leases* during the financial year, resulting in the	Our audit procedures included: — Assessing the completeness of the Group's leases by testing the Group's monthly NZ IFRS 16 adjustment against the lease cash payments for the month, reconciling the opening leases to the prior year closing operating lease note.

The key audit matter	How the matter was addressed in our audit
recognition of leases on balance sheet. This is a key audit matter due to the extent of lease agreements and the judgement associated in determining the present value of future lease payments, including the discount rate and lease term. The adoption of NZ IFRS 16 has had a wide-ranging impact on the financial statement disclosures. The Group has elected to include additional disclosures, beyond the impact of initial adoption, to present performance on a comparable basis to the prior year.	— Obtaining an understanding of the Group's processes and controls to calculate the lease liability, right-of-use asset, depreciation and interest expense. — Selecting a sample of leases to agree key inputs to underlying source documents and assess whether the model calculated the lease liability, right-of-use asset, depreciation and interest expense appropriately. — Considering the appropriateness of the Group's determination of lease terms based on the probability of exercising rights of renewal under lease agreements, the incremental borrowing rates applied by the Group, and considering the Group's new accounting policies against the requirements of the accounting standard. — Assessing whether there were any indications of impairment against the right of use assets at year end and challenging managements impairment assessment for identified property leases. — Assessing the disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the accounting standard. Our procedures did not identify any variations that would materially impact the adoption or application of NZ IFRS 16 - *Leases*.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the Group's Annual Report. Other information may include 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 independent auditor's 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 independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

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

KPMG

— 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);

— 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:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG

KPMG
Christchurch

17 August 2020