



PGG Wrightson

Half Year Report

*For the six months ended
31 December 2015*



Helping grow the country



“This is the second strongest interim performance for PGG Wrightson in the past eight years and represents a very good result given the challenging conditions in a number of key agricultural sectors.”

Mark Dewdney, CEO.

Financial performance highlights

OPERATING EBITDA OF

\$30.9 million

↓ 9% (\$2.9 million) from the outstanding \$33.8 million achieved in the corresponding period in the prior year.

NET PROFIT OF

\$16.1 million

↓ \$3.7 million from \$19.7 million for the corresponding period in the prior year.

REVENUE OF

\$623 million

↓ 5% from \$655 million for the corresponding period in the prior year.

FULLY IMPUTED INTERIM DIVIDEND OF

1.75 cents

per share.

**CHAIRMAN AND
CHIEF EXECUTIVE
OFFICER'S REPORT**



GUANGLIN (ALAN) LAI
CHAIRMAN



MARK DEWDNEY
CHIEF EXECUTIVE OFFICER

Steady performance in a tough environment

Operating Earnings for PGG Wrightson Limited (“PGG Wrightson”, “the Group”, or “the Company”) before interest, tax, depreciation and amortisation and including earnings of equity accounted investees (Operating EBITDA) for the six months to 31 December 2015 was \$30.9 million. Net profit was \$16.1 million as compared to \$19.7 million for the corresponding six month period to 31 December 2014.

This is a very good result for the business given the economic and climatic challenges faced by a number of key agricultural sectors. The breadth of business activities that PGG Wrightson has and the spread of our operations across a range of agri-sectors and geographies mitigates our exposure. Our focus in recent years on building the capability of our business, and in particular the capability of our people, has delivered an increased resilience to the business. We have a much stronger internal culture, focused on delivering results in both the short and longer term.

Group revenue was down by 5% on the prior corresponding period largely as a result of the downturn in dairy related business. In tough economic times with soft commodity pricing, on-farm capital development is often deferred which impacts on a number of our businesses. For example, installation of irrigation on-farm strongly follows the economic cycles of the dairy industry. Consequently the irrigation market is down on last year, directly impacting on revenue in our Water business. Grain and Retail sales are also affected as a more conservative spend from the dairy sector reduces activity.



Our investment in growing our expertise to better support our more technical product categories continues to drive performance in these higher value areas.

Also contributing to a more conservative spend from our farming clients was the strong El Niño conditions that brought a perceived increased risk of widespread drought conditions in New Zealand. While these drought conditions did not materialise to the extent feared, many of our farmer customers took a more cautious approach during Spring and early Summer. For example, we saw early processing of the 2015 lamb flock with consequent reductions in prices and store stock trading.

While confidence and sentiment remains at a low ebb in the dairy sector, there were areas of strength. The New Zealand horticulture sector remained buoyant with firm prices and increased production. Beef also continued to enjoy historically high prices and production. On balance, it is pleasing that in aggregate the Operating EBITDA of our New Zealand businesses were broadly in line with last year's interim result.

Rural Services

Retail

Retail Operating EBITDA showed a modest increase from \$24.3 million to \$24.8 million despite recording a 3% decrease in revenue. Strong growth in horticultural sales through our Fruitfed business underpinned this improvement, with good confidence evident across all sectors of the horticultural market. The growth in kiwifruit production is picking up pace (following the 2010 PSA outbreak) and there are a number of new vineyard developments in planning and development phases in Marlborough.

Our investment in growing our expertise to better support our more technical product categories continues to drive performance in these higher value areas. Our market share in fertiliser sales has grown and we performed strongly in the agronomy products (agricultural chemicals and seeds). Stock food sales were significantly down on the previous year as dairy farmers responded to the low pay-out by reducing their use of purchased stock-feed in favour of pasture.

Livestock

Market conditions strongly impact on the performance of the Livestock business. The expected impact of El Niño saw farmers taking a more cautious approach to farm management resulting in animals being sent for meat processing earlier than would typically be expected. This drove an increase in the volume of livestock handled by our Livestock business but, with lamb prices below average and commissions paid for prime stock less than those earned for the sale of store stock, this resulted in lower commission earnings.

Uncertainty around the timing of the dairy market recovery is driving caution in the capital stock market for dairy cows. This saw reduced sales of dairy cattle domestically and has also seen the live dairy cattle export market slow markedly with very small volumes being exported.

Overall, Livestock revenue was \$11.2 million below last year, due to the lack of any live dairy cattle exports during the period. Export activity has a much larger impact on revenue than domestic livestock trading. Where animals are purchased for export, PGG Wrightson takes a principal position and the revenue reflects the full value of the animals. Where livestock is traded, PGG Wrightson conventionally acts only in an agency capacity such that only the commission value is recorded as revenue.

Water

Revenue in the Water business was \$11.8 million down on the corresponding period in the prior year. Sales of irrigation systems to farmers is the biggest revenue driver of the Water business. The downturn in farm development has seen this market tighten and this is largely responsible for the decrease in sales. Long-term, continued growth in the total area of farm land irrigated is expected to see sales recover over time.

PGG Wrightson Water

Improved utilisation of New Zealand's fresh water resources offers the potential for significant economic growth on-farm. PGG Wrightson Water is well placed to service and supply both this on-farm market and also New Zealand's residential and commercial sectors.



Irrigation is a game-changer for farmers in many areas of New Zealand and contributing \$2.2 billion to the national economy. A reliable source of water can transform marginally productive dryland into highly fertile, valuable farm land. Not only does the addition of water allow the land to be more productive, but the certainty of reliable water allows higher value land uses to be pursued.

While irrigation has been used on a small number of New Zealand farms for a long time, the last 20 years have seen significant growth in the area of land irrigated, with more than 700,000 hectares of land now irrigated. Major growth has occurred in the Canterbury and Otago regions. The rain shadow from the Southern Alps leaves the eastern regions of the South Island dry and in need of water, while the major rivers flowing from the Alps ensure a reliable supply of water to those regions. Together, these two regions account for almost 75% of irrigated farm land.

PGG Wrightson Water is a key supplier to the farm irrigation market with supply relationships with some of the world's leading manufacturers of irrigation equipment. PGG Wrightson Water offers farmers a full design and build service for irrigation; determining the optimal layout of irrigation equipment on-farm, undertaking the detailed design to determine what pumps, pipes and irrigators are required and supplying, installing and commissioning the overall irrigation system.

The business model to service this market is quite unique within PGG Wrightson. Whereas most of our businesses deal with a large number of relatively smaller value transactions, building on-farm irrigation systems typically involves a

small number of high value transactions with projects often costing more than \$0.5 million. Demand for on-farm irrigation systems is also more volatile than our other businesses, influenced by both the availability of water and by on-farm capital investment cycles which in turn reflect farmer confidence and profitability.

Technology is playing an ever increasing role in the efficient use of water on-farm, allowing farmers to control application more precisely. PGG Wrightson Water is the exclusive New Zealand supplier of Irrigate-IQ™, a sophisticated control system for irrigators which uses GPS technology and variable rate application nozzles to accurately determine the location of the irrigator and vary the quantity of water applied based on known plant requirements. A more efficient application of water allows farmers to irrigate a larger overall area and minimises over-watering which can be detrimental to plant growth and to the broader environment.

While agriculture is the largest user of irrigation in New Zealand, PGG Wrightson Water also offers a full design and build service to customers in other sectors. We provide irrigation, frost protection, hydroponic and fertigation systems to the horticultural, industrial, residential and commercial gardens, sports fields, and golf courses.

Recent acquisitions have strengthened the scope of both our footprint and offering in the market. Water Dynamics (acquired in October 2013) strengthened our rural irrigation business, augmenting our South Island network and bringing a North Island presence with an office in Hastings. Aquaspec (acquired in October 2013) is a wholesaler of irrigation equipment, providing more than 2,500

products from some of the world's leading manufacturers, to businesses across the industry. Advanced Irrigation Systems (acquired in June 2015) is a market leader in turf irrigation with a particular strength, and exclusive product range, in the golf market.

In all of these markets, a "One-PGW" approach sees PGG Wrightson Water working with other PGG Wrightson businesses to deliver market leading customer service. The strong customer relationships that our Rural Supplies and Fruitfed Supplies teams have, mean customers often talk with them first and refer business through to PGG Wrightson Water. In the residential and commercial turf markets, PGG Wrightson Water and our Turf seed business often work alongside one another to deliver a complete customer solution.

Strong growth in the area of land irrigated in New Zealand looks set to continue for the foreseeable future with the potential for a 50% increase in irrigated land area having been identified. Much of this growth is dependent on the successful implementation of large irrigation schemes which require many years of planning and tens of millions of dollars of capital in order to come to fruition. While the path to unlocking this potential will not be smooth, the value of New Zealand's fresh water resources is now well recognised and PGG Wrightson Water is well positioned to benefit from the ongoing growth in irrigated areas and ongoing technological enhancements being developed for existing irrigation systems.



The Wool business recorded a strong result with revenue growth of \$8.8 million and Operating EBITDA up by \$1.0 million.

The acquisition of the business assets of Advanced Irrigation Systems was completed in July 2015 and integrated into the Water business during this period. This business is a leader in the New Zealand Turf irrigation market and has helped to expand the PGG Wrightson Water offering into design, consultancy and project management in turf irrigation. It also provides synergies with our turf seed business.

Wool

The Wool business recorded a strong result with revenue growth of \$8.8 million and Operating EBITDA up by \$1.0 million. This result was largely attributable to continuing improvement in overall market conditions, with wool prices around 20% higher than the previous year. This lift in value directly increases revenue for our export business and also delivers some gains to our procurement business.

Real Estate

Real Estate had a much improved result with Operating EBITDA up by \$0.8 million over the corresponding period in the prior year. This growth has been largely generated in the North Island with positive influences in the horticulture, sheep and beef, and lifestyle markets. South Island sales were more adversely affected by the dairy downturn which has seen a reduction in sales of large dairy farms.

AgNZ

Our Agriculture New Zealand training business recorded improved profitability. Overall the training sector remains reliant upon funding from the Tertiary Education Commission. This funding is allocated and contracted on an annual basis. However, with a strong reputation as a credible and responsible provider, Agriculture New Zealand enjoys good support from the Tertiary Education Commission.

Insurance and Finance

Insurance and finance commissions were slightly down on the corresponding period in the previous year. PGG Wrightson has relationships with AON Insurance and Heartland Bank under which we are paid a commission for client business which we refer to them. Insurance premiums have started to soften following the large increases experienced after the Canterbury earthquakes. This has seen reduced commissions payable to PGG Wrightson, which are based on premiums received.

Seed & Grain

Revenue decreased by 6% and Operating EBITDA was \$1.8 million down from last year for the Seed & Grain business. An improved result in New Zealand was offset by lower returns from Australia and South America.

New Zealand

New Zealand seed sales were strong with a 2% lift in revenue and 9% increase in Operating EBITDA. While farmers are noticeably taking a more cautious approach, seed sales for Spring crops showed good growth. These crops are an important part of the farm system providing feed sources for animals through the Winter months when grass is not growing. Additionally, many dairy farmers are responding to the lower pay-out by reducing their reliance on external grazing to rear their young stock or Winter their cows. This changes their on-farm feed demand profile and has driven growth in sales of forages which lift Summer feed performance (such as chicory).

Our Corson Maize seed products performed well for growers in the Autumn of 2015, resulting in strong repeat business at planting in Spring 2015. A substantial redevelopment of our maize seed processing facilities is underway. Located in Gisborne, at the heart of New Zealand's maize seed production, the completed plant will improve the efficiency and capacity of our processing operations.



Tayah Ryan, *Senior Technical Advisor, Fruitfed Supplies*

New Zealand's horticultural industry continues to grow at a remarkable rate. Total product value exceeds \$7 billion (including domestic consumption), with total exports of close to \$4 billion. The industry produces a diverse array of products; wine, kiwifruit and apples make up around 70% of exports with a number of other crops such as avocados, onions and potatoes becoming increasingly significant, each with exports of around \$100 million.

Fruitfed Supplies, PGG Wrightson's horticulture service and supply business, services growers across New Zealand, helping them produce quality and profitable crops. Protecting valuable crops from pests and disease is a key challenge for the industry and Fruitfed Supplies has a dedicated research and development team working to understand what products are available and how best to use them to achieve desired results. The results of our scientifically run field trials (running in some cases for years) are combined with international research to formulate and design crop protection programmes specific to New Zealand conditions.

Katikati based Senior Technical Advisor, Tayah Ryan, joined Fruitfed Supplies as a science graduate in 2011. With responsibility for providing support to our technical field staff and growers in the upper North Island, her focus is on the major sub-tropical crops of the region: kiwifruit, avocados and citrus.

In Tayah's five years with the Company, she has been on an incredible journey. "I joined Fruitfed Supplies just a few months after the detection of the bacterial kiwifruit vine disease, Psa (*Pseudomonas syringae actinidiae*), in kiwifruit orchards and the industry was in the midst of a full-scale bio-security crisis," explains Tayah. "Initially the focus was on eradication of the disease with strict quarantine protocols put in place and

infected orchards destroyed in the hopes of avoiding the spread of the disease. Psa had been in Italy since the early 1990's where it remained sporadic and with a low incidence. However, a more aggressive form of Psa seemed to have emerged from around 2007/08 and it is this more aggressive strain of Psa which we have in New Zealand. Unfortunately efforts to quarantine and eradicate Psa were unsuccessful and instead the focus moved to managing the disease."

This is where Tayah and the team at Fruitfed Supplies came in.

"Our technical team has a long history of evaluating products in order to design crop protection programmes for growers. With Psa, we looked at the treatments available and running scientific field trials to determine the best treatment regime. With plants, the focus is on prevention rather than cure – if we can prevent or minimise the impact of the disease then the plant can still produce an economic crop. The challenge, as with any disease, is that if you wait until the symptoms are visible it's too late. For example, the characteristic brown leaf spotting that is a symptom of Psa, is not often visible until 7-14 days after the infection event."

Tayah's research pulled together knowledge of the Psa bacteria and combined that with an understanding of what was happening

with the plant and local weather conditions in order to develop a programme of crop protection.

"The kiwifruit plant is most susceptible to infection when soft new growth is occurring in Spring and then again in Autumn when leaves fall off, providing an open scar site. Psa tends to express at a higher level under cooler, wetter conditions. Based on this we have designed a programme where a range of preventative treatments are applied, timed around these critical growth periods and weather conditions. Doing this we've achieved better results from the programme than through any of the individual treatments alone and it's also critical to ensure we don't encourage Psa to develop resistance to the treatments."

Along with kiwifruit varieties which show more natural resistance to Psa, these approaches mean that it is now possible to economically manage Psa. From production declines following the Psa outbreak, the outlook is looking good and the industry is expecting the 2016 crop to be larger than the pre-Psa crop and further growth forecast in subsequent years.

Tayah's work was recognised by the industry and she was encouraged by Zespri to present her research at the International Psa Symposium in Bologna, Italy in June 2015.



**Our Corson Maize
seed products
performed well
for growers in the Autumn
of 2015, resulting in strong
repeat business at planting
in Spring 2015.**

The downturn in dairying led to an 11% decline in grain sales and a 15% reduction in Operating EBITDA. Significant volumes of both maize and cereal grains are used (either directly or as part of processed feeds) as supplementary feeds on dairy farms to boost milk production. In response to the lower milk price, dairy farms reduced purchases of these feeds leading to a decrease in both volumes sold and prices achieved. This has also led to a reduction in the area of cereal crops sown, reducing our sales of cereal seed.

Our Turf business, focused on recreational and amenity uses for grass, had a good period aided by revegetation projects in Australia and continued work associated with the post-earthquake rebuild of Canterbury.

Australia

The Australian seed business is strongly seasonal with almost three-quarters of the revenue generated in the second half of the year. Revenue for the period was 8% down on the corresponding period last year, primarily due to reduced trading of lower margin commodities.

Dry Summer conditions and strong agricultural commodity prices domestically in Australia make us cautiously optimistic for a good second half, provided good Autumn rainfall occurs.

The business acquired the assets of Grainland Moree in August 2015. Located in the town of Moree in northwest New South Wales, the business provides a range of grain handling and seed marketing services to local growers and complements our existing footprint giving PGG Wrightson state-wide coverage of the arable industry.

Sales in the International seed business were 15% down following bumper yields of multiplication products in the previous year. The multiplication business involves PGG Wrightson managing seed production in New Zealand on behalf of international customers. A bumper harvest in 2014 led to reduced demand for product in 2015 as customers used up surplus stocks on hand. Countering that, commodity trading and proprietary seed sales performed strongly and overall, Operating EBITDA was 17% higher than the previous year.

South America

The South American business operates in Argentina, Uruguay and Brazil, selling seeds to all three markets. In addition, the Uruguay business sells fertiliser and crop protection products, installing irrigation systems, brokering livestock sales and through our joint venture, Agrocentro, selling a range of rural retail products. The business predominantly services cropping and intensive pastoral farmers, with growth in the market expected with the conversion of a significant number of pastoral farms to more intensive systems.

With low prices for commodities, particularly soybean, farmers in South America are receiving significantly lower returns than in recent years. In addition, the El Niño climatic conditions resulted in significantly higher rainfalls, with several floods in the region. As a consequence trading conditions for the business were challenging, especially in the cropping sector which is the key sector for the first half of the financial year. Reductions in the area of crops planted and farmers buying cheaper substitute products (where such options existed) put pressure on sales and product margins.

With the purchase of a 50% share of Agrocentro in August 2015 the profit from Agrocentro is recorded in our accounts as "earnings of equity accounted investees" and sales and expenses are not consolidated into our overall accounts.

Against this backdrop the business recorded 8% lower US dollar sales, although due to the weakening of the New Zealand dollar, revenues actually increased in New Zealand dollar terms. Operating EBITDA was \$2.9 million (US\$1.7million) down on the previous year. However sales within the South American seed business are heavily weighted towards the second-half of the year, corresponding with the key season for pasture seed and related inputs, so are not expected to be as adversely affected by low soybean prices.



Allister Moorhead, Product Development Specialist (left)
and *Dr Glenn Judson*, Nutrition and Farm Systems Leader

The large-scale conversion of high-quality farm land has created something of a disruption to New Zealand’s sheep industry. Farms in harsher hill country climates or areas prone to Summer dry spells traditionally operated as breeding farms; producing a large number of lambs that were sold as store stock to be grown out to their target size on higher quality farm land. However, as dairying has taken over more of this high quality land it has weakened demand for store lambs and reduced returns to breeding farms. As a consequence, more breeding farms are seeking to grow their lambs through to finished target weights for sale direct to the meat processor.

In order to achieve this land use change, a farm systems change was required. Product Development Manager, Allister Moorhead, and Nutrition and Farm Systems Leader, Dr Glenn Judson, have worked to help develop solutions to support this change. Classmates at Lincoln University and subsequently work colleagues, they started discussing the needs of the animals. When are the critical times of the production cycle where extra feed delivers the greatest benefits and maximises returns to the farmer? Working with a group of innovative farmers, who were themselves experimenting with different options, they turned their attention to Tonic plantain, a plantain cultivar bred by renowned plant breeder, Dr Alan Stewart.

“Plantain was commonly considered a weed,” says Allister, “but it is actually a very palatable animal feed. Traditionally plantain was dormant through the cooler Winter months and it is a flat, broad-leafed plant which made it difficult for sheep to eat. Tonic changed this. Tonic plantain was specifically bred for forage production. It continues to grow through the Winter and its erect leaves made them easy to graze.”

“One of the fundamentals to improve

production is to ensure livestock can eat plenty, grow rapidly and, as a consequence, reach their potential quickly,” says Glenn.

“Tonic plantain improves animal production by increasing intake. Its erect nature and wide leaves mean livestock eat more with every bite and it is digested quickly, which means they can eat more in a single day.”

“The farmers we were working with were already getting good results from plantain, but they were experimenting with it on a relatively small basis. What we did was put a research programme around this so that we could understand what the benefits of plantain were. As we’ve come to understand those and shared the results with the farmers, it has given them the confidence to scale up quickly and adopt this new farming system across much larger parts of their property. It’s satisfying to see that the results we were able to achieve in our research is capable of being scaled up on a commercial basis.”

“We are getting fantastic results in Spring and early Summer. Because the animals can eat so much more, the ewes are producing more milk which helps their lambs to thrive and the lambs start eating plantain earlier than they do with grass, which gives them

an additional boost. The lambs are growing more than twice as fast and weaning 7kg heavier than on grass. The net result is some of these farmers are now able to sell more than 50% of their lambs direct to the processor in late Spring/early Summer taking advantage of higher, pre-Christmas, lamb prices. Traditionally this might have been closer to 10%.”

Farmers are using paddocks of purely plantain and clover to achieve these results.

“It’s a very specific system, targeted at a specific group of animals on a specific type of farmland,” says Allister. “It’s a great example of extending the uses and applications of our product range. Tonic is estimated to have been used alongside grass in more than one million hectares of pastures across New Zealand. This specialised use of Tonic applies to a much smaller, but still very significant, area.”

And what next?

“Let me tell you about Relish red clover. Red clover systems are a new way of using this traditional forage species. With new cultivars like Relish, which overcome some key limitations of traditional red clovers, this could be a game changer!”



Health and safety
performance
continues to be a priority
to build a strong safety
culture across the
business.

The new office premises and the logistics centre that is under development for the business in Uruguay is due for completion in mid-2016. Once the logistics centre is completed this will consolidate many of our operations and R&D activities into a single, purpose-built site and will allow room for further growth.

“One-PGW”

Implementation of our “One-PGW” strategy, organised around the themes of “Improve”, “Grow”, and “Game Changers” continues. Our focus on “Improve” over recent years has seen significant investments in our people and our IT systems with the aim of ensuring that our people are properly equipped to service the needs of our customers. We regularly survey all staff to measure engagement levels, to better understand high level trends and help us further improve engagement and performance. One of the benefits of the continued gains in staff engagement over the last five years is a strengthening of our employment brand. The number and calibre of applicants we receive in response to employment vacancies has improved significantly over this time providing further strength to our business.

While we revalidate and review our business unit strategies on an ongoing basis we have also recently initiated a refresh of our Group strategy. This project will continue over the remainder of the financial year and reposition our Group strategic approach to respond to changes in the macro drivers that have evolved significantly since we last articulated our Group strategic plan in 2014.

Health and safety performance continues to be a priority to build a strong safety culture across the business. Strengthening our risk review processes has provided a framework to prioritise actions and reduce risk for staff. Key priority areas identified include; driver safety, manual handling, safe use of plant and machinery, slips and livestock saleyard environments. Given the diverse nature of our business activities, specific health and safety plans are being developed for each business unit and representation structures have been developed to ensure strong staff input and participation.

Cash Flow and Debt

The business operates with a net cash outflow during the first half of the year due to the seasonality of farming cycles, resulting in an increased requirement for working capital. Net cash flow from operating activities of negative \$12.2 million for the six months was broadly in line with the same period in the prior year.

Proceeds from properties divested as part of our sale and leaseback programme were \$12.8 million. This is part of our structured programme to sell down our freehold interests in properties following the acquisition of a property portfolio in June 2014 while retaining leasehold interests in those retail sites we intend to continue to occupy.

Purchases of \$22.5 million in property, plant and equipment largely reflect the redevelopment of the Corson Maize seed facility in Gisborne and the development of the new office and logistics centre in Uruguay. Investments of \$9.5 million include the initial payment for the Agrocentro business investment in Uruguay and the purchase of the Grainland Moree business in Australia.

Net debt increased by \$51 million during the period. This reflects the movement in working capital and fixed asset purchases and plant investments outlined above.

Distributions

The Board of Directors declared a full imputed interim dividend of 1.75 cents per share to be paid to shareholders on 5 April 2016.



Steve Carr, *Information Technology Programme Manager*

A large part of PGG Wrightson's strategic focus is on ensuring that we do the everyday things well; having the right people with the right tools so that we can provide great service to our customers. Over the last few years, significant investment has gone into these areas with a focus on training and development for our people and on developing our Information Technology (IT) systems to ensure that we have the right tools. For IT, the right tools means systems that make it easy for us to transact with customers, that provide our staff with critical information at their finger-tips and that allow us to run the business efficiently.

Steve Carr, IT Programme Manager, explains some of the challenges.

"When PGG Wrightson was formed 10 years ago the systems we inherited presented some difficulties. The broad range of businesses we have and the different business models they operate mean that we need a range of different software applications to support them. The needs of our brokering businesses such as livestock, wool or real estate are very different from those of our retail business which differ again from our production businesses like seeds or construction businesses like water. The applications we inherited had often been quite heavily tailored to our requirements. This made it expensive to adopt updates to the software and meant they were often quite old. A lot of time and effort was going into just trying to keep everything running."

That started to change four years ago.

"Our systems were struggling to deliver what our front-line sales businesses needed. Our people were becoming frustrated because system limitation meant they couldn't service their customers in the

way they wanted. At that point we made a couple of key strategic decisions.

First, we decided to outsource the basic infrastructure. There are a lot of components of IT systems that are essentially utilities. It's a bit like electricity. You want it to work when you turn on the switch and you want it to cost as little as possible, but there's no real competitive advantage in doing better than that. We began questioning each piece of infrastructure and, unless we could see a clear competitive advantage in owning it ourselves, began looking for expert partners who could provide it for us. That improved the basic reliability of our infrastructure and freed us up from having to 'keep the lights on' and gave us the capacity to focus on more specific business related needs and other improvements.

The second key decision was, with the support of our front-line businesses, to begin to more closely match the processes they use with the standard processes built into the software applications. If software doesn't have to be heavily tailored to our wants and requirements then, as the

software is updated and new features are added, it is much simpler to adopt the update. As new ideas come along and new ways of doing business are invented we don't have to reinvent the wheel. Instead we can work with our software suppliers and, as they make the necessary upgrade to the software, we can implement the upgrade and evolve with them.

The combination of those two approaches has freed us to start making gains in the areas like 'mobility' that really make a difference to our business. Mobility puts technology in the hands of our sales representatives in the field. This helps with both our added-value strategies and with business efficiency. Our people can now readily access technical information at their finger-tips and transactions, which were previously written on paper, can now be entered instantly into the IT system.

The speed of change in IT means that the job will never be done, but increasingly we have our systems progressed to a point where we can take advantage of new developments as they arise."



At this stage we are on track to deliver Operating EBITDA in the range of \$61 to \$67 million for the current financial year although note that the tough market conditions may push the final result towards the lower end of the range.

Executive Team Changes

Rachel Shearer will join the Company in April 2016, replacing Sue Horo as our General Manager of Human Resources. Our strategy is focused around our people and our culture, consequently this is a key role for the Company. Sue, who has been with the Company for eight years including five years leading the Human Resources team, has made a significant contribution to PGW during her time with the Company.

Sale Yard Fees Investigation

The High Court approved a settlement between PGG Wrightson with the Commerce Commission in December 2015. This related to proceedings taken by the Commerce Commission concerning the setting of sale yard fees to cover activities required by the introduction of the National Animal Identification and Tracing Act 2012 (NAIT) in July 2012. The implementation of NAIT required sale yards and all livestock businesses operating through sale yards to invest in electronic scanners and new systems to allow cattle and deer to be identified and tracked at sale yards. Efficient implementation of these changes required a common industry approach. The Court acknowledged that in developing this common approach, the companies involved almost incidentally made decisions on the appropriate fees and drifted into infringement as a consequence of endeavouring to comply with a complex regulatory scheme.

This was a tough lesson for the business to learn and was especially disappointing given all the good work that was done facilitating the implementation of the NAIT scheme, an 'industry good' initiative. There are definite learnings to be taken from this matter and as a business we have carefully looked at what occurred and have implemented initiatives to improve our internal processes and controls.

Outlook

Trading conditions are expected to remain challenging at least for the balance of the year. An anticipated recovery in dairy returns has yet to eventuate and may be some time away. As a result we are not expecting an immediate recovery in the performance of our businesses that are most exposed to the dairy sector, such as Water and Grain. In addition, Livestock's results are likely to be adversely affected by reduced dairy herd sales volumes and values over the second half of the year, which is the key time for herd transactions. Predictions of a hot, dry Summer due to El Niño led to sheep farmers processing more of their animals in the first half of the year. This is likely to result in a lower volume of livestock traded in the second half of the year. Prices for lamb remain below the five-year average, balanced by beef prices that are above the five-year average.

South American earnings are expected to improve in the second half as the seasonal focus of those markets switch from cropping to pasture. Earnings are expected to be further supported by a lower average NZD / USD exchange rate. Actual results will continue to be affected by weather patterns during the key selling seasons in South America and Australia.

At this stage we are on track to deliver Operating EBITDA in the range of \$61 to \$67 million for the current financial year although note that the tough market conditions may push the final result towards the lower end of the range.

On behalf of the Board of Directors and Management team we extend our thanks to our customers, suppliers and employees and thank them for their ongoing support of the Company.

Alan Lai
Chairman

Mark Dewdney
Chief Executive Officer



KEY FINANCIAL DISCLOSURES

FOR THE SIX MONTHS ENDED
31 DECEMBER 2015

The financial statements contained on pages 11–31 have been approved by the Board of Directors on 23 February 2016.

Alan Lai
Chairman

Bruce Irvine
Director and Audit Committee Chairman

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2015

	NOTE	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Continuing operations				
Operating revenue		623,066	1,202,835	654,699
Cost of sales		(461,669)	(885,694)	(495,785)
Gross profit		161,397	317,141	158,914
Other income		388	403	336
Employee benefits expense		(79,175)	(149,276)	(75,667)
Research and development		(2,850)	(4,295)	(2,212)
Other operating expenses		(48,579)	(94,523)	(47,731)
		(130,216)	(247,691)	(125,274)
Operating EBITDA (excluding earnings of equity accounted investees)		31,181	69,450	33,640
Earnings of equity accounted investees		(245)	181	159
Operating EBITDA		30,936	69,631	33,799
Non-operating items		(1,157)	(2,097)	986
Fair value adjustments	1	400	(23)	282
Depreciation and amortisation expense		(4,111)	(7,948)	(3,708)
EBIT		26,068	59,563	31,359
Net interest and finance costs	2	(3,520)	(10,780)	(3,263)
Profit from continuing operations before income taxes		22,548	48,783	28,096
Income tax expense		(6,558)	(16,172)	(8,541)
Profit from continuing operations		15,990	32,611	19,555
Discontinued operations				
Profit from discontinued operations (net of income taxes)	3	76	142	162
Profit for the period		16,066	32,753	19,717
Profit attributable to:				
Shareholders of the Company		15,947	31,869	19,477
Non-controlling interest		119	884	240
Profit for the period		16,066	32,753	19,717
Earnings per share				
Basic earnings per share (cents)	4	2.1	4.3	2.6
Continuing operations				
Basic earnings per share (cents)	4	2.1	4.3	2.6

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

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2015

Helping grow the country

	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Profit for the period	16,066	32,753	19,717
Other comprehensive income/(loss) for the period			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments	4,856	(2,278)	(2,450)
Remeasurements of defined benefit liability	1,554	(3,611)	(3,127)
Deferred tax on remeasurements of defined benefit liability	(435)	1,011	876
	5,975	(4,878)	(4,701)
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations	(3,924)	13,628	3,050
Effective portion of changes in fair value of cash flow hedges	2,811	(2,390)	(170)
Income/deferred tax on changes in fair value of cash flow hedges	(787)	786	269
	(1,900)	12,024	3,149
Other comprehensive income/(loss) for the period, net of income tax	4,075	7,146	(1,552)
Total comprehensive income for the period	20,141	39,899	18,165
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company	20,055	38,655	17,634
Non-controlling interest	86	1,244	531
Total comprehensive income for the period	20,141	39,899	18,165

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

INTERIM SEGMENT REPORT

For the six months ended / as at 31 December 2015

(a) Operating Segments

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

Rural Services is further separated into three reportable segments, as described below, which are that segment's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different skills, technology and marketing strategies. Within each segment, further business unit analysis may be provided to management where there are significant differences in the nature of activities. The Chief Executive Officer or Chairman of the Board reviews internal management reports on each strategic business unit on at least a monthly basis.

- **Retail.** Includes the Rural Supplies and Fruitfed retail operations, AgNZ (Consulting), Agritrade and ancillary sales support, supply chain and marketing functions.
- **Livestock.** Includes rural Livestock trading activities and Export Livestock.
- **Other Rural Services.** Includes Insurance, Real Estate, Wool, PGG Wrightson Water, AgNZ (Training), Regional Admin, Finance Commission and other related activities.

(b) Operating Segment Information

	TOTAL RURAL SERVICES			SEED & GRAIN		
	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Total segment revenue	449,815	799,741	470,086	201,419	469,081	215,240
Intersegment revenue	–	–	–	(33,929)	(68,216)	(31,656)
Total external operating revenues	449,815	799,741	470,086	167,490	400,865	183,584
Operating EBITDA (excluding earnings of equity accounted investees)	32,770	54,518	33,214	11,949	40,318	13,345
Earnings of equity accounted investees	–	–	–	(252)	188	189
Operating EBITDA	32,770	54,518	33,214	11,697	40,506	13,534
Non-operating items	(3,248)	24	(34)	(397)	346	(159)
Fair value adjustments	400	(23)	282	–	–	–
Depreciation and amortisation	(1,390)	(2,689)	(1,362)	(1,735)	(3,478)	(1,640)
EBIT	28,532	51,830	32,100	9,565	37,374	11,735
Net interest and finance costs	(1,189)	778	235	(218)	(6,760)	(700)
Profit/(loss) from continuing operations before income taxes	27,343	52,608	32,335	9,347	30,614	11,035
Income tax (expense) / income	(7,508)	(14,856)	(9,312)	(5,649)	(10,072)	(5,780)
Profit/(loss) from continuing operations	19,835	37,752	23,023	3,698	20,542	5,255
Discontinued operations	–	–	–	–	–	–
Profit/(loss) for the period	19,835	37,752	23,023	3,698	20,542	5,255
Segment assets	341,908	251,719	357,978	322,448	335,881	302,892
Investment in equity accounted investees	–	–	–	16,947	1,766	1,603
Assets held for sale	–	–	–	–	11	11
Total segment assets	341,908	251,719	357,978	339,395	337,658	304,506
Segment liabilities	(184,003)	(155,890)	(214,114)	(154,775)	(160,715)	(144,657)

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

- **Seed & Grain.** Includes Australasia Seed (New Zealand and Australian manufacturing and distribution of forage seed and turf), Grain (sale of cereal seed and grain trading), South America (various related activities in the developing seeds markets including the sale of pasture and crop seed and farm inputs, together with operations in the areas of livestock, real estate and irrigation), and other Seed & Grain (research and development, international, production and corporate seeds).

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

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

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

TOTAL OPERATING SEGMENTS			OTHER			TOTAL		
UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
651,234	1,268,822	685,326	5,761	2,229	1,029	656,995	1,271,051	686,355
(33,929)	(68,216)	(31,656)	–	–	–	(33,929)	(68,216)	(31,656)
617,305	1,200,606	653,670	5,761	2,229	1,029	623,066	1,202,835	654,699
44,719	94,836	46,559	(13,538)	(25,386)	(12,919)	31,181	69,450	33,640
(252)	188	189	7	(7)	(30)	(245)	181	159
44,467	95,024	46,748	(13,531)	(25,393)	(12,949)	30,936	69,631	33,799
(3,645)	370	(193)	2,488	(2,467)	1,179	(1,157)	(2,097)	986
400	(23)	282	–	–	–	400	(23)	282
(3,125)	(6,167)	(3,002)	(986)	(1,781)	(706)	(4,111)	(7,948)	(3,708)
38,097	89,204	43,835	(12,029)	(29,641)	(12,476)	26,068	59,563	31,359
(1,407)	(5,982)	(465)	(2,113)	(4,798)	(2,798)	(3,520)	(10,780)	(3,263)
36,690	83,222	43,370	(14,142)	(34,439)	(15,274)	22,548	48,783	28,096
(13,157)	(24,928)	(15,092)	6,599	8,756	6,551	(6,558)	(16,172)	(8,541)
23,533	58,294	28,278	(7,543)	(25,683)	(8,723)	15,990	32,611	19,555
–	–	–	76	142	162	76	142	162
23,533	58,294	28,278	(7,467)	(25,541)	(8,561)	16,066	32,753	19,717
664,356	587,600	660,870	71,177	62,983	65,916	735,533	650,583	726,786
16,947	1,766	1,603	91	83	60	17,038	1,849	1,663
–	11	11	1,557	510	–	1,557	521	11
681,303	589,377	662,484	72,825	63,576	65,976	754,128	652,953	728,460
(338,778)	(316,605)	(358,771)	(143,388)	(68,980)	(108,719)	(482,166)	(385,585)	(467,490)

INTERIM SEGMENT REPORT (CONTINUED)

For the six months ended / as at 31 December 2015

(b) Operating Segment Information continued

	RURAL SERVICES					
	RETAIL			LIVESTOCK		
	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Total segment revenue	306,631	494,327	314,303	30,265	86,700	41,454
Intersegment revenue	-	-	-	-	-	-
Total external operating revenues	306,631	494,327	314,303	30,265	86,700	41,454
Operating EBITDA (excluding earnings of equity accounted investees)	24,799	27,323	24,289	2,592	15,440	3,358
Earnings of equity accounted investees	-	-	-	-	-	-
Operating EBITDA	24,799	27,323	24,289	2,592	15,440	3,358
Non-operating items	12	(21)	(35)	(3,243)	(2)	(1)
Fair value adjustments	-	-	-	400	(23)	282
Depreciation and amortisation	(617)	(1,242)	(632)	(305)	(551)	(282)
EBIT	24,194	26,060	23,622	(556)	14,864	3,357
Net interest and finance costs	(403)	414	123	(103)	(283)	(136)
Profit/(loss) from continuing operations before income taxes	23,791	26,474	23,745	(659)	14,581	3,221
Income tax (expense) / income	(6,662)	(7,413)	(6,652)	337	(4,016)	(902)
Profit/(loss) from continuing operations	17,129	19,061	17,093	(322)	10,565	2,319
Discontinued operations	-	-	-	-	-	-
Profit/(loss) for the period	17,129	19,061	17,093	(322)	10,565	2,319
Segment assets	211,018	111,701	228,874	58,876	63,910	61,282
Investment in equity accounted investees	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Total segment assets	211,018	111,701	228,874	58,876	63,910	61,282
Segment liabilities	(130,444)	(63,843)	(146,499)	(24,760)	(50,326)	(36,813)

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

RURAL SERVICES

OTHER RURAL SERVICES			TOTAL RURAL SERVICES		
UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
112,919	218,714	114,329	449,815	799,741	470,086
-	-	-	-	-	-
112,919	218,714	114,329	449,815	799,741	470,086
5,379	11,755	5,567	32,770	54,518	33,214
-	-	-	-	-	-
5,379	11,755	5,567	32,770	54,518	33,214
(17)	47	2	(3,248)	24	(34)
-	-	-	400	(23)	282
(468)	(896)	(448)	(1,390)	(2,689)	(1,362)
4,894	10,906	5,121	28,532	51,830	32,100
(683)	647	248	(1,189)	778	235
4,211	11,553	5,369	27,343	52,608	32,335
(1,183)	(3,427)	(1,758)	(7,508)	(14,856)	(9,312)
3,028	8,126	3,611	19,835	37,752	23,023
-	-	-	-	-	-
3,028	8,126	3,611	19,835	37,752	23,023
72,014	76,108	67,822	341,908	251,719	357,978
-	-	-	-	-	-
-	-	-	-	-	-
72,014	76,108	67,822	341,908	251,719	357,978
(28,799)	(41,721)	(30,802)	(184,003)	(155,890)	(214,114)

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2015

NOTE	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers	567,162	1,267,554	571,092
Dividends received	2	7	2
Interest received	919	2,077	909
	568,083	1,269,638	572,003
Cash was applied to:			
Payments to suppliers and employees	(566,114)	(1,217,986)	(571,035)
Interest paid	(3,723)	(6,915)	(3,518)
Income tax paid	(10,420)	(15,569)	(8,887)
	(580,257)	(1,240,470)	(583,440)
Net cash flow from operating activities	(12,174)	29,168	(11,437)
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale	12,758	3,644	1,645
Net decrease in finance receivables	–	3,003	–
Net proceeds from sale of investments	159	202	222
	12,917	6,849	1,867
Cash was applied to:			
Purchase of property, plant and equipment	(22,454)	(17,169)	(4,145)
Purchase of intangibles (software)	(722)	(2,488)	(811)
Net increase in finance receivables	(26)	–	(264)
Net cash paid for purchase of investments	(9,533)	(819)	(152)
	(32,735)	(20,476)	(5,372)
Net cash flow from investing activities	(19,818)	(13,627)	(3,505)
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft	57,115	22,622	48,994
	57,115	22,622	48,994
Cash was applied to:			
Dividends paid to shareholders	(15,260)	(41,942)	(26,689)
Dividends paid to minority interests	(287)	(291)	(208)
Repayment of loans to related parties	(10)	–	(394)
	(15,557)	(42,233)	(27,291)
Net cash flow from financing activities	41,558	(19,611)	21,703
Net increase/(decrease) in cash held	9,566	(4,070)	6,761
Opening cash	7,273	11,343	11,343
Cash and cash equivalents	16,839	7,273	18,104

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

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

For the six months ended 31 December 2015

Helping grow the country

	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Profit after taxation	16,066	32,753	19,717
Add/(deduct) non-cash/non operating items:			
Depreciation, amortisation and impairment	4,111	7,948	3,708
Fair value adjustments	(400)	23	(282)
Net (profit)/loss on sale of assets/investments	(2,819)	(956)	(276)
Bad debts written off (net)	505	1,050	294
(Increase)/decrease in deferred taxation	111	(1,296)	(1,755)
Earnings of equity accounted investees	245	(181)	(159)
Discontinued operations	(76)	(142)	(162)
Effect of foreign exchange movements	(2,520)	10,271	1,982
Other non-cash/non-operating items	4,785	(5,300)	(2,259)
	20,008	44,170	20,808
Add/(deduct) movement in working capital items:			
Movement in working capital due to sale/purchase of businesses	(541)	321	–
(Increase)/decrease in inventories and biological assets	37,855	(13,251)	30,581
(Increase)/decrease in accounts receivable and prepayments	(100,292)	1,335	(119,040)
Increase/(decrease) in trade creditors, provisions and accruals	36,821	(7,071)	56,079
Increase/(decrease) in income tax payable/receivable	(2,203)	765	340
Increase/(decrease) in other assets/liabilities	(3,822)	2,899	(205)
	(32,182)	(15,002)	(32,245)
Net cash flow from operating activities	(12,174)	29,168	(11,437)

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

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	NOTE	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
ASSETS				
Current				
Cash and cash equivalents	5	16,839	7,273	18,104
Short-term derivative assets		2,917	2,036	2,430
Trade and other receivables		335,497	235,205	355,574
Finance receivables		784	1,430	3,377
Assets classified as held for sale		1,557	521	11
Biological assets		1,888	2,593	2,524
Inventories		209,163	246,313	202,551
Total current assets		568,645	495,371	584,571
Non-current				
Long-term derivative assets		380	12	157
Biological assets		107	104	99
Deferred tax asset		12,222	12,333	12,793
Investments in equity accounted investees	6	17,038	1,849	1,663
Other investments	8	17,345	12,467	8,242
Intangible assets		6,832	6,660	6,004
Property, plant and equipment	9	131,559	124,157	114,931
Total non-current assets		185,483	157,582	143,889
Total assets		754,128	652,953	728,460
LIABILITIES				
Current				
Debt due within one year	5	82,640	57,195	62,268
Short-term derivative liabilities		1,362	3,266	558
Accounts payable and accruals		269,542	233,058	296,038
Income tax payable		1,706	3,834	3,580
Total current liabilities		355,250	297,353	362,444
Non-current				
Long-term debt	5	101,595	66,000	83,000
Long-term derivative liabilities		445	1,980	28
Other long-term liabilities		8,402	5,597	6,322
Defined benefit liability		16,474	14,655	15,696
Total non-current liabilities		126,916	88,232	105,046
Total liabilities		482,166	385,585	467,490
EQUITY				
Share capital		606,324	606,324	606,324
Reserves		8,876	4,768	(3,861)
Retained earnings		(345,847)	(346,534)	(343,673)
Total equity attributable to shareholders of the Company		269,353	264,558	258,790
Non-controlling interest		2,609	2,810	2,180
Total equity		271,962	267,368	260,970
Total liabilities and equity		754,128	652,953	728,460

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



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

FOR THE SIX
MONTHS ENDED
31 DECEMBER 2015

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2015

1 FAIR VALUE ADJUSTMENTS

	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Biological assets	400	(23)	282
	400	(23)	282

2 NET INTEREST AND FINANCE COSTS

	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Finance income contains the following items:			
Other interest income	82	463	174
Finance income	82	463	174
Interest funding contains the following items:			
Interest on interest rate swaps	(77)	(10)	(1)
Interest on bank loans and overdrafts	(3,383)	(6,768)	(3,416)
Other interest expense	(268)	(98)	(77)
Bank facility fees	(477)	(1,508)	(887)
Interest funding expense	(4,205)	(8,384)	(4,381)
Foreign exchange contains the following items:			
Net gain/(loss) on foreign denominated items	(1,061)	(464)	734
Derivatives not in qualifying hedge relationships	1,664	(2,395)	210
Foreign exchange income/(expense)	603	(2,859)	944
Net interest and finance costs	(3,520)	(10,780)	(3,263)

3 DISCONTINUED OPERATIONS

On 31 August 2011 the Group sold its finance subsidiary PGG Wrightson Finance Limited (PWF) to Heartland New Zealand Limited's wholly-owned subsidiary Heartland Building Society (Heartland). In connection with the PWF sale transaction the Group transferred certain excluded loans to its wholly owned subsidiary, PGW Rural Capital Limited (PGWRC), which has worked to realise or refinance these facilities over the short to medium term. As at 31 December 2015 gross loans of \$12.54 million are held by PGWRC with a corresponding provision for doubtful debts of \$11.75 million (30 June 2015: gross loans of \$12.49 million held by PGWRC with a corresponding provision for doubtful debts of \$11.06 million, 31 December 2014: gross loans of \$15.67 million held by PGWRC with a corresponding provision for doubtful debts of \$12.29 million).

4 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

	UNAUDITED DEC 2015 000	AUDITED JUN 2015 000	UNAUDITED DEC 2014 000
Number of shares			
Weighted average number of ordinary shares	754,849	754,849	754,849
Number of ordinary shares	754,849	754,849	754,849
	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Net Tangible Assets			
Total assets	754,128	652,953	728,460
Total liabilities	(482,166)	(385,585)	(467,490)
less intangible assets	(6,832)	(6,660)	(6,004)
less deferred tax	(12,222)	(12,333)	(12,793)
	252,908	248,375	242,173
	UNAUDITED DEC 2015	AUDITED JUN 2015	UNAUDITED DEC 2014
Net tangible assets per share (cents)	33.5	32.9	32.1
Earnings per share (cents)	2.1	4.3	2.6

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2015

5 CASH AND FINANCING FACILITIES

	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Cash and cash equivalents	16,839	7,273	18,104
Current financing facilities	(82,640)	(57,195)	(62,268)
Term financing facilities	(101,595)	(66,000)	(83,000)
	(167,396)	(115,922)	(127,164)

The Company has a syndicated facility agreement which provides bank facilities of up to \$176.00 million. The agreement contains various financial covenants and restrictions that are standard for facilities of this nature, including maximum permissible ratios for debt leverage and operating leverage. The Company has granted a general security deed and mortgage over all its wholly-owned New Zealand and Australian assets to a security trust. These assets include the shares held in South American subsidiaries and equity accounted investees. ANZ Bank New Zealand Limited acts as security trustee for the banking syndicate (ANZ Bank New Zealand Limited, Bank of New Zealand and Westpac New Zealand Limited).

The Company's bank syndicate facilities provide:

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

The syndicated facility agreement also allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company syndicated facility that are guaranteed by the security trust. These facilities amounted to \$19.60 million as at 31 December 2015 providing:

- Overdraft facilities of \$9.56 million.
- Guarantee and trade finance facilities of \$6.54 million.
- Finance lease facilities of \$3.50 million.

In addition, during the period to 31 December 2015, two of the Group's wholly-owned Uruguayan subsidiaries (Wrightson Pas S.A. and Agrosan S.A.) jointly and severally entered into a club structure to simplify the bank financing of the Group's South American operations. The club facilities contain various financial covenants and restrictions that are standard for facilities of this nature. The club facilities are denominated in USD, secured by a mortgage over the new Uruguay logistics centre and provide:

- An amortising logistics centre facility of \$14.62 million (USD 10 million) maturing on 17 September 2022.
- A committed facility of \$17.54 million (USD 12 million) maturing on 17 September 2018.

Separate to the club facility, the Group's South American operations have various unsecured financing facilities that amounted to \$25.64 million (USD 17.54 million) as at 31 December 2015.

6 ACQUISITION OF EQUITY ACCOUNTED INVESTEE**Agrocentro Uruguay**

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

7 ACQUISITION OF BUSINESS

Grainland Moree Pty Limited

On 5 August 2015 the Group purchased the assets and business of Grainland Moree Pty Limited (Grainland) for \$0.79 million. Grainland is a seed production, cleaning and wholesale seed marketing business based in the northwest New South Wales town of Moree. The assets acquired included inventory and fixed assets. Goodwill of \$0.47 million arose upon acquisition.

8 OTHER INVESTMENTS

	NOTE	UNAUDITED DEC 2015 S000	AUDITED JUN 2015 S000	UNAUDITED DEC 2014 S000
Non-current investments				
BioPacificVentures	11	12,040	7,134	6,806
Sundry other investments including saleyards		1,650	1,657	1,436
Advances to equity accounted investees		3,655	3,676	–
		17,345	12,467	8,242

Investment in BioPacificVentures

In 2005 the Group committed \$14.00 million to an international fund established for investment in food and agriculture life sciences. The investment in BioPacificVentures has an anticipated total lifespan of 12 years. At 31 December 2015 \$13.95 million has been drawn on the committed level of investment (30 June 2015: \$13.95 million, 31 December 2014: \$13.74 million). A fair value gain of \$4.86 million was recorded in the Statement of Other Comprehensive Income for the BioPacificVentures investment in the period to 31 December 2015 (30 June 2015: a fair value loss of \$2.28 million, 31 December 2014: a fair value loss of \$2.44 million).

Advances to equity accounted investees

This advance is a loan to the South American entity, Fertimas S. A.. Interest is payable on the balance and no provision for doubtful debts was recorded against the loan as at 31 December 2015 (30 June 2015: nil, 31 December 2014: nil).

Sundry other investments including saleyards

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

9 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the period to 31 December 2015, the Group acquired assets with a cost of \$22.41 million (30 June 2015: \$17.17 million, 31 December 2014: \$4.15 million), together with assets acquired through business combinations of \$0.23 million (30 June 2015: \$0.11 million, 31 December 2014: nil).

Assets with a net book value of \$11.93 million were disposed during the period to 31 December 2015 (30 June 2015: \$1.88 million, 31 December 2014: \$0.16 million), resulting in a gain on disposal of \$2.99 million (30 June 2015 Gain: \$1.01 million, 31 December 2014 Gain: \$0.27 million).

10 SEASONALITY OF OPERATIONS

The Group is subject to significant seasonal fluctuations. The Retail business is weighted towards the first half of the financial year as demand for New Zealand farming inputs are generally weighted towards the Spring season. Livestock and Seed & Grain activities are significantly weighted to the second half of the financial year. Seed & Grain revenues reflect the fact the Group operates in geographical zones that suit Autumn harvesting and sowing. New Zealand generally has Spring calving and lambing and so Livestock trading is weighted towards the second half of the financial year in order for farmers to maximize their incomes. Other business units have similar but less material cycles. The Group recognises that this seasonality is the nature of the industry and plans and manages its business accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2015

11 COMMITMENTS

	NOTE	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
There are commitments with respect to:				
Capital expenditure not provided for		7,786	17,183	1,380
Investment in BioPacificVentures	8	51	51	258
Contributions to Primary Growth Partnership		1,952	2,374	2,695
		9,789	19,608	4,333

Capital expenditure not provided for

Included within capital expenditure not provided for are commitments of \$6.02 million in respect of contracted costs to complete the new logistics centre in Montevideo, Uruguay and the Corson Maize plant in Gisborne, New Zealand.

Primary Growth Partnership - seed and nutritional technology development

The Group announced on 18 February 2013 that it had completed the contracting process for the Primary Growth Partnership (PGP) programme with the Ministry of Primary Industries. The PGP programme is a Seed and Nutritional Technology Development Programme that aims to deliver innovative forages for New Zealand farms. As a result of entering into the partnership the Group is committed to contributions to the partnership of \$3.95 million over the six year life of the programme which ends on 31 December 2018. As at 31 December 2015 total contributions of \$2.00 million (30 June 2015: \$1.58 million, 31 December 2014: \$1.25 million) have been made to the programme.

12 CONTINGENT LIABILITIES**PGG Wrightson Loyalty Reward Programme**

The PGG Wrightson Loyalty Reward Programme is run in conjunction with the co-branded ASB Visa reward card. A provision is retained for the expected level of points redemption. A contingent liability of \$0.13 million represents the balance of unexpired points that do not form part of the provision (30 June 2015: \$0.13 million, 31 December 2014: \$0.15 million). Losses are not expected to arise from this contingent liability.

13 RELATED PARTIES**Parent and ultimate controlling party**

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

Transactions with key management personnel

	UNAUDITED DEC 2015 \$000	AUDITED JUN 2015 \$000	UNAUDITED DEC 2014 \$000
Key management personnel compensation comprised:			
Short-term employee benefits	3,300	6,211	3,768
Post-employment benefits	189	102	59
Termination benefits	–	208	–
	3,489	6,521	3,827

14 EVENTS SUBSEQUENT TO END OF INTERIM PERIOD

Assets held for sale

Subsequent to 31 December 2015 the Group commenced marketing for the sale of seven properties. The combined book value of these properties is \$7.22 million.

Dividend

On 23 February 2016 the Directors of PGG Wrightson Limited resolved to pay an interim dividend of 1.75 cents per share on 5 April 2016 to shareholders on the Company's share register as at 5.00pm on 10 March 2016. This dividend will be fully imputed.

15 REPORTING ENTITY

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

The interim financial statements of PGG Wrightson Limited for the six months ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. Financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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

16 BASIS OF PREPARATION

Statement of Compliance

The interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as applicable for profit oriented entities, and in particular NZ IAS 34. The interim financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board, as applicable for profit oriented entities.

The interim financial statements do not include all of the information required for full annual financial statements. The same accounting policies and methods of computation are followed in the interim financial statements as applied in the Group's latest annual audited financial statements.

Standards and Interpretations That Have Been Issued or Amended But Are Not Yet Effective

A number of new standards and interpretations are not yet effective for the year ended 31 December 2015 and have not been applied in preparing these interim financial statements. None of these standards are expected to have a significant impact on these financial statements except for:

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

These statements were approved by the Board of Directors on 23 February 2016.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

	SHARE CAPITAL \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	REALISED CAPITAL AND OTHER RESERVES \$000
Balance at 1 July 2014	606,324	(13,414)	23,320
Total comprehensive income for the period			
Profit or loss	–	–	–
Other comprehensive income			
Foreign currency translation differences	–	2,759	–
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–
Total other comprehensive income	–	2,759	–
Total comprehensive income for the period	–	2,759	–
Transactions with shareholders, recorded directly in equity			
Contributions by and distributions to shareholders			
Dividends to shareholders	–	–	–
Total contributions by and distributions to shareholders	–	–	–
Balance at 31 December 2014	606,324	(10,655)	23,320
Balance at 1 January 2014	606,324	(10,655)	23,320
Total comprehensive income for the period			
Profit or loss	–	–	–
Other comprehensive income			
Foreign currency translation differences	–	10,386	123
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–
Total other comprehensive income	–	10,386	123
Total comprehensive income for the period	–	10,386	123
Transactions with shareholders, recorded directly in equity			
Contributions by and distributions to shareholders			
Dividends to shareholders	–	–	–
Total contributions by and distributions to shareholders	–	–	–
Balance at 30 June 2015	606,324	(269)	23,443

REVALUATION RESERVE \$000	HEDGING RESERVE \$000	DEFINED BENEFIT PLAN RESERVE \$000	FAIR VALUE RESERVE \$000	RETAINED EARNINGS \$000	NON-CONTROLLING INTEREST \$000	TOTAL EQUITY \$000
556	272	(12,009)	(743)	(336,461)	1,857	269,702
–	–	–	–	19,477	240	19,717
–	–	–	–	–	291	3,050
–	–	–	(2,450)	–	–	(2,450)
–	99	–	–	–	–	99
–	–	(2,251)	–	–	–	(2,251)
–	99	(2,251)	(2,450)	–	291	(1,552)
–	99	(2,251)	(2,450)	19,477	531	18,165
–	–	–	–	(26,689)	(208)	(26,897)
–	–	–	–	(26,689)	(208)	(26,897)
556	371	(14,260)	(3,193)	(343,673)	2,180	260,970
556	371	(14,260)	(3,193)	(343,673)	2,180	260,970
–	–	–	–	12,392	644	13,036
–	–	–	–	–	69	10,578
–	–	–	172	–	–	172
–	(1,703)	–	–	–	–	(1,703)
–	–	(349)	–	–	–	(349)
–	(1,703)	(349)	172	–	69	8,698
–	(1,703)	(349)	172	12,392	713	21,734
–	–	–	–	(15,253)	(83)	(15,336)
–	–	–	–	(15,253)	(83)	(15,336)
556	(1,332)	(14,609)	(3,021)	(346,534)	2,810	267,368

INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 2015

	SHARE CAPITAL \$000	FOREIGN CURRENCY TRANSLATION RESERVE \$000	REALISED CAPITAL AND OTHER RESERVES \$000
Balance at 1 July 2015	606,324	(269)	23,443
Total comprehensive income for the period			
Profit or loss	–	–	–
Other comprehensive income			
Foreign currency translation differences	–	(3,891)	–
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–
Total other comprehensive income	–	(3,891)	–
Total comprehensive income for the period	–	(3,891)	–
Transactions with shareholders, recorded directly in equity			
Contributions by and distributions to shareholders			
Dividends to shareholders	–	–	–
Total contributions by and distributions to shareholders	–	–	–
Balance at 31 December 2015	606,324	(4,160)	23,443

REVALUATION RESERVE \$000	HEDGING RESERVE \$000	DEFINED BENEFIT PLAN RESERVE \$000	FAIR VALUE RESERVE \$000	RETAINED EARNINGS \$000	NON-CONTROLLING INTEREST \$000	TOTAL EQUITY \$000
556	(1,332)	(14,609)	(3,021)	(346,534)	2,810	267,368
-	-	-	-	15,947	119	16,066
-	-	-	-	-	(33)	(3,924)
-	-	-	4,856	-	-	4,856
-	2,024	-	-	-	-	2,024
-	-	1,119	-	-	-	1,119
-	2,024	1,119	4,856	-	(33)	4,075
-	2,024	1,119	4,856	15,947	86	20,141
-	-	-	-	(15,260)	(287)	(15,547)
-	-	-	-	(15,260)	(287)	(15,547)
556	692	(13,490)	1,835	(345,847)	2,609	271,962

CORPORATE DIRECTORY

COMPANY NUMBER 142962 NZBN 9429040323497

Board of Directors for the six months ended 31 December 2015

Guanglin (Alan) Lai
Chairman

Trevor Burt
Deputy Chairman

Bruce Irvine

John Nichol

Lim Siang (Ronald) Seah

Wah Kwong (WK) Tsang
*John Fulton is an Alternate Director
for Wah Kwong Tsang*

Kean Seng U

Executive Team for the six months ended 31 December 2015

Mark Dewdney
Chief Executive Officer

Cedric Bayly
General Manager Wool

Julian Daly
*General Manager Strategy
and Corporate Affairs/Company Secretary*

Grant Edwards
General Manager Regions

David Green
General Manager New Zealand Seeds

Stephen Guerin
General Manager Retail

Sue Horo
General Manager Human Resources

John McKenzie
Group General Manager Seed & Grain

Peter Moore
General Manager Livestock

Peter Newbold
General Manager Real Estate

John Parker
General Manager Water

Peter Scott
Chief Financial Officer

Brent Sycamore
General Manager Grain

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Telephone +64 3 363 5600
Fax +64 3 363 5629

Share Registry

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, North Shore City 0622
Private Bag 92119
Auckland 1142

Managing your shareholding online:

To change your address, update your payment instructions and to view your investment portfolio, including transactions, please visit:

www.computershare.co.nz/investorcentre

General enquiries can be directed to:

✉ enquiry@computershare.co.nz

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📠 Facsimile +64 9 488 8787

Please assist our registrar by quoting your CSN or shareholder number.



www.pggwrightson.co.nz



Helping grow the country