## PGG Wrightson Limited

### Condensed Interim Consolidated Income Statement

For the six months ended 31 December 2007

| *in thousands of New Zealand dollars* | Note | Unaudited For the 6 months ended 31 Dec 2007 $000 | Unaudited For the 6 months ended 31 Dec 2006 $000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Operating revenue | 4 | 609,236 | 523,140 |
| | | | |
| Cost of sales | | 450,574 | 389,190 |
| **Gross profit** | | 158,662 | 133,950 |
| | | | |
| **Less expenses** | | | |
| Operating expenses | | 110,405 | 110,485 |
| **Results from operating activities** | | 48,257 | 23,465 |
| | | | |
| Finance income | | 1,042 | 1,690 |
| Finance expenses | | (11,625) | (11,095) |
| Net finance income (costs) | | (10,583) | (9,405) |
| | | | |
| Other income | 6 | 5,428 | 10,299 |
| Equity accounted earnings of associates | | 1,362 | 738 |
| | | 6,790 | 11,037 |
| | | | |
| Profit before income tax | | 44,464 | 25,097 |
| Income tax expense | | (9,880) | (4,522) |
| **Profit for the period** | | **34,584** | **20,575** |
| | | | |
| **Profit attributable to:** | | | |
| Shareholders of the Company | | 34,584 | 20,610 |
| Minority interest | | - | (35) |
| | | **34,584** | **20,575** |
| | | | |
| Earnings per share: | | | |
| Basic earnings per share | | 12.06 | 7.19 |
| Diluted earnings per share | | 12.06 | 7.19 |

## PGG Wrightson Limited

### Condensed Interim Consolidated Statement of Recognised Income and Expense

For the six months ended 31 December 2007

| *in thousands of New Zealand dollars* | Unaudited For the 6 months ended 31 Dec 2007 $000 | Unaudited For the 6 months ended 31 Dec 2006 $000 |
|---|---|---|
| Foreign exchange translation differences | - | (1,497) |
| Net gain (loss) on fair value of movement in financial instruments | 307 | (587) |
| Deferred tax on movement of fair value of financial instruments | 101 | - |
| **Income and expense recognised directly in equity** | 408 | (2,084) |
| | | |
| **Profit for the period** | 34,584 | 20,575 |
| | | |
| **Total recognised income and expense for the period** | 34,992 | 18,491 |
| | | |
| **Attributable to:** | | |
| Shareholders of the Company | 34,992 | 18,526 |
| Minority interest | - | (35) |
| **Total recognised income and expense for the period** | 34,992 | 18,491 |

## PGG Wrightson Limited

### Condensed Interim Consolidated Balance Sheet

As at 31 December 2007

| *in thousands of New Zealand dollars* | Note | Unaudited For the 6 months ended 31 Dec 2007 | Unaudited For the 6 months ended 31 Dec 2006 | Audited For the 12 months ended 30 June 2007 |
|---|---|---|---|---|
| | | $000 | $000 | $000 |
| **EQUITY** | | | | |
| Share capital | | 369,193 | 359,445 | 359,445 |
| Retained earnings | | 51,088 | 38,211 | 42,691 |
| Reserves | | 24,475 | 17,723 | 24,067 |
| **Total equity attributable to the shareholders of the Company** | | 444,756 | 415,379 | 426,203 |
| Minority interest | | - | 396 | - |
| **Total equity** | | 444,756 | 415,775 | 426,203 |
| | | | | |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | | 460,327 | 359,703 | 305,499 |
| Trade creditors and other | | 159,875 | 161,979 | 147,767 |
| Provisions | | 14,176 | 17,562 | 6,666 |
| Derivative financial instruments | | 1,284 | 1,222 | 2,135 |
| Finance liabilities | 16 | 223,453 | 195,492 | 203,101 |
| Total current | | 859,115 | 735,958 | 665,168 |
| | | | | |
| **Non-current** | | | | |
| Finance liabilities | 16 | 61,862 | 71,660 | 73,159 |
| Derivative financial instruments | | 2,078 | 1,550 | 2,047 |
| Total non-current | | 63,940 | 73,210 | 75,206 |
| | | | | |
| **Total liabilities** | | 923,055 | 809,168 | 740,374 |
| **Total liabilities and equity** | | **1,367,811** | **1,224,943** | **1,166,577** |
| | | | | |
| **ASSETS** | | | | |
| **Current** | | | | |
| Finance receivables | | 335,115 | 218,158 | 234,360 |
| Derivative financial instruments | | 2,123 | 1,531 | 1,308 |
| Inventories | | 154,211 | 144,004 | 145,121 |
| Biological assets | | 3,997 | 7,813 | 2,772 |
| Properties held for sale | | 7,200 | 7,200 | 14,673 |
| Income tax receivable | | 6,261 | 11,605 | 9,181 |
| Trade and other receivables | | 286,505 | 260,202 | 193,627 |
| Total current | | 795,412 | 650,513 | 601,042 |
| | | | | |
| **Non-current** | | | | |
| Finance receivables | | 124,461 | 144,443 | 167,956 |
| Derivative financial instruments | | 1,728 | 1,085 | 2,009 |
| Employee benefits | | 2,953 | 1,186 | 2,953 |
| Goodwill | | 307,953 | 287,176 | 298,486 |
| Property, plant and equipment | | 74,013 | 66,575 | 57,964 |
| Intangibles | | 1,272 | 953 | 1,283 |
| Investments in equity accounted investees | | 3,208 | 21,392 | 20,393 |
| Other investments | | 52,542 | 39,155 | 9,114 |
| Deferred tax | | 4,269 | 12,465 | 5,377 |
| Total non-current | | 572,399 | 574,430 | 565,535 |
| | | | | |
| **Total assets** | | **1,367,811** | **1,224,943** | **1,166,577** |

These condensed interim consolidated financial statements have been authorised for issue on 19 February 2008.

**Craig Norgate**
Chairman

**Keith Smith**
Director

# PGG Wrightson Limited

## Condensed Interim Consolidated Statement of Cash Flows

For the period ended 31 December 2007

| *in thousands of New Zealand dollars* | Note | Unaudited For the 6 months ended 31 Dec 2007 $000 | Unaudited For the 6 months ended 31 Dec 2006 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| - Inflows | | 534,341 | 491,764 |
| - Outflows | | (576,113) | (528,432) |
| Net cash flow from operating activities | 11 | (41,772) | (36,668) |
| **Cash flows from investing activities** | | | |
| - Inflows | | 8,229 | 12,763 |
| - Outflows | | (55,695) | (63,093) |
| Net cash flow from investing activities | | (47,466) | (50,330) |
| **Cash flows from financing activities** | | | |
| - Inflows | | 18,998 | 12,725 |
| - Outflows | | (84,588) | (32,365) |
| Net cash flow from financing activities | | (65,590) | (19,640) |
| Net (decrease)/increase in cash held | | (154,828) | (106,638) |
| Opening cash/(bank overdraft) | | (305,499) | (253,210) |
| Net effect of exchange rate on cash | | - | 145 |
| **Cash and cash equivalents** | | (460,327) | (359,703) |
| Comprises: | | | |
| Cash and deposits | | 5,988 | 15,900 |
| Bank overdrafts and short term borrowings | | (466,315) | (375,603) |
| **Cash and cash equivalents** | | (460,327) | (359,703) |
| **Comprises:** | | | |
| PGG Wrightson Finance Limited | | (124,464) | (52,567) |
| Rest of the Group | | (335,863) | (307,136) |
| | | (460,327) | (359,703) |

# PGG Wrightson Limited
## Statement of Accounting Policies
*For the period ended 31 December 2007*

## 1 Reporting Entity

PGG Wrightson Limited (the "Company") is a profit-oriented company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is an issuer in terms of the Financial Reporting Act 1993.

The condensed interim consolidated financial statements of the company for the six months ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Company is primarily involved in the provision of rural services and related services.

## 2 Basis of Preparation

**Statement of Compliance**

The condensed interim consolidated financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for interim financial statements and in particular NZ IAS 34. These are the Group's first NZ IFRS condensed interim consolidated financial statements for part of the period covered by the first NZ IFRS annual financial statements and NZ IFRS 1 First-time adoption of New Zealand equivalents to International Financial Reporting Standards has been applied. The condensed interim financial statements do not include all of the information required for full annual statements.

An explanation of how the transition to NZ IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 13. This note includes reconciliations of equity and profit or loss for comparative periods reported under NZ GAAP (previous GAAP) to those reported for those periods under NZ IFRS.

**Basis of Measurement**

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

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- biological assets are measured at fair value less point-of-sale costs
- properties held for sale are measured at the lower of cost or fair value

**Functional and Presentation Currency**

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

**Use of Estimates and Judgements**

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amount recognised in the financial statements, include:

- Measurement of recoverable amounts of cash generating units
- Estimation of average loan lives used to defer fees
- Measurement of defined benefit obligations
- Fund management performance fee accrual
- Valuation of financial instruments
- Business combinations
- Provisions and contingencies
- Valuation of Seeds inventory
- Carrying value of finance receivables

## 3 Significant Accounting Policies

Unless otherwise stated, the accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements, and have been applied consistently by Group entities.

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

**(a) Basis of Consolidation**

*Subsidiaries*

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

*Associates*

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

*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) Revenue Recognition**

*Recognition of Revenue*

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

*Sales Revenue*

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

*Interest and Fee Income*

Interest income is accrued on a daily basis on the principal outstanding. Other fees (other than fees relating to financial instruments) are brought to account when charged to customers.

*Irrigation Contracts*

The revenue on work-in-progress is recognised when it can be estimated reliably. The percentage of completion method is used to determine the appropriate amount to recognise in each year. The full amount of any anticipated loss, including that relating to work on the contract, is recognised as soon as it is foreseen.

*Investment Income*

Investment income is recognised when earned. Dividends are recognised when received, or accrued when declared and approved for distribution prior to balance date.

**PGG Wrightson Finance Limited**

*Interest and Similar Income and Expense*

For all financial instruments measured at amortised cost, interest income or expenses 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. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

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

*Fee and Commission Income*

The Group earns fee and commission income from a diverse range of services it provides to customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

- Discharge fees and deferred establishment fees are received by the Group upon early termination of mortgage loans. On a consolidated basis these are treated as a recoupment of the transaction costs spent by the Group in establishing the mortgage loans. These fees form part of the interest effective yield on the loans and are accrued and recognised in the Income Statement over the weighted average expected life of the mortgage loans using the effective interest method.

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

**(c ) Foreign Currencies**

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

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

*Foreign Operations*

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

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

**(d) Financial Instruments**

*Non-derivative Financial Instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, intercompany advances, finance liabilities and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as set out below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group is no longer entitled to cash flows generated by the asset, or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial instruments arising from the normal course of business are recognised at the trade date, i.e. the date that the Group commits to the purchase or sale of the asset. Financial liabilities are derecognised if the obligations of the Group lapse, expire, are discharged or cancelled.

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.

*Held-to-maturity Investments*
If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses to date.

*Instruments at Fair Value through Profit or Loss*
An instrument is classified at fair value through profit or loss if it is held for trading or is designated as fair value through profit and loss upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

*Loans and Receivables*
Subsequent to initial recognition, other non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

*Derivative Financial Instruments*

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

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

*Cash flow hedges*

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

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

*Investments in Equity Securities*

Investments in equity securities held by the Group are classified as available-for-sale or at fair value through profit or loss, except for investments in equity securities of subsidiaries, associates and joint ventures which are measured at cost in the separate financial statements of the Group. The fair value of equity investments classified as available-for-sale is their quoted bid price at the balance sheet date.

*Investments in Debt Securities*

Investments in debt securities held by the Group are classified as held-to-maturity.

*Trade and Other Receivables*

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

*Interest-bearing Borrowings*

Interest-bearing borrowings are classified as other non-derivative financial instruments.

*Trade and Other Payables*

Trade and other payables are stated at cost.

*Share Capital*

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

*Repurchase of Share Capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. These repurchased shares are cancelled.

*Borrowing Costs*

Borrowing costs are expensed as they are incurred.

**(e) Property, Plant & Equipment**

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

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

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

*Subsequent Costs*

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

*Depreciation*
Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment with the exception of motor vehicles where depreciation is recognised on a diminishing value basis. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| - Buildings | 50 years |
| - Plant and machinery | 8 to 13 years |
| - Computer equipment | 3 to 10 years |
| - Furniture and fittings | 5 to 8 years |
| - Motor vehicles | 3 to 5 years |

**(f) Intangible Assets**
*Computer Software*
Computer software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over an estimated useful life between 3 and 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

*Goodwill*
Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost less accumulated impairment losses. Impairment loss in respect of goodwill is not reversed. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

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

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

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

Research and development expenditure on the development of new seed cultivars is recognised in profit and loss as incurred.

Development costs of seed cultivars are substantially indistinguishable from the cultivar research costs.

**(g) Leasing Commitments**

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classed as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the balance sheet.

**(h) Inventories**
*Stock on Hand*
Raw materials and finished goods are stated at the lower of cost or net realisable value. Cost is determined on a first in, first out basis, and, in the case of manufactured goods, includes direct materials, labour and production overheads.

*Work in Progress*
Work in Progress is stated at cost plus the profit recognised to date, less amounts invoiced to customers. Costs include all expenses directly related to specific contracts.

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

**(i) Biological Assets**
Biological assets are measured at fair value less point-of-sale costs, with any change therein recognised in profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets.

## (j) Impairment

The carrying value of the Group's assets are reviewed at each balance sheet 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 the income statement.

*Impairment of Equity Instruments*

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement - is removed from equity and recognised in the income statement.

*Impairment of Debt Instruments and Receivables*

Finance receivables are considered past due when they have not been operated by the counterparty within key terms for at least 90 days.

Accounts receivable and finance receivables include accrued interest and are stated at estimated net realisable value after allowing for a provision for doubtful debts. Specific provisions are maintained to cover identified doubtful debts.

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

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

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

*Non-financial Assets*

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

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it relates, exceeds the recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets losses recognised in prior periods are assessed at each reporting date for any indications that the loss may have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the carrying value of the asset does not exceed the carrying value that the asset would have had, net of depreciation or amortisation, if no impairment loss had been recognised.

## (k) Employee Benefits

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

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

Provisions made in respect of 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 in respect of services provided by employees up to reporting date.

**(l) Income Tax**

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

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

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

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

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

**(m) Earnings per Share**

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

**(n) Determination of Fair Values**

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

*Property, Plant and Equipment*

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

*Intangible Assets*

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

*Biological Assets*

The fair value of biological assets is based on the market price of the asset at the reporting date. This is determined by an independent external valuer. Stock counts of livestock quantities are performed by an independent party at each reporting date.

*Trade and Other Receivables*

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

*Derivatives*

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

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

*Non-derivative Financial Instruments*

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

**(o) Statement of Cash Flows**

The statement of cash flows has been prepared using the direct approach modified by the netting of certain items as disclosed below.

Deposits received less withdrawals are netted as the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Company.

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

Standards and interpretations that have been issued or amended but are not yet effective and have not been adopted by the Company for the interim reporting period ending 31 December 2007 are as follows:

| Standard | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| NZ IFRS-8 'Operating Segments' | 1-Jan-09 | 30-Jun-10 |
| NZ IAS-1 'Presentation of Financial Statements (revised)' | 1-Jan-09 | 30-Jun-10 |
| NZ IFRS-4 'Insurance Contracts - Amendments' | 1-Jan-09 | 30-Jun-10 |
| NZ IAS-23 'Borrowing Costs (revised)' | 1-Jan-09 | 30-Jun-10 |
| NZ IFRIC 12 'Service Concession Arrangements' | 1-Jan-08 | 30-Jun-09 |
| NZ IFRIC-13 'Customer Loyalty Programmes' | 1-Jan-08 | 30-Jun-09 |
| NZ IFRIC-14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' | 1-Jan-08 | 30-Jun-09 |

**(q) Segment Reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

**(r) Discontinued Operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

## 4 Segment Reporting

**(a) Industry Segments**

The Group operates in the following industry segments, its primary business being the supply of products and services to the rural sector.

Rural Services, including;
- Rural merchandise
- Irrigation and pumping services
- Wool procurement, warehousing, marketing and export
- Livestock marketing and supply

Technology Services including farm consultancy and supply of seeds, grains and feed supplements

Financial Services including farm finance, fund management, real estate and insurance services

Corporate Services including other unallocated items

**(b) Segment information**

| *in thousands of New Zealand dollars* | | Unaudited For the 6 months ended 31 Dec 2007 $000 | Unaudited For the 6 months ended 31 Dec 2006 $000 |
|---|---|---|---|
| **Revenue derived from outside the Group** | | | |
| | Rural Services | 421,003 | 387,766 |
| | Technology Services | 112,103 | 93,402 |
| | Financial Services | 65,797 | 39,542 |
| | Corporate Services | 10,333 | 2,430 |
| **Total revenue** | | 609,236 | 523,140 |

**Inter-segment revenue (eliminated on consolidation)**

| | | | |
|---|---|---|---|
| | Rural Services | - | - |
| | Technology Services | 30,809 | 22,903 |
| | Financial Services | - | - |
| **Segment net profit** | | | |
| | Rural Services | 6,934 | 4,591 |
| | Technology Services | 10,863 | 7,051 |
| | Financial Services | 15,452 | 5,188 |
| | Corporate Services | 1,335 | 3,745 |
| **Total net profit** | | 34,584 | 20,575 |

## 5 Acquisition of Subsidiaries

During the 6 month period ending 31 December 2007, the Group made the following acquisitions;

- Auswest Seeds Pty Ltd formerly Kahibah Holdings Pty. Ltd, 100% of the shares were purchased on 1 July 2007. Auswest Seeds Pty Ltd trades in New South Wales and Southern Queensland. Its operations cover seed distribution, sales, marketing, seed cleaning and mixing, and seed treating and coating.
- 4 Seasons Molasses Ltd. The business operation was purchased as at 1 October 2007. The net profit contribution arising from the business combination is impracticable to calculate as the business operations have been absorbed into the normal course of business of the Agrifeeds subsidiary.

In the six months to 31 December 2007 Auswest Seeds Pty. Ltd contributed a loss of $101,889 to the consolidated profit for the period.

If both of these acquisitions had occurred on 1 July 2007, the estimated Group revenue would have been $6,483,210 and loss of $101,889 for the six months ended 31 December 2007.

No restructuring provisions or other expenses such as the disposal of an operation will be required. The acquisitions had the following effect on the assets and liabilities of the Group at the acquisition dates:

| *in thousands of New Zealand dollars* | $000 |
|---|---|
| **Current assets** | |
| Cash balances | 621 |
| Trade debtors and accruals | 6,233 |
| Inventory | 6,353 |
| | 13,207 |
| **Non - current assets** | |
| Property plant and equipment | 1,430 |
| | 1,430 |
| **Current liabilities** | |
| Trade creditors and accruals | 5,877 |
| | 5,877 |
| **Non - current liabilities** | |
| Advances | 1,290 |
| | 1,290 |
| **Net assets acquired** | 7,470 |
| Cash paid | 19,540 |
| Goodwill arising on acquisition | 12,070 |

## 6 Property, Plant and Equipment

**Acquisitions and Disposals**

During the six months ended 31 December 2007, the Group acquired assets with a cost of $8,638,428 (six months ended 31 December 2006: $3,120,274), including assets acquired through business combinations (see note 5) of $1,430,458 (six months ended 31 December 2006: $37,062). Assets with a net book value of $2,907,262 were disposed during the six months ended 31 December 2007 (six months ended 31 December 2006: $4,238,414), resulting in a gain on disposal of $4,511,338 (six months ended 31 December 2006: $7,820,101).

## 7 Reversal of Prior Write Down of Inventory

During the period the Group reversed a previous write-down of finished goods inventory as the inventory was subsequently sold. The value of the stock being written back was $1,122,608. There was no reversal of the write-down of inventory recognised during the six months ended 31 December 2006.

## 8 Capital and Reserves

During October 2007 the Group issued 12,580,510 new ordinary shares under the PGG Wrightson Limited distribution plan as a bonus issue. Shareholders can elect to have the Group buy back shares issued to them under the plan and 7,091,258 were repurchased at the cost of $12,693,530. All of the repurchased shares have been cancelled. This has resulted in an additional 5,489,152 shares being issued and period ended shareholding of 286,793,045 ordinary shares as at 31 December 2007.

**Reconciliation of movements in equity**

| *in thousands of New Zealand dollars* | Attributable to shareholders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Share capital $000 | Reserves $000 | Retained earnings $000 | Total $000 | Minority interest $000 | Total equity $000 |
| Balance at 1 July 2006 | 359,445 | 17,737 | 36,813 | 413,995 | 518 | 414,513 |
| Total recognised income and expense | - | (14) | 18,627 | 18,613 | (122) | 18,491 |
| Dividends to shareholders | - | - | (17,229) | (17,229) | - | (17,229) |
| **Balance at 31 December 2006** | **359,445** | **17,723** | **38,211** | **415,379** | **396** | **415,775** |
| | | | | | | |
| Balance at 1 July 2007 | 359,445 | 24,067 | 42,691 | 426,203 | - | 426,203 |
| Total recognised income and expense | - | 408 | 34,584 | 34,992 | - | 34,992 |
| Issue ordinary shares | 9,748 | - | (9,748) | - | - | - |
| Dividends to shareholders | - | - | (16,439) | (16,439) | - | (16,439) |
| **Balance at 31 December 2007** | **369,193** | **24,475** | **51,088** | **444,756** | **-** | **444,756** |

## 9 Commitments

| *in thousands of New Zealand dollars* | Unaudited For the 6 months ended 31 Dec 2007 $000 | Unaudited For the 6 months ended 31 Dec 2006 $000 |
|---|---|---|
| There are commitments in respect of: | | |
| Capital expenditure not provided for | 15,094 | 384 |
| Commitments to extend credit | 53,318 | 29,909 |
| Investment in BioPacificVentures | 6,798 | 9,487 |
| | 75,210 | 39,780 |

*Investment in BioPacificVentures*

The Group has committed $14 million to a new international fund established for investment in food and agriculture life sciences.

The Group's investment in BioPacificVentures will be made over approximately six years. The investment has an anticipated total lifespan of 12 years. At 31 December $7.2 million has been drawn on the committed level of investment (2006: $4.5 million), and is included in other investments.

There are no material commitments relating to investment in associates.

## 10 Contingent Liabilities

| | | |
|---|---|---|
| There are contingent liabilities in respect of: | | |
| Guarantees | 7,058 | 6,988 |
| PGG Wrightson Loyalty Reward Programme | 560 | 506 |
| | 7,618 | 7,494 |

*Guarantees*

The guarantees are provided to banks of subsidiary companies for borrowings and to other various third parties.

*PGG Wrightson Loyalty Reward Programme*

The PGG Wrightson Loyalty Reward Programme is run in conjunction with the co-branded American Express card. A provision is retained for the expected level of points redemption. The contingent liability represents the balance of live points that are not provided for.

No losses are expected to arise from these contingent liabilities.

There are no contingent liabilities relating to investments in associates.

## 11 Reconciliation of Profit After Tax With Net Cash Flow from Operating Activities

| *in thousands of New Zealand dollars* | Unaudited For the 6 months ended 31 Dec 2007 $000 | Unaudited For the 6 months ended 31 Dec 2006 $000 |
|---|---|---|
| **Profit after taxation** | 34,584 | 20,575 |
| | | |
| Add/(deduct) non-cash items: | | |
| Depreciation | 2,952 | 3,190 |
| Fair value revaluation of NZFSU shares | (8,967) | - |
| Net (profit) on sale of assets/shares | (5,050) | (10,299) |
| Bad debts written off (net) | 1,011 | - |
| Increase/(decrease) in provision for doubtful debts | (737) | (643) |
| (Increase)/decrease in deferred taxation | 1,108 | 368 |
| Equity accounted (earnings) from associates | (1,070) | (738) |
| | (10,753) | (8,122) |
| Add/(deduct) movement in working capital items: | | |
| (Increase)/decrease in inventories | (3,962) | (1,680) |
| (Increase)/decrease in accounts receivable and prepayments | (74,895) | (31,027) |
| Increase/(decrease) in trade creditors, provisions and accruals | 14,858 | (17,074) |
| Increase/(decrease) in income tax payable/receivable | (1,604) | 660 |
| | (65,603) | (49,121) |
| **Net cash flow from operating activities** | (41,772) | (36,668) |

## 12 Events Subsequent to Balance Date

The Company's distribution/dividend policy is to issue bonus shares under the Distribution Plan, under which shareholders have the right to convert the bonus shares to cash by repurchase of the shares by the Company. Subsequent to balance date, on 19 February, the Directors declared a bonus issue of 5 cents per share under the Distribution Plan to be issued on 1 April 2008.

The dividend has not been recognised as a liability in the financial statements.

## 13 Transition to NZ IFRS

These financial statements are the first set prepared by the Group in accordance with NZ IFRS. The accounting policies set out in note 3 have been applied in preparing the condensed interim consolidated financial statements for the six months ended 31 December 2007, the comparative information for the six months ended 31 December 2006, the financial statements for the year ended 30 June 2007 and in the preparation of an opening NZ IFRS balance sheet at 1 July 2006, the Group's date of transition.

In preparing its opening NZ IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**Impacts of the Adoption of New Zealand Equivalents to International Financial Reporting Standards**

**Effect of NZ IFRS on the balance sheet as at 1 July 2006**

| | Note | Previous NZ FRS | Effect of Transition to NZ IFRS | NZ IFRS |
|---|---|---|---|---|
| **EQUITY** | | $000 | $000 | $000 |
| Share capital | | 359,445 | - | 359,445 |
| Retained earnings | b, d, f | 36,953 | (140) | 36,813 |
| Reserves | a | 18,112 | (375) | 17,737 |
| **Total equity attributable to the shareholders of the company** | | **414,510** | **(515)** | **413,995** |
| Minority interest | | 518 | - | 518 |
| **Total equity** | | **415,028** | **(515)** | **414,513** |
| | | | | |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | | 253,210 | - | 253,210 |
| Trade creditors and other | | 171,423 | - | 171,423 |
| Provisions | | 15,080 | - | 15,080 |
| Derivative financial instruments | f | - | 1,519 | 1,519 |
| Finance liabilities | | 189,088 | - | 189,088 |
| Total current | | 628,801 | 1,519 | 630,320 |
| | | | | |
| **Non-current** | | | | |
| Finance liabilities | | 65,338 | - | 65,338 |
| Derivative financial instruments | f | - | 532 | 532 |
| Other liabilities | | 14,991 | - | 14,991 |
| Total non-current | | 80,329 | 532 | 80,861 |
| | | | | |
| **Total liabilities** | | 709,130 | 2,051 | 711,181 |
| **Total liabilities and equity** | | 1,124,158 | 1,536 | 1,125,694 |
| | | | | |
| **ASSETS** | | | | |
| **Current** | | | | |
| Finance receivables | | 233,921 | - | 233,921 |
| Derivative financial instruments | f | - | 1,891 | 1,891 |
| Inventories | g | 150,137 | (5,239) | 144,898 |
| Biological assets | g | - | 5,239 | 5,239 |
| Properties held for sale | a | - | 7,962 | 7,962 |
| Income tax receivable | | 12,265 | - | 12,265 |
| Trade and other receivables | | 220,140 | - | 220,140 |
| Total current | | 616,463 | 9,853 | 626,316 |
| | | | | |
| **Non-current** | | | | |
| Finance receivables | | 96,022 | - | 96,022 |
| Derivative financial instruments | f | - | 539 | 539 |
| Employee benefits | d | - | 1,186 | 1,186 |
| Goodwill | | 286,277 | - | 286,277 |
| Property, plant and equipment | a, c | 86,368 | (9,547) | 76,821 |
| Intangibles | c | - | 1,210 | 1,210 |
| Investments in equity accounted investees | | 2,459 | - | 2,459 |
| Other investments | | 22,031 | - | 22,031 |
| Deferred taxation | b | 14,538 | (1,705) | 12,833 |
| Total non-current | | 507,695 | (8,317) | 499,378 |
| | | | | |
| **Total assets** | | 1,124,158 | 1,536 | 1,125,694 |

**Effect of NZ IFRS on the income statement of the period ended 31 December 2006**

| | Note | Previous NZ FRS | Effect of Transition to NZ IFRS | NZ IFRS |
|---|---|---|---|---|
| **Continuing operations** | | $000 | $000 | $000 |
| Operating revenue | | 523,140 | - | 523,140 |
| Cost of sales | | 389,190 | - | 389,190 |
| **Gross profit** | | 133,950 | - | 133,950 |
| **Less expenses** | | | | |
| Operating expenses | a, e | 118,108 | (7,623) | 110,485 |
| Net Finance expenses | f | 9,457 | (52) | 9,405 |
| **Results from operating activities** | | 127,565 | (7,675) | 119,890 |
| Other income | | 10,299 | - | 10,299 |
| Equity accounted earnings of associates | | 738 | - | 738 |
| | | 11,037 | - | 11,037 |
| **Profit before income tax** | | **17,422** | **7,675** | **25,097** |
| Income tax expense | | (4,522) | - | (4,522) |
| **Profit for the period** | | **12,900** | **7,675** | **20,575** |

**Effect of NZ IFRS on the balance sheet as at 31 December 2006**

| | Note | Previous NZ FRS | Effect of Transition to NZ IFRS | NZ IFRS |
|---|---|---|---|---|
| **EQUITY** | | $000 | $000 | $000 |
| Share capital | | 359,445 | - | 359,445 |
| Retained earnings | a, b, d, e, f | 30,676 | 7,535 | 38,211 |
| Reserves | a, b | 18,685 | (962) | 17,723 |
| **Total equity attributable to the shareholders of the company** | | **408,806** | **6,573** | **415,379** |
| Minority interest | | 396 | - | 396 |
| **Total equity** | | **409,202** | **6,573** | **415,775** |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | | 359,703 | - | 359,703 |
| Trade creditors and other | | 161,979 | - | 161,979 |
| Provisions | | 17,562 | - | 17,562 |
| Derivative financial instruments | f | - | 1,222 | 1,222 |
| Finance liabilities | | 195,492 | - | 195,492 |
| Total current | | 734,736 | 1,222 | 735,958 |
| **Non-current** | | | | |
| Finance liabilities | | 71,660 | - | 71,660 |
| Derivative financial instruments | f | - | 1,550 | 1,550 |
| Total non-current | | 71,660 | 1,550 | 73,210 |
| **Total liabilities** | | 806,396 | 2,772 | 809,168 |
| **Total liabilities and equity** | | **1,215,598** | **9,345** | **1,224,943** |

| | | | | |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Finance receivables | | 218,158 | - | 218,158 |
| Derivative financial instruments | f | - | 1,531 | 1,531 |
| Inventories | g | 151,817 | (7,813) | 144,004 |
| Biological assets | g | - | 7,813 | 7,813 |
| Properties held for sale | a | - | 7,200 | 7,200 |
| Income tax receivable | | 11,605 | - | 11,605 |
| Trade and other receivables | | 260,202 | - | 260,202 |
| Total current | | 641,782 | 8,731 | 650,513 |
| **Non-current** | | | | |
| Finance receivables | | 144,443 | - | 144,443 |
| Derivative financial instruments | f | - | 1,085 | 1,085 |
| Employee benefits | d | - | 1,186 | 1,186 |
| Goodwill | e | 279,605 | 7,571 | 287,176 |
| Property, plant and equipment | a, c | 75,051 | (8,476) | 66,575 |
| Intangibles | c | - | 953 | 953 |
| Investments in equity accounted investees | | 21,392 | - | 21,392 |
| Other assets | | 39,155 | - | 39,155 |
| Deferred tax | b | 14,170 | (1,705) | 12,465 |
| Total non-current | | 573,816 | 614 | 574,430 |
| **Total assets** | | **1,215,598** | **9,345** | **1,224,943** |

**Effect of NZ IFRS on the income statement of the year ended 30 June 2007**

| | **Note** | **Previous NZ FRS** | **Effect of Transition to NZ IFRS** | **NZ IFRS** |
|---|---|---|---|---|
| **Continuing operations** | | $000 | $000 | $000 |
| Operating revenue | f | 1,035,095 | - | 1,035,095 |
| Cost of sales | | 764,720 | - | 764,720 |
| **Gross profit** | | 270,375 | - | 270,375 |
| **Less expenses** | | | | |
| Operating expenses | a, e, d | 223,657 | (17,438) | 206,219 |
| Net Finance expenses | d, f | 18,972 | 3,277 | 22,249 |
| **Results from operating activities** | | 242,629 | (14,161) | 228,468 |
| Other income | | 11,926 | - | 11,926 |
| Equity accounted earnings of associates | | 515 | - | 515 |
| | | 12,441 | - | 12,441 |
| **Profit before income tax** | | **40,187** | **14,161** | **54,348** |
| Income tax expense | b | (14,001) | 225 | (13,776) |
| **Profit for the period** | | **26,186** | **14,386** | **40,572** |

**Effect of NZ IFRS on the balance sheet as at 30 June 2007**

| | Note | Previous NZ FRS | Effect of Transition to NZ IFRS | NZ IFRS |
|---|---|---|---|---|
| **EQUITY** | | $000 | $000 | $000 |
| Share capital | | 359,445 | - | 359,445 |
| Retained earnings | a, b, d, e, f | 25,911 | 16,780 | 42,691 |
| Reserves | a, f, d | 24,888 | (821) | 24,067 |
| **Total equity** | | **410,244** | **15,959** | **426,203** |
| | | | | |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | | 305,499 | - | 305,499 |
| Trade creditors and other | | 147,767 | - | 147,767 |
| Provisions | | 6,666 | - | 6,666 |
| Derivative financial instruments | f | - | 2,135 | 2,135 |
| Finance liabilities | | 203,101 | - | 203,101 |
| Total current | | 663,033 | 2,135 | 665,168 |
| | | | | |
| **Non-current** | | | | |
| Finance liabilities | | 73,159 | - | 73,159 |
| Derivative financial instruments | f | - | 2,047 | 2,047 |
| Total non-current | | 73,159 | 2,047 | 75,206 |
| | | | | |
| **Total liabilities** | | 736,192 | 4,182 | 740,374 |
| **Total liabilities and equity** | | **1,146,436** | **20,141** | **1,166,577** |
| | | | | |
| **ASSETS** | | | | |
| **Current** | | | | |
| Finance receivables | | 234,360 | - | 234,360 |
| Derivative financial instruments | f | - | 1,308 | 1,308 |
| Inventories | g | 147,893 | (2,772) | 145,121 |
| Biological assets | g | - | 2,772 | 2,772 |
| Properties held for sale | a | 7,473 | 7,200 | 14,673 |
| Income tax receivable | | 9,181 | - | 9,181 |
| Trade and other receivables | | 193,627 | - | 193,627 |
| Total current | | 592,534 | 8,508 | 601,042 |
| | | | | |
| **Non-current** | | | | |
| Finance receivables | | 167,956 | - | 167,956 |
| Derivative financial instruments | f | - | 2,009 | 2,009 |
| Employee benefits | d | - | 2,953 | 2,953 |
| Goodwill | e | 283,322 | 15,164 | 298,486 |
| Property, plant and equipment | a, c | 66,719 | (8,755) | 57,964 |
| Intangibles | c | - | 1,283 | 1,283 |
| Investments in equity accounted investees | | 20,393 | - | 20,393 |
| Other investments | | 9,114 | - | 9,114 |
| Deferred tax | b | 6,398 | (1,021) | 5,377 |
| Total non-current | | 553,902 | 11,633 | 565,535 |
| | | | | |
| **Total assets** | | **1,146,436** | **20,141** | **1,166,577** |

a Under NZ IFRS 5 assets that are classified as available for sale are recorded at fair value. At transition, land and buildings with a carrying value of $8,336,652 were designated as available for sale and restated to their fair value of $7,961,985. Gains and losses arising from changes in fair value are recognised directly in the available for sale revaluation reserve, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available for sale revaluation reserve is included in profit or loss for the period.

b Under NZ IAS 12 deferred tax is determined using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their corresponding tax bases. Previously the Group adopted tax effect accounting principles whereby income tax expense was calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences were recognised at current tax rates as deferred tax assets or deferred tax liabilities as applicable.

Additional deferred tax has arisen under the NZ IFRS basis of calculating deferred tax. The above changes have (increased)/decreased the deferred tax asset as follows:

| | 30-Jun-07 | 31-Dec-06 | 1-Jul-06 |
|---|---|---|---|
| Fair value of financial instruments (refer note f) | (286) | 125 | 125 |
| Reduction in fair value of held for sale assets | (124) | (124) | (124) |
| Tax depreciation claimed on held for sale assets | 34 | - | - |
| Historic property revaluations | 1,561 | 1,704 | 1,704 |
| Movements in provisions and other adjustments | (164) | - | - |
| | 1,021 | 1,705 | 1,705 |

c Under NZ IAS 38 computer software that is not an integral part of the related hardware is treated as an intangible asset. Software that was previously presented as property, plant and equipment has now been reclassified to intangible assets on the balance sheet. This had no impact on the income statement.

d Under NZ IAS 19 the Group accounts for its obligations to its defined benefits schemes on an actuarial basis. As the schemes are in a net contributions holiday, an asset in relation to this benefit has been recognised in the balance sheet on transition of $1,186,000. The impact on the profit and loss account from adopting this method has been to recognise a service cost of $1,745,000, interest cost of $2,937,000, past service costs of $2,264,000, settlement gains of $2,264,000 and an investment return on plan assets of $3,915,000. Actuarial gains of $2,534,000 were recognised directly in equity during the period to 30 June 2007. The contributions holiday asset has therefore increased to $2,953,000 at the date of the last actuarial valuation, 30 June 2007.

e Under NZ IAS 38 goodwill is not amortised (as it was under old NZ GAAP), instead it is tested annually for impairment. The impact is to increase goodwill in the balance sheet and reduce amortisation expense in the income statement by $15.164 million in June 2007 (which includes $7.571 million to December 2006). The group has taken the exemption not to reopen prior business combinations.

f Under NZ IAS 39 derivative financial instruments are now recognised at their fair value in the balance sheet. Any change in fair value is included in the profit or loss for the period. On transition this adjustment was made to equity.

| | 30-Jun-07 | 31-Dec-06 | 1-Jul-06 |
|---|---|---|---|
| Changes in fair value recognised in profit or loss | 340 | (52) | - |
| Changes in fair value recognised directly in equity | 905 | 587 | - |
| Gains on contracts maturing within 12 months | 1,308 | 1,531 | 1,891 |
| Losses on contracts maturing within 12 months | (2,135) | (1,222) | (1,519) |
| Gains on contracts maturing after 12 months | 2,009 | 1,085 | 539 |
| Losses on contracts maturing after 12 months | (2,047) | (1,550) | (532) |

g Under NZ IAS 41 biological assets are measured at fair value less estimated point of sale costs. Under previous GAAP biological assets of export livestock were included in inventory. This is a reclassification in the balance sheet and has no impact on the income statement.

h The effect of the above adjustments on retained earnings is as follows:

| | 30-Jun-07 | 31-Dec-06 | 1-Jul-06 |
|---|---|---|---|
| Recognition of fair value of financial instruments | (379) | (379) | (379) |
| Deferred taxation | 1,705 | 1,705 | 1,705 |
| Employee benefits | (1,186) | (1,186) | (1,186) |
| Depreciation claimed on held for sale assets | (104) | (52) | - |
| Amortisation of goodwill | (15,164) | (7,571) | - |
| Net (gain)/loss in fair value of financial instruments | 340 | (52) | - |
| Net (gain)/loss on employee benefits | 767 | - | - |
| Decrease in income tax payable | (225) | - | - |
| Actuarial gains recognised directly in equity | (2,534) | - | - |
| | (16,780) | (7,535) | 140 |

## 14 Seasonality of Operations

The Group is subject to significant seasonal fluctuations. In particular Livestock and Seeds activity are significantly weighted to the second half of the financial year. Seeds revenues reflects 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. The Group recognises this is the nature of the industry and plans and manages its business accordingly.

## 15 Investment in NZ Farming Systems Uruguay Limited

There has been a second investment in NZ Farming Systems Uruguay Limited (NZFSU) for $9 million in the six months to 31 December 2007. In addition from 1 July 2007 the Group fair values this investment in the financial statements. The impact of this based on a $1.50 share price is a gain of $9.0 million in the profit and loss. Previously this investment has been equity accounted.

NZFSU has a management contract with PGG Wrightson Funds Management Limited. Included within this is a performance fee element where a fee is payable to PGG Wrightson Funds Management Limited where shareholder returns exceed a compounding 10% per annum. The accrual represents the amount receivable if the share price is $1.50 when this fee is calculated and could be higher or lower depending on whether the share price is higher or lower on 30 June 2008. The share price used for this calculation is the weighted average share price for April to June 2008. In line with IFRS PGG Wrightson Funds Management Limited have accrued a performance fee of $11.9 million and the related tax effect in the half year accounts based on a share price of $1.50.

## 16 Loans and Borrowings

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2007:

| *in thousands of New Zealand dollars* | Carrying amount $000 |
|---|---|
| Balance at 1 July 2007 | 276,260 |
| **New issues** | |
| Debenture stock | 15,470 |
| **Repayments** | |
| Client current accounts | (1,657) |
| Client debtor accounts | (358) |
| Client deposits | (4,400) |
| **Balance at 31 December 2007** | 285,315 |

## 17 Income Tax

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 31 December 2007 was 22 percent (for the year ended 30 June 2007: 26 percent; for the six months ended 31 December 2006:18 percent).

## 18 Related Parties

Key management personnel receive compensation in the form of total remuneration including employee benefits. Key management personnel received total compensation of $1,151,000 for the six months ended 31 December 2007 (six months ended 31 December 2006: $692,000).