PGG Wrightson

Annual Report

For the year ended 30 June 2020

Helping grow the country

PGG Wrightson Retail Team Leader, Troy Mackey, discusses Multine B12® vaccine with Alan Hore and Richard Hore at Beaumont Station near Millers Flat in Central Otago in July 2020.

Contents

Calendar

Annual shareholders' meeting
20 October 2020

Half-year earnings announcement
24 February 2021

Year-end earnings announcement
17 August 2021

2020 FINANCIAL YEAR

PERFORMANCE HIGHLIGHTS

OPERATING EBITDA
$45.2m*

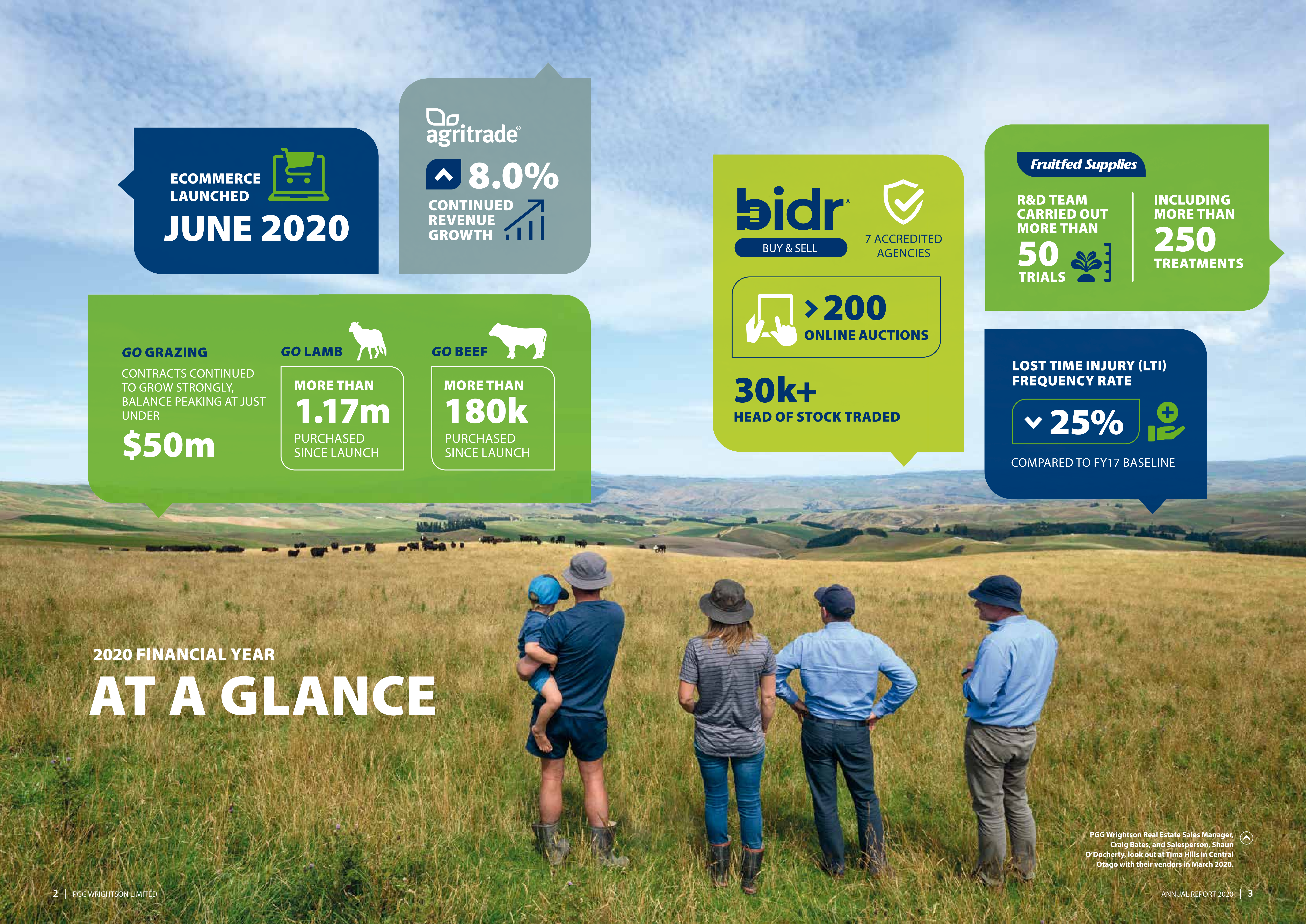
NET PROFIT AFTER TAX
$7.8m*

FULLY IMPUTED INTERIM DIVIDEND
9c per share

CAPITAL DISTRIBUTION TO SHAREHOLDERS
$234m
COMPLETED 14 AUGUST 2019

** 2020 includes the impact of the new lease accounting standard.*

PGG Wrightson Real Estate Nelson-Marlborough Sales Manager, Joe Blakiston and Real Estate Salesperson, Greg Lyons, are joined by Fruitfed Supplies National Winery Account Manager, Blair McLean at Marfell Block vineyard in the Awatere Valley in Marlborough in February 2020.



2020 FINANCIAL YEAR

AT A GLANCE

ECOMMERCE LAUNCHED

JUNE 2020

agritrade®

8.0%

CONTINUED REVENUE GROWTH

***GO* GRAZING**

CONTRACTS CONTINUED TO GROW STRONGLY, BALANCE PEAKING AT JUST UNDER

$50m

***GO* LAMB**

MORE THAN

1.17m

PURCHASED SINCE LAUNCH

***GO* BEEF**

MORE THAN

180k

PURCHASED SINCE LAUNCH

bidr®

BUY & SELL

7 ACCREDITED AGENCIES

> 200

ONLINE AUCTIONS

30k+

HEAD OF STOCK TRADED

Fruitfed Supplies

R&D TEAM CARRIED OUT MORE THAN

50

TRIALS

INCLUDING MORE THAN

250

TREATMENTS

LOST TIME INJURY (LTI) FREQUENCY RATE

25%

COMPARED TO FY17 BASELINE

PGG Wrightson Real Estate Sales Manager, Craig Bates, and Salesperson, Shaun O'Docherty, look out at Tima Hills in Central Otago with their vendors in March 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

An extraordinary year for PGW

Spring colour in Canterbury, photographed by Andrew Hide for the PGG Wrightson Landmarks Photo Collection.

	2020 $M	2019 $M
Revenue	**788.0**	798.8
Gross Profit	**204.2**	219.5
Operating EBITDA	**45.2***	24.9
Net Profit After Tax	**7.8***	131.8
Net Cash Flow from Operating Activities	**34.2***	(49.0)

* *2020 includes the impact of the new lease accounting standard.*

Stephen Guerin
CHIEF EXECUTIVE OFFICER

Rodger Finlay
CHAIRMAN

PGG Wrightson Limited ("PGW", "the Group" or "the Company") delivered Operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) for the year ended 30 June 2020 of $45.2 million. This includes the impact of the new lease accounting standard which has led to an increase in Operating EBITDA of $21.7 million. Excluding the impact of the lease adjustment, Operating EBITDA was $23.4 million. Net profit after tax (NPAT) was $7.8 million.

- **A capital distribution to shareholders of $234 million was completed on 14 August 2019.**
- **Shareholders received a fully imputed interim dividend of 9.0 cents per share.**

This was a year of two distinct halves. During the first half of the year to 31 December 2019, the business traded well to record an Operating EBITDA (excluding the impact of the new lease accounting standard) of $23.7 million, which was up 33 percent on the prior comparative period, and a net profit after tax of $12.8 million. However, our second half trading results were impacted by COVID-19 and the consequential operational disruption caused by the global pandemic.

Shareholders benefited from a $234 million capital distribution which was paid on 14 August 2019, following completion of the Seed and Grain sale.

While the result for this financial year was not what we had targeted at the start of the year, it nevertheless reflects well on the resilience of the business, our people, and the support from our customers and shareholders in what has been an extraordinary year. To deliver a trading performance similar to the prior year after the level of disruption experienced is heartening and demonstrates that the business is in good health.

The business responded well to a range of challenges arising over the year including widespread drought conditions, flooding in Southland, and disruption from the COVID-19 pandemic lockdown and various Alert Levels. Our dedicated employees rose to these challenges and supported our customers, communities, and the sector through all of these circumstances.

Our Rural Supplies and Fruitfed Supplies stores, our Agritrade wholesale business, and other supporting functions were deemed essential service providers and remained open throughout the lockdown. Our teams did an excellent job in adapting quickly to implement operating protocols to protect the safety of our employees and customers, as they continued to deliver first class service to customers over the period.

Our Wool stores, Real Estate offices and Livestock saleyards were all closed during lockdown, and our Water business was only permitted to perform essential maintenance. With the reduced trading and disruption to our Real Estate, Water, Livestock, and Wool businesses over the period of the COVID-19 lockdown, PGW applied for and received $4.1 million through the government wage subsidy scheme.

On-farm and market conditions

This year was particularly challenging in terms of on-farm and market conditions for large parts of the farming community. In the second half of the year widespread drought conditions resulted in feed shortages on-farm with consequential demand and a shortage of meat processing capacity. This was exacerbated by the impact of the global pandemic on supply chain access to international markets and further reductions in processing capacity due to pandemic related operating restrictions.

Although COVID-19 is affecting virtually all countries in the world, the impacts and the timing of these varies from country to country. It has become apparent that the supply chain for food is not as secure as was previously thought. The pandemic put global supply lines under pressure, disrupted trade, and has resulted in market volatility. However, demand has continued for New Zealand's primary exports, as consumers worldwide place value on the provenance and security of their food. There is however, a degree of uncertainty in the medium term as the economies in export markets respond to the pandemic. Global lockdowns have altered consumer behaviour, resulting in some primary producers having to change their product offerings and marketing strategies.

The Alert Level 4 lockdown presented challenges for farmers given that it occurred at a time of year when autumn livestock sales were under way. The livestock industry faced numerous demands, including the drought with many farmers trying to move their stock off their farm, as well as processing delays with processors needing to implement social distancing restrictions.

The lockdown also came at a peak time in the crop cycle with harvest underway. Although harvest conditions were good across the country, harvesters had to adapt to manage social distancing. The season saw good quality crops in horticulture, though yield volumes in some feed crops were impacted by climatic conditions.

While the international markets for protein remain firm, the demand for added value products has reduced due to disruption to food service and restaurant trade across the world. It is expected that this will continue into 2021 and in turn could affect farm-gate returns in the medium term.

Access to funding remains an issue for some farmers with banks continuing to tighten lending to the primary sector, especially their exposure to dairy.

New Zealand has made good progress with its strategy to eradicate Mycoplasma bovis (M. bovis) with the number of infected properties continuing to drop.

Our people

At 30 June 2020 PGW employed approximately 1,840 employees (including casual, fixed-term, commission and permanent staff).

PGW refreshed its people strategy following a corporate structure review which centralised corporate functions.

Key programmes of work to enhance our people and culture over the last year included developing a clearly defined PGW Leadership Brand, and a new Leadership Development Framework and Programme, introducing a refreshed induction programme, and delivering improvements to our people related processes to best leverage existing systems.

During November 2019 our PGW Group head office moved to the Christchurch International Airport campus. Our new purpose-built office has allowed us to bring staff together in one location having previously been spread across three Christchurch locations. The new office environment has been well received by staff and includes better facilities to support collaboration and use of technology.

Safety and wellbeing

Three years into our Safety and Wellbeing strategy we continue to engage our people to assist transforming our culture to one of 'citizenship' by embedding the cognitive behavioural safety leadership programme, Zero Incident Process (ZIP).

Over the past year PGW has introduced Critical Risk standards to our framework and we continue to ingrain control measures to prevent serious harm events. These are ongoing programmes of work as we continue to develop our safety culture. Moving to a centralised operating structure has provided greater consistency and standardisation to our development of safety and wellbeing practices, with leadership accountabilities continuing to be a focus area within each operational business unit.

We continue to see an improvement in our benchmark performance measures for safety incident events with a reduction in the frequency rates for lost time of 25 percent and for total recordable injuries of 30 percent for this year, when compared to our strategy baseline FY17 actual rates.

Early morning milking in Taranaki, photographed by Olivia Mitchell-Bettles for PGG Wrightson Landmarks Photo Collection.

> **"TO DELIVER A TRADING PERFORMANCE SIMILAR TO LAST YEAR AFTER THE LEVEL OF DISRUPTION THAT WE HAVE EXPERIENCED IS HEARTENING AND DEMONSTRATES THAT THE BUSINESS IS IN GOOD HEALTH."**
>
> RODGER FINLAY, CHAIRMAN

Vehicles remain the single biggest risk area for our people. This year we completed a comprehensive review of our motor vehicle policy alongside our vehicle and driving critical risk standard. This has seen multiple initiatives introduced to improve the ongoing safety of our people, including a targeted approach to developing a safer driving culture, such as the launch of a driver competency training programme.

The wellbeing of our people and the communities in which they operate is paramount to PGW. We continue to support Dr Tom Mulholland and his KYND wellness tool, and we have entered into a sponsorship partnership with Dr Tom's Walk the Talk Wellness Tour (see page 28).

Cashflow and Debt

Cashflow from operating activities was a $34.2 million inflow. Capital expenditure for the year to 30 June 2020 was $11.9 million, which was $4.6 million lower than the comparative period for the prior year. This spend has seen continued investment in IT, including our bidr® online trading platform and our eCommerce retail website (https://store.pggwrightson.co.nz).

It is important to note that as a seasonal business, our working capital requirements typically increase over spring and into summer in line with the demand for farming inputs in New Zealand.

Whilst the second half of the financial year was challenging due to a range of factors, including widespread drought conditions, supply chain issues for livestock and meat processing, and the global pandemic, we nevertheless maintained disciplined cash-flow management. This resulted in a pleasing net debt position of $33.1 million as at 30 June 2020, with an improved overdue debtor percentage compared to the prior financial year. It is also worthwhile noting that the resizing of our corporate support functions realised in excess of the anticipated $2.5 million cost savings for the financial year. This means we start our seasonal build of working capital for the current year from a sound position.

We continue to look for efficiencies in our operations. As part of our continuing commitment to recalibrate our cost base, the Board resolved earlier in the year to capture savings through reducing current Board numbers to five members and reducing some director fees with effect from April 2020. The combined effect of these changes has resulted in directors' fees reducing by approximately 18 percent when calculated on an annualised basis.

Distributions

The Board is pleased with the manner in which the business has come through the year, however the trading results are back on pre-COVID-19 expectations and the effects of the global pandemic are continuing to be felt.

While we remain optimistic about the prospects for the sector, it is prudent to be wary given the degree of uncertainty being experienced throughout much of the world. In view of that background, the Board has determined to take a cautious distribution approach in the interim, while greater certainty is obtained about how these events will flow through and impact demand for agri-inputs in the year ahead.

Reflecting the extraordinary nature of this year, the ongoing global challenges, and the fact that the company has made a net loss of $4.9 million in the second half of the year, the Board has determined not to pay a final dividend. However, the Board intends to resume the payment of regular dividends when the market stabilises should operating results allow.

PGW paid a fully imputed 2020 interim dividend of 9 cents per share on 3 April 2020.

Outlook

While there is scope for optimism with strong demand and pricing for New Zealand's agricultural and horticultural export commodities, there remains a degree of caution with continuing volatility in global markets. Consumers in some key export markets have been shielded from the impacts of COVID-19 through unprecedented fiscal support which has underpinned retail spending on food. However, with infection rates continuing to increase globally and secondary lockdowns occurring, a degree of uncertainty remains as to how this will impact trade flows over the coming year.

In this context, while it is too early to provide guidance about expectations for the financial year ending 2021, there is a healthy measure of optimism with solid production returns continuing in dairy, red meat, and horticulture. We are seeing farmers and growers gear up for the busy spring period and we hope to be in a position to provide a trading update by the time of our Annual Shareholders' Meeting in October 2020.

Governance

Ronald Seah retired from the Board on 31 August 2019, having served as a director for almost seven years. The Board acknowledge and thank Ronald for his contribution as a director.

At the Annual Shareholders' Meeting on 22 October 2019, Rodger Finlay was elected as independent chairman, with David Cushing and Sarah Brown remaining as independent directors.

Executive team changes

The PGW executive team had one change with Rachel Shearer, General Manager Human Resources, returning from parental leave in February 2020.

Acknowledgements

On behalf of the Board and executive team, we extend our thanks to all the outstanding individuals who make up the PGW team for their continued hard work and dedication.

We are proud of how our people have responded to the pandemic and how they continue to serve our customers and communities despite all the challenges faced. We have proved we can play it safe in our workplaces by implementing practical procedures and controls in response to the pandemic.

We wish to pay tribute to our loyal customers and their valued business, and we thank you for your understanding and for adapting to our changing operating protocols through these unprecedented times.

We also thank our suppliers and shareholders for their support.

We are committed to serving our customers and the communities within which we live and operate.
Our company purpose is 'Helping grow the country' and this continues to be at the heart of what we do.

Rodger Finlay
Chairman

Stephen Guerin
Chief Executive Officer

BOARD OF DIRECTORS

RODGER FINLAY

BCom, FCA, CFInstD

Independent Chairman

Rodger Finlay joined the PGG Wrightson Limited Board on 30 April 2019 as an Independent Director and Chairman, and as a member of the Audit Committee. An experienced Chairman and Company Director, Rodger has governance skills specialising in finance, natural resources, agriculture, media and corporate recovery. Additionally, he has amassed significant knowledge of financial and jurisdictional systems globally having conducted investment banking activities in Australasia, South East Asia, Africa, the United Kingdom, continental Europe and North America.

After 26 years in the investment banking and fund management areas, Rodger, since 2008, now acts as a full time Company Director and Trustee with governance assignments in New Zealand and the United Kingdom. Rodger chairs both the Independent Advisory Panel of the Provincial Growth Fund and NZ Post Limited. He holds directorships in Ngāi Tahu Holdings Corporation Limited, Moeraki Limited, Rural Equities Limited and Kiwi Group Holdings Limited. Rodger previously served on the PGG Wrightson Agritech Governance Board and retired in 2013.

JOO HAI LEE

ACA (ICAEW), CPA (Australia), FCCA (UK), CA (ISCA)

Deputy Chairman

Joo Hai Lee was appointed as Deputy Chairman of PGG Wrightson Limited on 30 April 2019 and has been a Director since 31 October 2017. He is a member of the Audit Committee. He was appointed as an Independent Director of Agria Corporation in November 2008.

Mr Lee has more than 30 years' experience in accounting and auditing. He was a partner of an international public accounting firm in Singapore until his retirement from the firm in 2012. He has serviced clients in the manufacturing, hospitality, insurance, insurance brokers and other service industries. His clients included large multinational corporations and listed entities. His professional memberships include those of the Institute of Chartered Accountants in England and Wales, CPA (Australia), ACCA (UK), Institute of Directors of both Hong Kong and Singapore. Mr Lee also sits on the Board of several listed companies in Singapore and one in Hong Kong.

SARAH BROWN

BA, LLB, CFInstD

Independent Director

Sarah Brown was appointed to the PGG Wrightson Limited Board on 30 April 2019 as an Independent Director. Sarah is from a rural background, having grown up on a Southland sheep farm. She is a former Commercial Lawyer who now holds a number of Independent Director roles.

Sarah's directorships include PowerNet Limited, Electricity Invercargill Limited and OtagoNet Limited and she was previously on the Southern Institute of Technology Council for 11 years, six of them as Council Chair. She is a member of the Independent Advisory Panel for the New Zealand Provincial Growth Fund. Sarah is a passionate Southlander, strongly committed to regional New Zealand's economic development.

DAVID CUSHING

B.Com, ACA

Independent Director

David Cushing was appointed to the PGG Wrightson Limited Board as an Independent Director on 30 April 2019 and is Chairman of the Audit Committee. David is a former investment banker.

He is Executive Chairman of Rural Equities Limited, and a Director of Skellerup Holdings Limited and H & G Limited. David has previously been a director of Red Steel Limited, Webster Limited, Williams & Kettle Limited, Fruitfed Supplies Limited, Tourism Holdings Limited, NPT Limited, New Zealand Farming Systems Uruguay Limited and Wakefield Health Limited.

U KEAN SENG

LLB (Hons), B.Ec

Director

U Kean Seng was appointed to the PGG Wrightson Limited Board on 4 December 2012. He is Head of Corporate and Legal Affairs for Agria Corporation, a role he has held since December 2008. U Kean Seng previously practiced as a partner at Singaporean law firm, Shooklin & Bok LLP, focused on East Asia, and he led a corporate finance team in Allen & Overy Shooklin & Bok, JLV, an international law venture partnership with London based Allen & Overy LLP.

U Kean Seng previously sat as an Independent and Non-Executive Director of several public listed corporations. He received a Bachelor of Laws (Honours) degree from Monash University Australia. He is a Barrister and Solicitor, Supreme Court of Victoria, Australia; Advocate and Solicitor, Supreme Court of Singapore and Solicitor of England and Wales. In addition to his extensive legal knowledge, U Kean Seng is also a qualified economist, having completed his degree majoring in Economics and Accounting, B.Ec at Monash University, Australia.

LIM SIANG (RONALD) SEAH

Ronald retired from the Board of PGG Wrightson Limited effective 31 August 2019.

EXECUTIVE TEAM

STEPHEN GUERIN

Chief Executive Officer

Stephen was appointed Chief Executive Officer of PGG Wrightson Limited in June 2019. Prior to this appointment he was responsible for all aspects of the Retail & Water group business which includes the Rural Supplies, Fruitfed Supplies, Agritrade and Water businesses. He has worked for PGG Wrightson Limited and its predecessor companies for since 1988. He holds a Bachelor of Business Studies (Accounting) from Massey University. Stephen is a Director of several Group subsidiaries and a Director of the PGG Wrightson Employee Plan Trustee Limited.

NICK BERRY

General Manager Retail & Water

Nick was appointed General Manager Retail & Water in August 2019. Nick joined PGG Wrightson Limited as New Business Growth Manager for Agritrade in 2014 and through his five year period with Agritrade he grew the business substantially. Prior to joining PGG Wrightson Limited, Nick was General Manager for RD1 for eight years and prior to that National Operations Manager. Nick has an extensive track record of experience at general management level. Nick's strengths are leadership, business management, along with strong sales and service focus, backed up with a strong affinity for retail and the agribusiness sector.

JULIAN DALY

General Manager Corporate Affairs

Julian is responsible for the Group Strategy, Marketing, Legal, Corporate Communications, Business Services, and Investor Relations functions for PGG Wrightson Limited. He is also Company Secretary and previously held a number of responsibilities including General Manager of PGG Wrightson Real Estate Limited and Internal Audit. Julian has broad operational involvement across the business and is Chairman of the Credit Committee and Risk Committee, Director of a number of Group subsidiaries and a Director of the PGG Wrightson Employee Benefits Plan Trustee Limited. He is a former General Counsel of DB Breweries Limited and has previously worked for law firms in the Middle East and New Zealand.

GRANT EDWARDS

General Manager Wool

Grant was appointed as General Manager Wool in October 2017. He is responsible for all aspects of the Wool business including procurement, logistics, sales and wool export. Grant holds a Bachelor in Agriculture Science from Lincoln University majoring in Wool Science. He began his career in Livestock with Reid Farmers Ltd in the mid 1980's and then joined their Wool Business. He has held the position of Wool Manager at Reid Farmers and Pyne Gould Guinness Limited. Grant more recently held roles with PGG Wrightson Limited being General Manager Regions and Otago Regional Manager, and General Manager Insurance and Financial Services. Grant has spent over 20 years directly in the wool industry and states, "once you have a passion for wool it never leaves."

PETER MOORE

General Manager Livestock

Peter has been responsible for the Livestock division since August 2014. Prior to joining PGG Wrightson Limited, he headed up Fonterra's international farming ventures business from 2008 until 2013, responsible for developing and implementing the strategy to selectively invest in milk pools outside of New Zealand and Australia. His major focus was the development of the scale farms in China plus dairy development in Latin America and Asia. Prior to this Peter worked in Fonterra's risk management team and before joining Fonterra in 2005 he managed AgResearch farms across New Zealand. Peter grew up on the family hill country sheep and beef farm in the Waikato and spent a number of years managing this in partnership with his family.

PETER NEWBOLD

General Manager Real Estate

Peter is the General Manager of PGG Wrightson Real Estate Limited, a role he has held since September 2013. Peter was previously General Manager of New Zealand Sotheby's International Realty. Peter was employed by Wrightson Limited from 1995–2005 during which time he held a range of roles including Marketing Manager and Business Development Manager. Prior to this, he had an extensive career in retail ownership management and franchising.

PETER SCOTT

Chief Financial Officer

Peter was appointed as PGG Wrightson Limited's Chief Financial Officer in March 2015 and leads the finance and technology functions. Peter started his career at Fletcher Challenge and has broad multinational experience spending five years in Scandinavia where he was the Vice President of Accounting and Tax for Norske Skog, a large global newsprint and magazine paper producer. He relocated to Australia in 2005 and was appointed to the lead finance role for the Australasian region for Norske Skog. In 2008 Peter joined Gloucester Coal Limited, an Australian Securities Exchange listed mining company as the Chief Financial Officer.
In 2010 he joined the majority shareholder Noble Group, a leader in managing the supply chain of agriculture, energy, metals and mining resources, headquartered in Hong Kong and listed in Singapore. He was the Chief Financial Officer for Noble Group in Australia.

RACHEL SHEARER

General Manager Human Resources

Rachel was appointed PGG Wrightson Limited's General Manager Human Resources in April 2016 to lead the Human Resources and Safety, Wellbeing and Environment functions and teams. In this role she oversees the PGW People Strategy with the foundations of this being performance, leadership and culture. Prior to joining PGW, Rachel was GM Human Resources at Solid Energy after gaining experience as a human resource consultant both abroad and in her hometown of Christchurch specialising in organisational design, change management and business transformation.

NATALIE THAIN

General Manager Human Resources (Acting)

Natalie was General Manager Human Resources (Acting) from July 2019 to February 2020.

THE YEAR IN REVIEW

PGW HAS TWO OPERATING GROUPS: RETAIL & WATER AND AGENCY

Ewes on the move again in Manawatū, photographed by Teresa Newton for the PGG Wrightson Landmarks Photo Collection.

	2020 $M	2019 $M
Revenue	**619.1**	599.7
Operating EBITDA	**34.7***	19.3

* 2020 includes the impact of the new lease accounting standard.

Retail & Water group

The Retail & Water business incorporates Rural Supplies, Fruitfed Supplies, Agritrade and Water. Retail & Water's Operating EBITDA was a pleasing $34.7 million, or $22.0 million (excluding the impact of NZ IFRS 16 lease accounting standard). Excluding the impact of the new lease standard this was up $2.7 million on the prior year's result.

Our Rural Supplies business and Fruitfed Supplies business again performed well. This year was challenging for the sector and the country. However, we continue to see anecdotal evidence of market share gains attributable to our strong technical offering and customer service. Our customers value the support they receive through our field representatives who are backed up by our Technical and R&D teams and staff in our store network.

Retail & Water managed the COVID-19 Alert Level 4 restrictions very well and continued to trade as an essential service. The whole team pulled together to ensure appropriate protocols and operational disciplines were in place to help protect the safety of our staff, customers, and communities.

We successfully launched our eCommerce website in June 2020 allowing customers to transact online. We are experiencing increasing customer interest and appetite for this channel and we will continue to add further online functionality over time.

Rural Supplies

This financial year we continued with our programme to improve our store network and provide customers with an enhanced customer experience and wider product offering. We are renovating our Mayfield store and we have three new store developments in the pipeline in Taupo, Darfield, and Alexandra.

At a macro level, farming returns are good, and the outlook for red meat and dairy look favourable. A key issue impacting dairy farmers and dairy support spend is constrained access to funds, as banks look to reduce their exposure to dairy.

Fruitfed Supplies

Our market leading Fruitfed Supplies business again performed well, with diversification across a variety of crops and continuing to adapt to our customer and market needs. Our focus remains to add value to our customers' businesses by supplying specialist products and services and providing the best technical advice.

Our market share remains strong in the grapes, pipfruit, stone fruit, and kiwifruit sectors and we are increasing our presence in avocados and cherries, which continue to see capital investment. The business is also well placed to benefit from ongoing technical advancements in viticulture and further grape development.

The outlook for the coming year remains positive for Fruitfed Supplies. Returns and yields for the horticultural sector are positive with stability in pricing for growers, which was highlighted by the record levels paid in the recent kiwifruit licence tenders.

This optimism is continuing to see horticultural development taking place and land use change, including larger corporate growers diversifying their portfolios and investing in other areas. We are also progressively seeing this development coming into production. This development supports increased opportunities for Fruitfed Supplies across the core categories that we supply.

Agritrade

Our Agritrade wholesale business has seen continued year-on-year growth with revenue up on the same period last year. This was achieved through growth in our existing range, as well as product acquisition and providing distribution services for existing suppliers looking to Agritrade to get their products to market.

We expect to see further new product lines added to the Agritrade range over the coming year and we see good opportunity for continued growth in our wholesale operations.

Water

The financial year for the Water businesses was tough. Tightening of on-farm credit and regulatory requirements together with a lack of new water schemes have continued to present a difficult trading environment for our Water business. Operating restrictions under Alert Levels 4 and 3 meant that the Water business was reduced to the provision of essential servicing only during that period.

Fruitfed Supplies Technical Horticultural Representative, Julie Fotheringhame discusses hydroponic strawberries with Lewis Farms' agronomist Ruel Vallar near Levin in Manawatū-Whanganui in November 2019.

	2020 $M	2019 $M
Revenue	**165.8**	193.8
Operating EBITDA	**15.7***	15.9

* *2020 includes the impact of the new lease accounting standard.*

Agency group

Our Agency group incorporates the Livestock, Wool and Real Estate businesses. Trading for this group is generally weighted towards the second half of the financial year. Operating EBITDA was $15.7 million, or $8.4 million (excluding the impact of NZ IFRS 16 lease accounting standard). Excluding the impact of the new lease standard this was down $7.5 million on the prior year's result.

Livestock

The largest business within the Agency group is Livestock.

Our Livestock business experienced a strong first six months underpinned by buoyant trading volumes and values. In the second half of the year widespread drought conditions resulted in high demand for and a shortage of processing capacity. The pandemic impacted the supply chain and access to international markets, and further restrictions on processing capacity were implemented when the country went into Alert Level 4 lockdown. These events, together with the significant impact caused through the temporary closure of saleyards under Alert Levels 4 and 3 impacted the business.

The benefits of our real time bidr® online trading platform, came into stark focus during the lockdown where necessity showcased the advantages of this channel and innovation. The bidr® team responded well and accelerated modifications to the platform to permit access for new users in response to demand, as well as the launch of the new hybrid auction option. We see potential for the bidr® platform moving forward and regard this innovation as important to the New Zealand livestock sector (see pages 24–25).

Requests for our *Go* grazing contracts continued to grow strongly with the balance peaking at just under $50 million during the year. Customer demand for the convenience and versatility of the *Go* programme continues, and we expect to see further growth in the current year (see pages 20–21).

Overall livestock tallies were lower this financial year compared to the prior year. The largest impact was the effects of reduced activity during April and May 2020 when saleyards were closed.

Average livestock prices were also lower compared to last year. During the first half of the year prices were higher than last year for both sheep and cattle. However, pricing started to trend down in January due to drought conditions and the shortage of processing space, particularly in the North Island. Restrictions in the supply chain further impacted pricing from April 2020.

Wool

PGW Wool has come through a difficult year with depressed crossbred wool prices and associated worldwide wool demand impacted by the global pandemic. The pandemic is arguably the most significant issue the wool industry has experienced in a generation and it has impacted the international wool supply chain. This has resulted in a decline in wool demand, orders, and prices across all wool types.

As a consequence, our wool brokering business has facilitated the sale of fewer wool bales and at lower margins. Consequently, farmer growers have elected to hold wool rather than sell into the current market. Additionally, wool auctions were placed on hold for two months over the period of Alert Levels 4 and 3.

Real Estate

The rural real estate market continued to face difficult market conditions with declining volumes in all sectors throughout the year. However, the lifestyle and residential markets in the provinces remained relatively positive.

The pandemic affected the real estate market leading up to our peak autumn selling period, but the business did see encouraging signs returning during late May and June 2020. An outcome from COVID-19 was a strong shift from traditional print media to digital channels where we saw increased website traffic and social media use.

Notwithstanding the challenging macro conditions, PGG Wrightson Real Estate improved market share in its key lifestyle segment and rural regions.

PGG Wrightson Livestock Representative, Vaughan Vujcich inspects Angus cattle with Terry Nicolle near Waimate North in Northland.

Sheep grazing at Twin Oaks, Waipapa Station in Waikato

AGENCY
LIVESTOCK

Make the move to Go grazing contracts

Demand for our Go grazing contracts continues to see impressive growth with the flexibility and simplicity of the programme appealing to our farmer customers.

Livestock is principally an agency business, with revenue largely comprising commissions earned on the trading of livestock. Consequently, the key drivers of business performance are the volume and value of livestock traded.

In response to an identified need in the market, PGW Livestock developed the *Go* livestock grazing programme which assists farmers with their livestock businesses. PGW National Livestock Supply Chain Manager, Jamie Molloy said, "The scheme was designed to be easy for our customers to sign up with their PGW Livestock Agent. Under the scheme, PGW purchase and own the livestock and when they are ultimately sold the change in the value of the livestock is the farmer's grazing revenue, less the agreed fees."

Go grazing contracts are an excellent example of how PGW can innovate and develop products that meet the needs of our customers. Farmers need to be agile as market prices and climatic conditions can change quickly. The timeline for the use of *Go* grazing contracts can be flexible and accommodating, and customers can use them to suit their farming operations. There has been impressive growth in *Go* since its launch in 2015 with *Go*-Lamb purchasing more than 1.17 million lambs and *Go*-Beef purchasing more than 180,000 cattle, and with the balance peaking at just under $50 million this year.

Customers in the *Go* programme, Roger and Susan Hayward, purchased Waipapa Station in 2016, a 900 ha North Island medium hill country station off the Raglan Harbour in Waikato, where they run the Twin Oaks Angus Stud and sheep farm. Previously the Haywards farmed near Fairlie in South Canterbury where they worked with PGW Livestock reps. PGW's Livestock Representative, Richard Johnston, met Roger and Susan as he was the livestock rep for the former owner.

Early on during their relationship, Richard introduced Roger and Susan to PGW's *Go* livestock grazing contracts. The Haywards are fully engaged in the grazing programme and Susan describes the programme as a "massive commitment from PGW. It is important for our cashflow as PGW purchase and own the trading livestock, there is no up-front capital required from us. *Go* offers us flexibility and the opportunity to graze the quantity we want."

Roger said, "We benefit from Richard's knowledge of the livestock market and he works closely with us for PGW to determine when and where the stock is purchased and sold, and whether stock is sold as store or prime. Since entering the *Go*-Lamb grazing contracts we have grazed approximately 40,000 lambs with PGW, with numbers peaking at 8,000-10,000 a season."

Richard enjoys working with the *Go* programme as farmers recognise the value it brings to their business and says, "Once customers utilise *Go* they stay customers, as they appreciate the simplicity and convenience of the programme."

In addition to grazing livestock, the Haywards run a first generation Angus stud with a modern approach to breeding Angus bulls with performance genetics. They are passionate about breeding and Twin Oaks is a highly regarded and innovative Angus stud farm.

During September 2019 Richard accompanied Roger and Susan to the Millah Murrah Angus sale in Bathurst, Australia where they intended to buy a stud bull. Although they did not come home with a bull, they were successful in securing the NZ semen rights of Millah Murrah Paratrooper P15 which sold for A$160,000 and was an Australasian record for an Angus bull sold at auction.

Richard helps to run all sales for Roger and Susan which includes their spring yearling bull sale and their autumn two-year old bull sale. Roger, Susan, and Richard visit clients across the country before the sales to see how their progeny are breeding. Their South Island clients travel to the sales and the bulls are sold countrywide.

PGG Wrightson Livestock Representative, Richard Johnston with Roger Hayward of Twin Oaks, Waikato.

Working with PGW

Richard Johnston joined PGW 13 years ago and is a Livestock Representative based in Waikato. Richard is one of our more than 230 experienced PGW livestock representatives nationally. As the biggest player in New Zealand's stud and livestock sector, PGW has more reach and greater influence. We run some of the country's biggest sales events, bringing the largest possible pool of buyers and sellers together. Our representatives pride themselves on their strong adviser relationships with their customers.

RETAIL & WATER
FRUITFED SUPPLIES

Nature's little treat produces a sweet relationship

Rockit™ Apple orchard in Hawkes Bay.

Rockit™ apples were launched commercially in 2010 as a premium, on-the-go, fresh, healthy snack. This award-winning apple was the result of a natural breeding programme by New Zealand scientists. They are slightly larger than a golf ball and the apple has a distinctive sweet flavour and red colour.

Initially grown in Hawke's Bay, Rockit™ apples are now grown under licence internationally with intellectual property protection which assists in enabling year-round supply. John Loughlin, Chairman of Rockit Global Limited said, "Rockit™ are the only miniature apple available globally. The apples were initially exported to Taiwan in 2013 and are now available in 27 countries. Fruitfed Supplies has been supporting us through our steep increase in production for the past seven years."

As a pioneering company, Rockit Global do not place themselves in the apple market, they compete with snack foods. The innovative cylinder-shaped recyclable packaging conveniently allows the apples to be eaten directly from the container, without having to be washed. The packaging is designed to be stacked on any shop counter, allowing it to be sold alongside fast moving consumer foods in outlets other than supermarkets and grocery stores.

John said, "The past two to three years have seen huge growth taking place at 30-40% per annum. We are focusing on rapid growth by commercialising our product and investing ahead of the curve. Our new $50 million purpose-built head office, cool store, and packhouse is in development on the outskirts of Hastings and incorporates new innovations and technology."

Fruitfed Supplies Technical Horticultural Representative (THR), Richard Griffiths, has been working alongside Rockit Management Services (RMS), the orchard arm of the business, since the beginning of the relationship. Richard works closely with RMS General Manager, Chris Hurrey, supporting him throughout the whole process, from the development of new blocks through to harvest assessments, as well as providing advice to help produce an export quality crop.

Richard makes recommendations to RMS managers regarding soil nutrition levels before trees are planted, delivers advice on chemical usage, and coordinates the supply of posts. As new development blocks come into production, Richard maps the area and uses GPS for the Orchard-Rite® wind machines to be placed and installed with the correct coverage area.

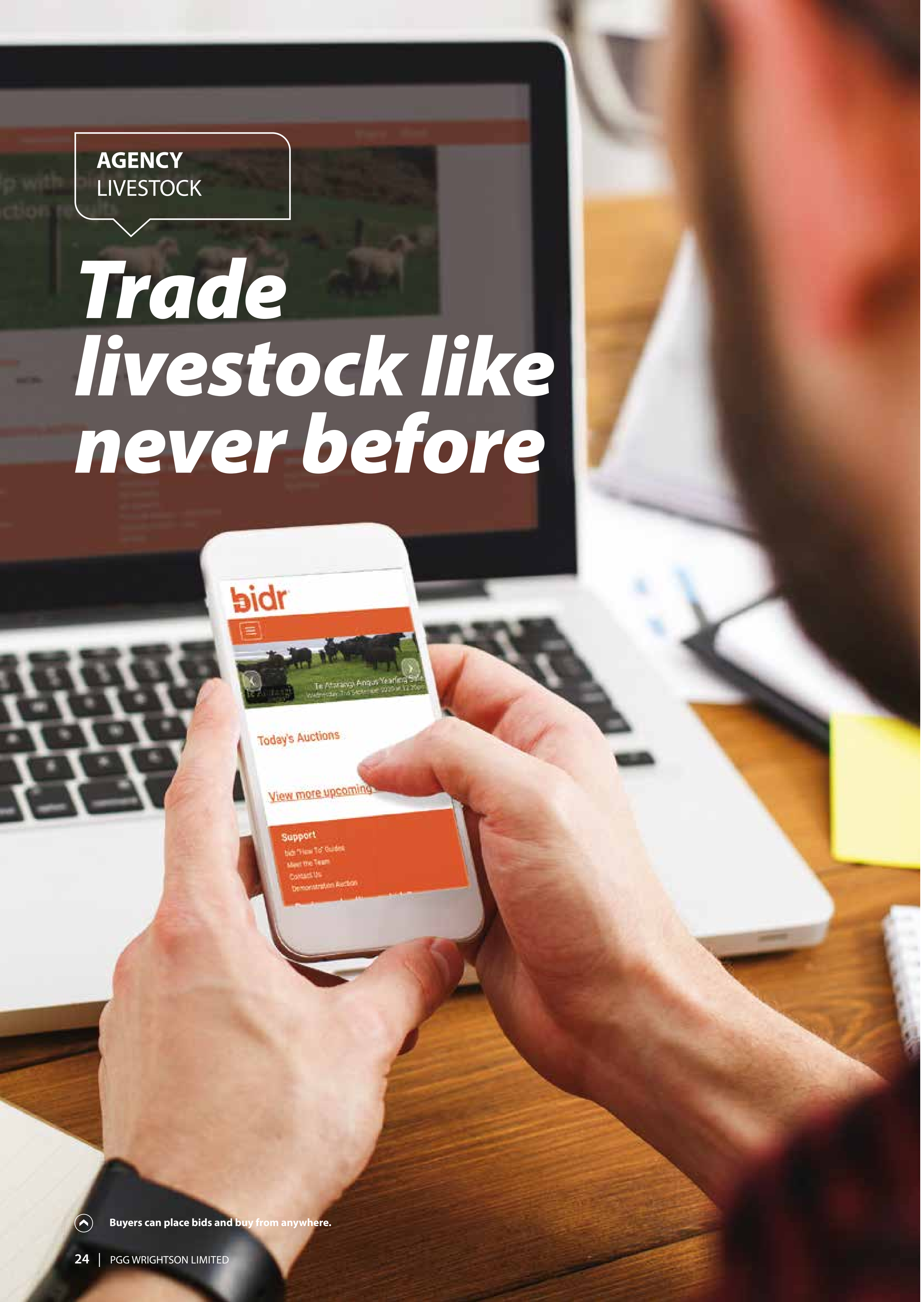
RMS are at the forefront of innovation and Richard has instigated demonstration days on their orchards with suppliers to Croplands (who manufacture and supply spray equipment, components and accessories for sustainable agriculture) to exhibit new technology to assist RMS achieve industry-leading, integrated and sustainable crop management practices. Richard says, "the relationship relies on our Fruitfed Supplies team being proactive and thinking about their requirements, especially during this rapid growth phase, as well as Chris having trust in our recommendations."

Chris respects Richard's knowledge as a THR and an orchardist and Chris knows that Richard will only recommend something that will add value to RMS. They have developed a personal relationship built on trust and Chris says, "Richard's humble enough to admit if he doesn't know something and he'll find out the answer as he knows how accurate the information has to be. He provides the best service to us and looks after our needs so I can focus on what I have to do, I don't have to go behind and check."

PGG Wrightson Technical Horticultural Representative for Fruitfed Supplies, Richard Griffiths, inspects Rockit™ apple trees with Rockit Management Services General Manager, Chris Hurrey, at an orchard near Havelock North in Hawke's Bay in July 2020.

Working with PGW

Richard Griffiths joined Fruitfed Supplies 10 years ago and is a THR servicing horticultural customers across Hawke's Bay. Richard collaborates with the Fruitfed Supplies' Technical Team. Members of this Research and Development team are all science degree-qualified and they have a clear appreciation of the realities of commercial horticulture. The Technical Team support our THRs and our customers with in depth expert advice in a range of subjects to increase orchard performance and productivity, and deliver better export quality produce to market.



AGENCY
LIVESTOCK

Trade livestock like never before

Buyers can place bids and buy from anywhere.

bidr®
NZ's Virtual Saleyard

PGW launched bidr® its innovative online, real time, auction platform, at Fieldays in June 2019. bidr® was designed to provide the livestock industry with a practical new option for buying and selling livestock online and, ultimately, all things rural.

Since launch, bidr® has accredited seven agencies and over 280 livestock assessors, hosted more than 200 online auctions and facilitated trades of more than 30,000 head of stock.

The flexibility of bidr®'s platform empowers farmers and agents with choice when selling livestock, offering regular weekly auctions and the ability to stand up feature auctions. As an online platform, buyers can place bids and buy from anywhere with internet access. Importantly, there is reduced stress on animals and the environmental footprint of livestock trading is lowered given that stock are transported directly to where they need to go. This results in less unnecessary stock movement and also reduces biosecurity risk by removing the need to congregate animals in saleyard environments.

The agility of the bidr® business came to the fore during the recent COVID-19 lockdown period. In these unprecedented times, internet use and the adoption of online technologies saw massive growth worldwide. This was also true for New Zealand's agribusinesses. During Alert Levels 4 and 3 saleyards throughout the country were closed and farmers and agents welcomed bidr®'s technology. bidr® experienced rapid growth in activity with more than 3,600 registered users now signed up.

During lockdown, another key concern for the industry was the upcoming two-year old bull sales. With uncertainty about the ability to host these sales on-farm due to social distancing requirements, the PGW Genetics team looked to bidr®. While numerous smaller studs moved their sales to fully online auctions, a solution was needed for large-scale breeders. bidr® and the Genetics Team co-designed a hybrid auction format to provide a fully integrated solution whereby an auctioneer calls the auction on-farm and buyers are able to bid on-farm or online via bidr®. The addition of audio and video livestreaming added a crucial dimension allowing remote participation for users.

Livestreaming of on-farm auctions was on bidr®'s development roadmap but COVID-19 was a catalyst for its early implementation. bidr® prioritised the hybrid option and delivered quickly to meet the need. Overall, bidr® livestreamed 31 hybrid bull sales, each with hundreds of viewers and a total of more than 620 registered online buyers.

Te Mania Angus in North Canterbury are industry leaders and conduct the largest two-year old bull sale of its kind in New Zealand. As innovators they readily took the opportunity to use bidr®'s platform to promote their business using the hybrid livestream auction option in mid-June 2020, with 131 lots sold, averaging $10,056. bidr® activity at the sale was strong with several purchases and bids in excess of $40,000 being placed online.

Te Mania Stock Manager, Will Wilding said, "the bidr® team provided us with excellent service at every step of our sale process. The website gave us the platform to reach a wider audience, the video of the bulls looked great, and on sale day bidr® activity was strong and added value to the Te Mania brand. We look forward to using the bidr® team's expertise in future."

PGW Livestock General Manager, Peter Moore said, "bidr® is supported by a highly committed and qualified team of industry specialists who are dedicated to delivering results. The team pride themselves on their professionalism, integrity, and being an approachable partner to provide famers and agents with better business solutions, while delivering the best customer experience. Their diverse backgrounds include dairy, genetics, agribusiness, livestock and provide a holistic view to delivering an online business."

Saleyards and on-farm sales are synonymous with New Zealand farming culture and have been so for more than 100 years. They will always be a large part of many farmers and agents' way of buying and selling, allowing farmers the opportunity to view stock in person and the chance to socialise. However, the benefits of bidr® are increasingly being recognised by the industry and the market has welcomed this innovative offering. The team is passionate about the future of rural New Zealand and the increasing role bidr® will play.

For further information please visit www.bidr.co.nz or call 0800 TO BIDR (0800 86 2437).

How to sign up to bidr®

All farmers need to do is sign up with their trusted agency and register for upcoming auctions. When farmers list their animals for sale an accredited assessor visits the farm to assess the livestock, gather information, produce videos, and take photos. The sale date and time of the auction is assigned, and this information is uploaded on bidr®, similar to a sale catalogue.

PGG Wrightson in the community

IHC provided photograph of Gabrielle who enjoys growing up on a dairy farm near Reefton on the West Coast of the South Island.

We appreciate the importance of making a positive and meaningful contribution to the communities in which we operate. We are proud to support and provide a wide range of sponsorships within our rural communities throughout the country. From A&P Shows to community organisations, we are doing our part in 'Helping grow the country'.

For more than 165 years our people have been key members of the rural communities in which they live and work alongside their customers. As a result, we have been part of, and we have supported, rural communities for multiple generations.

RAISING MORE THAN
$38m
FOR THE IHC CALF & RURAL SCHEME SINCE LAUNCH

Over $550k
RAISED FOR NEW ZEALAND RURAL COMMUNITIES, CHARITIES AND SCHOOLS THROUGH CASH FOR COMMUNITIES SINCE LAUNCH

Cash for Communities

SUPPORTING THE CANCER SOCIETY THROUGH CASH FOR COMMUNITIES AND IN ASSOCIATION WITH OUR FLEET VEHICLE PROVIDER

Cash for Communities

Having successfully finished its tenth season, the Cash for Communities programme, partnered by PGW and Ballance Agri-Nutrients, continues to provide financial support to rural communities throughout New Zealand and has raised over $550,000 since 2011.

This year the Cash for Communities programme focused on organisations active in supporting and promoting the health and wellbeing of those living in rural New Zealand, including the Cancer Society, the Rural Support Trust, and St John. This focus produced a winning result with 830 farmers taking part in the programme, raising $43,654 for these organisations and schools, clubs, and charities nationwide.

The positive impact of the Cash for Communities programme is felt throughout New Zealand's rural communities. In Mid Canterbury, the Kirwee Volunteer Fire Brigade was recently presented with $3,742 raised through local community support. As Stuart Jones, Chief Fire Officer at the Kirwee Volunteer Fire Brigade explains, "it gives us the tools to provide a better service to the community when they need us. It's all for the community."

One way this programme is unique is that farmers nominate the organisation or charity they would like to receive their donation, with $1 for every tonne of participating Ballance Agri-Nutrients fertiliser purchased on their PGG Wrightson or Fruitfed Supplies account during the campaign period being donated.

For further information on the Cash for Communities programme, visit www.cashforcommunities.co.nz.

Cancer Society

Everyday over 60 New Zealanders are diagnosed with cancer and the Cancer Society supports those people and their whanau who are impacted by cancer. The Cancer Society has staff available to help those in rural communities by offering practical support and care.

The Society also funds vital research, runs free SunSmart health promotion programmes for schools, and provides accommodation facilities across the country. This is especially beneficial to people in rural communities as they often need to travel some distance to receive treatment.

In addition to supporting the Society through the Cash for Communities programme, a further $10,000 donation was made to the Society through our association with FleetPartners, the provider of all our leased vehicles.

IHC Calf & Rural Scheme

PGW Livestock's enduring 35-year relationship with the IHC is one of the longest running charitable partnerships in rural New Zealand. The IHC Calf & Rural Scheme, which is run in conjunction with our farming customers, raises significant funds to help the IHC charity provide support to people with intellectual disabilities and their families within the rural community. As of the 2020 financial year the Scheme has raised more than $38 million since launch.

The format of the Scheme for the past two years has differed to previous years due to the risk of the Scheme spreading M. bovis. In July 2018 the IHC, in consultation with the Ministry for Primary Industries and PGW Livestock, made the necessary decision to ask farmers to donate a 'virtual calf' or to organise transport for calves to sale themselves.

This new approach resulted in less funds being received in FY2019 compared with previous years. Despite the challenges faced due to M. bovis and saleyards being closed over the COVID-19 lockdown, almost $900,000 was donated by farmers to the IHC this financial year.

Greg Millar, National Manager Fundraising, thanked PGW Livestock and the Scheme's dairy farmer supporters. Mr Millar noted "the support PGG Wrightson has provided the IHC by standing together with dairy farmers around New Zealand is much more than financial, it extends to advice, expertise, and linkages. The IHC Calf & Rural Scheme is all about changing lives in rural New Zealand; collectively dairy farmers around New Zealand make a real impact on some of the most vulnerable people and their families in rural New Zealand."

In addition to our support of IHC, the PGW Livestock business supports sheep and beef associations, along with several livestock competitions across New Zealand.

Open Country Dairy

This financial year saw the introduction of a joint initiative with Open Country Dairy. PGW Livestock donated a portion of the commission generated from all livestock sold through PGW for Open Country Dairy suppliers to their respective regional Rescue Helicopters service.

Supporting the Horticulture Sector

Fruitfed Supplies has a long association and partnership with the horticultural industry by encouraging excellence, achievement, and supporting the capabilities of our emerging leaders through co-sponsoring competitions.

The Young Grower of the Year competition selects from the finest fruit and vegetable growers in the country. The focus of the competition is to give recognition to young people working in the industry to develop their skills and foster leadership.

The Young Viticulturist of the Year provides young viticulturists with the opportunity to upskill, grow in confidence, widen their network, and raise their profile within the industry.

The Young Grower of the Year and the Young Viticulturist of the Year progress to compete in the Young Horticulturist of the Year competition. The aim of Young Horticulturist of the Year competition is to encourage young people in horticulture to further develop their skills and knowledge and to increase the opportunities for long term careers in the industry.

This year saw the launch of the Fruitfed Supplies Horticulture Scholarship through Massey University. The intention of this academic scholarship is to help promote excellence in horticulture by supporting future leaders in the industry.

Supporting Industry Events, A&P Shows, Regional Field Days and Rural Communities

National Shearing Circuit

PGW Wool is proud to support our country's shearers through the National Shearing Circuit sponsorship.

The PGG Wrightson Wool National Shearing Circuit is a prestigious competition celebrating excellence in shearing. The competition is made up of heats held across New Zealand between September and March, with the final held at the Golden Shears in Masterton in March each year.

The PGG Wrightson Wool National Shearing Circuit overall winner this year was Angus Moore from Seddon, Marlborough.

A&P Shows, Regional Field Days and Fieldays NZ

PGW is proud to be involved with numerous Agricultural and Pastoral shows (A&P) and field days throughout the year. These events bring the local rural community together and provide us with the opportunity to acknowledge the ongoing support of our customers.

Unfortunately, due to COVID-19, the staging of New Zealand's two largest agricultural shows, Fieldays at Mystery Creek and the New Zealand Agricultural Show in Christchurch were cancelled in 2020 and we look forward to their return in the near future.

Supporting Excellence in Māori Farming

The Ahuwhenua Trophy, Te Puni Kōkiri Excellence in Māori Farming and Horticulture Award, acknowledges and celebrates business excellence in New Zealand's agricultural sector. The trophy has historically alternated between sheep and beef, and dairy each year. With the addition of horticulture this year the trophy will now be competed for by each sector on a three-year rotational basis.

The 2020 awards were moved from May 2020 to November 2020 due to COVID-19 restrictions. The three finalists are The Hineora Orchard / Te Kaha 15B Ahu Whenua Trust of Te Kaha, Otama Marere (Paengaroa North A5) Block of Te Puke, and Ngai Tukairangi Trust of Matapihi.

Industry Associations

As well as PGW sponsoring numerous national breeder associations, PGW employees are respected members of many of these associations, providing expert knowledge, advice, and support to help grow these vital organisations.

Community Events

In addition to supporting corporate events at a national level, PGW supports many grassroot community organisations across New Zealand. The aim of our sponsorship involvement is to support rural activities which promote excellence in farming and ultimately help grow the country. Our preference is to sponsor through an in-kind contribution such as the use of PGW vouchers, marquee supply or the provision of people to help (e.g. judges).

PGW supports a large number of local A&P Shows, rural schools, community groups, sports teams, golf clubs, dog trials, Lions clubs, quiz evenings, and school pet and show days.

Dr Tom's Walk the Talk Wellness Tour – With PGG Wrightson

We continue to support and promote Dr Tom Mulholland who visits the regions doing health checks at agricultural events and in stores which has been beneficial for our teams, our customers, and our communities. Dr Tom discusses the importance of 'knowing your numbers' when it comes to your health and wellbeing and supporting farmers and growers in improving theirs.

The Walk to Wellness Tour

The Walk for Wellness tour was organised by our Southern Team and was a highlight in the southern region. The aim was to walk the 457kms between all ten Southland stores and two Otago stores, over a period of nine days at the end of January 2020. To achieve this, approval was granted from five local councils and Transit New Zealand, and a stringent traffic management plan was implemented.

The more than 120 participants included the Rural Supplies team, their families, staff from other business units, members of the Christchurch corporate team, and customers who all battled heat, wind and lots of rain! Dr Tom and his team were involved, both walking and testing along the way.

Stephen Guerin, our CEO, joined the walkers for the last 5kms en route to the Southern Field Days where the tour concluded.

PGW staff participate in Walk to Wellness between all our Southland stores in January 2020. Pilot vehicles in front and behind walkers provided a safe walking environment.

**YOUNG HORTICULTURIST
YOUNG VITICULTURIST
YOUNG GROWER**
Fruitfed Supplies

**PGG WRIGHTSON
WOOL NATIONAL
SHEARING CIRCUIT
FOR 18+ YEARS**

**SUPPORTING
MĀORI EXCELLENCE
IN FARMING WITH
THE AHUWHENUA
TROPHY**

Environmental, Social and Governance Reporting

New PGW Group head office in the Christchurch International Airport campus.

PGG Wrightson's purpose is 'Helping grow the country'. We are committed to protecting our natural environment for future generations. This means balancing issues of environmental, social, cultural, and economic sustainability to make a valuable contribution to the future of our country, our shareholders, our people, our communities, our customers, and the rural business sectors we operate in.

ASSISTING AGRECOVERY BY COLLECTING OVER
500
TONNES OF PLASTIC FROM FARMERS AND GROWERS ANNUALLY

Enhancing
OUR CERTIFIED HANDLER POLICIES FOR MANAGEMENT OF HAZARDOUS CHEMICALS

PGW'S ENVIRONMENT POLICY WAS APPROVED IN OCTOBER 2019

PGW has been part of rural New Zealand for more than 165 years and we take pride in our stewardship role alongside our customers and stakeholders. Together we seek to ensure the farming sector continues to prosper in a sustainable manner for generations to come.

As an organisation, we are aware of the changing focus of farming and the increasing pressure on the sector to operate in an environmentally sustainable manner. Many of our activities are designed to support more sustainable farming practices.

PGW's overall strategy and framework for environmental and social reporting is evolving and we have a range of initiatives to assist in achieving that purpose.

Some of our initiatives across the three key areas of reporting include:

Environmental

Of growing importance is the need to further understand and evaluate PGW's impact on the environment whilst ensuring we maintain regulatory compliance wherever we operate. With that in mind PGW's Health, Safety and Environment Committee (HSEC) approved our Environment Policy in October 2019, following the addition of environmental management to the scope of the HSEC Charter. The principal focus of the policy is to manage environmental compliance and operational risks, and to formalise PGW's commitment to continuous improvement of our practices and environmental impacts.

- As an initial focus towards implementing our Environment Policy, an Environment Compliance Management Framework (ECMF) was established and a working group was formed with representation from business operations, technical teams, and project management by Group Safety, Wellbeing and Environment. The working group's focus is to utilise the ECMF to develop a management system that supports PGW's business activities and ensure consistent use and application across the business.
- The working group has systematically identified PGW's environmental compliance obligations and their implications as they relate to our activities, services, and potential impacts on the environment.
- The next milestone for the ECMF working group will be to complete a risk review of the environmental aspects and impacts of all PGW operations.
- The Retail & Water business has identified Environmental Management as a key strategic initiative for their business. Last year numerous environmental and sustainability projects came to fruition. These include:
  - reviewing and preparing a submission on the Action for Healthy Waterways package which introduces new rules and regulations for New Zealand's freshwater.
  - informing farmers and growers of potential third party grant assistance to help adopt specific environmentally sustainable farming measures.
  - undertaking a leading role regarding animal welfare in winter cropping systems, with a senior member of the Technical Team sitting on the Government led Winter Grazing Action Group.
  - senior members of the Technical Team advising industry groups about the future sustainability of agrichemical use in horticultural crops.
  - working with multinational supplier companies to develop and commercialise sustainability initiatives in New Zealand.
- Our Technical Team has a number of research programmes underway in any given year to bring to the market fertiliser and agrichemicals that offer sustainability benefits.
- We enhanced our Chemical Handler practices for managing hazardous chemicals by establishing key role responsibilities and training requirements for confirming our team members have current Certified Handler competency.

- We continue to work with suppliers of products to ensure as many products as possible are sold in packages and containers that can either be recycled or reused.
- We provide ongoing support to the Agrecovery recycling programme which helps our customers clear more waste. This includes logistical support and we have Agrecovery containers at some of our sites and we also work with customers to ensure used containers are returned. This product stewardship programme collects and recycles more than 500 tonnes of plastic from farmers and growers annually.
- With compliance and product security becoming increasingly important, the Retail & Water business has commenced a recruitment process for a Quality Assurance Coordinator role.
- We continue to review and implement improved animal welfare methods in our Livestock business, including working closely with the Ministry for Primary Industries and OSPRI to help develop industry policy, regulation, and ensure compliance.
- PGW Livestock continues to review saleyard efficiency and utilisation with an emphasis on improving the management of effluent. An external party has been engaged to undertake further environmental audits of the saleyards following a trial audit of Stratford in February 2020. The environmental audit will provide PGW Livestock with an independent review recommending actions for improvement.
- bidr®, our online livestock trading platform, which was launched in July 2019 reduces stress on animals and farming's environmental footprint by keeping livestock on-farm until it is known where they need to go. Given animals are transported directly between farms there is less stock movement, resulting in increased efficiencies and also improved biosecurity benefits (see pages 24–25).
- During November 2019 PGW's corporate office moved to a new building in the Christchurch International Airport campus. Benefits of the new building include double glazing, motion sensor LED lights, an ecoflow toilet system which uses less water, and a heat exchanger on the ventilation system has been used on the roof to capture the energy in the air being expelled from the building. Several electric vehicle chargers have been installed in the car park, as electric vehicles have been introduced into our pool car fleet.
- As part of our commitment to managing our environmental impact at our corporate office we are working with our landlord to manage stormwater and protect the quality of the receiving groundwater.
- We progressed with our plans to continually improve our retail store network though employing more energy efficient technologies, such as upgrading to LED lights to reduce electricity consumption and our overall energy footprint.
- We encourage our customers to receive statements and invoices by email and for employees to reduce printing internally.

Social

- Safety and wellbeing are a key focus of our Board, our executive team, and our people, with a number of new initiatives implemented as outlined on pages 7–8.
- PGW has numerous human resources policies which reference New Zealand employment and health and safety legislation, supported by our Code of Conduct and our core company values – accountability, leadership, integrity, smarter and teamwork.
- PGW proudly supports the rural communities in which we operate with numerous community and sponsorship arrangements, including a focus on community health through our sponsorship of the Dr Tom's Walk the Talk Wellness tour and associated events (see pages 26–29).
- In supply chain management, our contracts with suppliers stipulate upon compliance with specified social standards, including for example, working conditions, ethical behaviour, antibribery and a prohibition on child labour.

Governance

PGW applies good governance and risk management procedures as outlined in the Governance section of this annual report (see pages 84–100).

PGG Wrightson

KEY FINANCIAL DISCLOSURES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2020

Harvest time at Creeside Farm near Methven in Canterbury in February 2020.

PGG WRIGHTSON LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

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

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

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

The Directors are pleased to present the consolidated financial statements for PGG Wrightson Limited and its controlled entities (together the "Group") set out on pages 35 to 79 for the year ended 30 June 2020.

The consolidated financial statements contained on pages 35 to 79 have been authorised for issue on 17 August 2020.

For and on behalf of the Board.

Rodger Finlay
Chairman

David Cushing
Director and Audit Committee Chairman

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2020

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

Basic & diluted earnings per share (EPS)

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

* ***The Group adopted NZ IFRS 16 Leases from 1 July 2019 using the modified retrospective approach. Under this approach, the 2020 reporting period includes NZ IFRS 16 adjustments; however, the comparative period excludes such adjustments. Excluding NZ IFRS 16, the Operating EBITDA and NPAT for the June 2020 period were $23.4 million and $9.8 million, respectively. Refer to page 37 for the impact of the standard on the June 2020 profit or loss.***

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

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

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

IMPACT OF NZ IFRS 16 LEASES

For the year ended 30 June 2020

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

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

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

A. Impact on the consolidated statement of profit or loss

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

PGG WRIGHTSON LIMITED

IMPACT OF NZ IFRS 16 LEASES CONTINUED

For the year ended 30 June 2020

B. Impact on the consolidated statement of financial position

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

C. Impact on the consolidated statement of cash flows

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

PGG WRIGHTSON LIMITED

SEGMENT REPORT

For the year ended / as at 30 June 2020

A. Operating segments

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

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

The Group's segments are described below:

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

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

Corporate costs allocation

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

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

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

B. Geographical segment

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

PGG WRIGHTSON LIMITED

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2020

C. Operating Segment Information

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

D. Impact of NZ IFRS 16

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

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

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

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

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

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

PGG WRIGHTSON LIMITED

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

For the year ended 30 June 2020

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

Cash Flows Accounting Policies

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

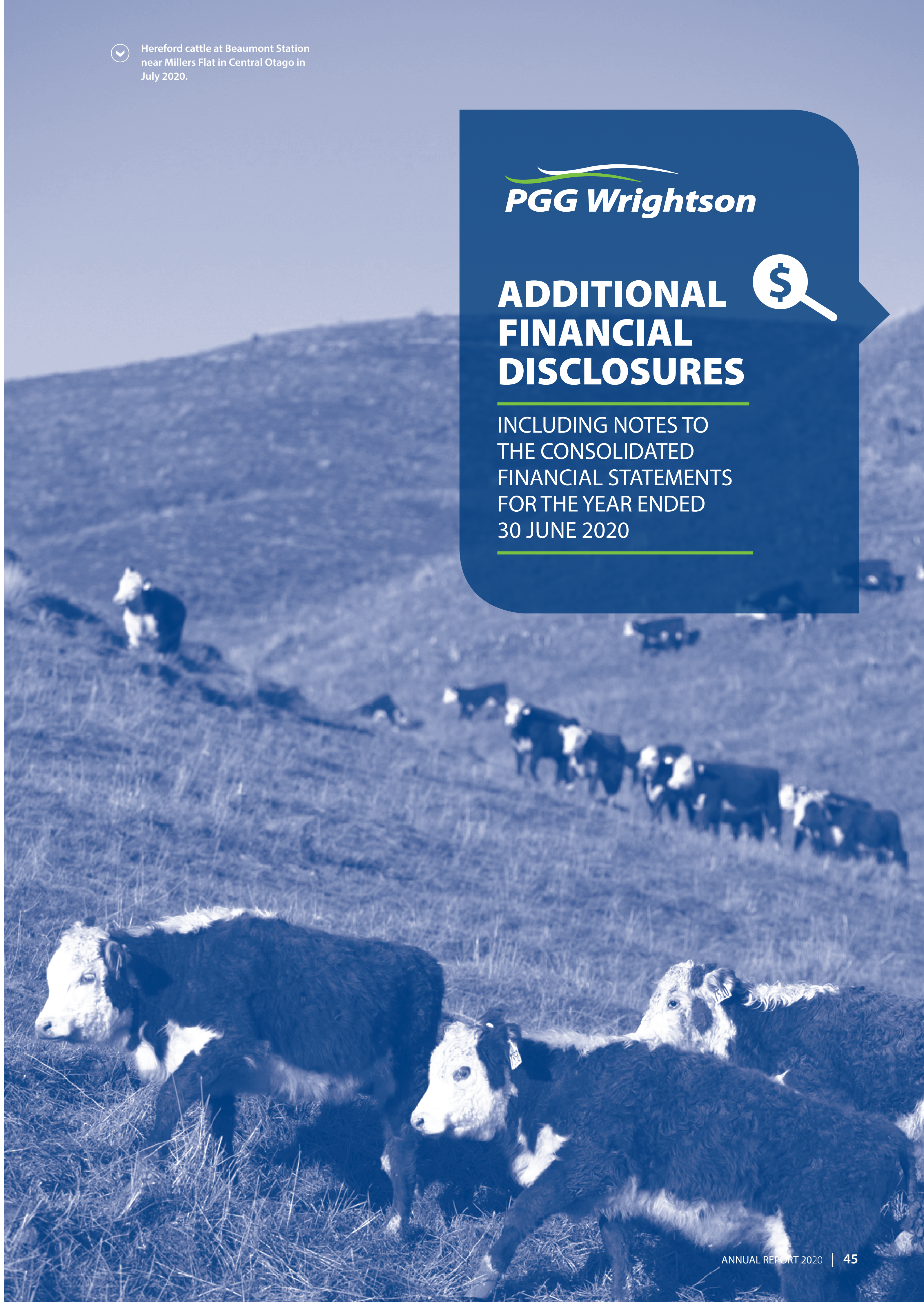
PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

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

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



Hereford cattle at Beaumont Station near Millers Flat in Central Otago in July 2020.

PGG Wrightson

ADDITIONAL FINANCIAL DISCLOSURES

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

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1 OPERATING REVENUE

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

Income Recognition Accounting Policies

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

Sales revenue

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

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

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

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

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

Commission revenue

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

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

Construction contract revenue

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

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

Interest and similar income and expense

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

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

2 COST OF SALES

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

3 OTHER OPERATING EXPENSES

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

A. Audit fees

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

4 IMPAIRMENT AND FAIR VALUE GAINS/(LOSSES)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

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

A. Saleyards

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

B. Right-of-use assets

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

Impairment Accounting Policies

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

Non-financial assets

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

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

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

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

5 NET INTEREST AND FINANCE COSTS

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

Interest and Finance Income/Expense Accounting Policies

Interest and similar income and expense

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

Fair value change on foreign exchange derivatives

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

6 GOVERNMENT GRANT

COVID-19 wage subsidy

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

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

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

Government Grant Accounting Policies

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

7 INCOME TAXES

A. Income tax recognised in profit or loss

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

Refer to Accounting Policies – page 52.

7 INCOME TAXES CONTINUED

B. Income tax recognised directly in equity

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

C. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

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

Refer to Accounting Policies – page 52.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

7 INCOME TAXES CONTINUED

D. Unrecognised tax losses and temporary differences

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

E. Imputation credits

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

Income Tax Accounting Policies

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

Current tax

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

Deferred tax

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

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

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

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

8 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

A. Earnings per share (EPS)

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

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

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

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

B. Net tangible assets (NTA)

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

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

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

Earnings Per Share Accounting Policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

9 CASH AND FINANCING FACILITIES

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

Financing facilities

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

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

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

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

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

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

10 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Derivative Financial Instruments Accounting Policies

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

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

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

11 TRADE AND OTHER RECEIVABLES

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

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

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

Trade and Other Receivables Accounting Policies

Recognition and measurement

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

Impairment

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

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

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

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

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

12 *GO* LIVESTOCK RECEIVABLES

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

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

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

13 INVENTORY

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

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

Inventories Accounting Policies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

14 INTANGIBLE ASSETS

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

Intangible Assets Accounting Policies

Software

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

Rights

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

Impairment

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

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases many assets, including:

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

Transition to NZ IFRS 16

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

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

On transition, the Group applied various practical expedients including:

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

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

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

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

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

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

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

Amounts in consolidated statement of financial position

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

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

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

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

Refer to Accounting Policies – page 61.

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

Lease Accounting Policies

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

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

Right-of-use assets

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

Lease liabilities

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

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

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

16 PROPERTY, PLANT AND EQUIPMENT

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

Refer to Accounting Policies – page 63.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

Refer to Accounting Policies – page 63.

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, Plant & Equipment Accounting Policies

Recognition and measurement

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

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

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

Subsequent expenditure

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

Depreciation

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

Impairment

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

17 TRADE AND OTHER PAYABLES

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

A. Make good provision on leased properties

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

18 DEFINED BENEFIT LIABILITY

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

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

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

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

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

A. Plan assets

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

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

B. Actuarial assumptions at the reporting date

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

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

Refer to Accounting Policies – page 65.

18 DEFINED BENEFIT LIABILITY (CONTINUED)

C. Sensitivity analysis

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

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

D. Movement in net defined benefit liability

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

Employee Benefits Accounting Policies

Defined benefit plans

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

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

Short-term employee benefits

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

Long-term employee benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

19 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Accounting classifications and fair values

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

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

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

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

A. Accounting classifications and fair values (continued)

Fair value hierarchy

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

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

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

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

B. Financial management risk

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

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

The following management committees review and manage key risks:

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

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

(i) Liquidity and funding risks

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

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

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

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

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

B. Financial management risk (continued)

(i) Liquidity and funding risks (continued)

Contractual maturity analysis

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

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

(ii) Credit risk

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

Concentrations of credit risk

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

(iii) Market risk

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

Concentrations of market risk

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

Foreign currency risk

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

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

Refer to Accounting Policies – page 71.

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

B. Financial management risk (continued)

(iii) Market risk continued

Foreign currency exposure risk

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

	GBP NZ$000	USD NZ$000	AUD NZ$000	EURO NZ$000
2020				
Cash and cash equivalents	–	1	13	1
Trade and other receivables	82	2,047	–	1,827
Trade and other payables	(532)	(8,366)	(972)	(2,151)
Net balance sheet position	**(450)**	**(6,318)**	**(959)**	**(323)**
Forward exchange contracts				
Notional forward exchange cover	8,356	(1,764)	972	(15,777)
Net unhedged position	**(8,806)**	**(4,555)**	**(1,931)**	**15,454**
2019				
Cash and cash equivalents	–	1	1	1
Trade and other receivables	1,213	2,235	237	4,697
Trade and other payables	(565)	(5,122)	(1,758)	(1,991)
Net balance sheet position	**648**	**(2,886)**	**(1,520)**	**2,707**
Forward exchange contracts				
Notional forward exchange cover	9,483	1,585	(1,758)	21,356
Net unhedged position	**(8,835)**	**(4,471)**	**238**	**(18,649)**

Interest rate risk

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

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

Refer to Accounting Policies – page 71.

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

(iii) Market risk continued

Interest rate repricing schedule

The following tables include the Group's liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	WITHIN 12 MONTHS $000	1 TO 2 YEARS $000	OVER 2 YEARS $000	NON INTEREST BEARING $000	TOTAL $000
2020					
Debt	30,000	20,000	–	–	50,000
Derivative financial instruments	–	–	–	607	607
Trade and other payables	–	–	–	81,835	81,835
	30,000	**20,000**	**–**	**82,442**	**132,442**
2019					
Debt	2,680	–	–	–	2,680
Derivative financial instruments	–	–	–	342	342
Trade and other payables	–	–	–	96,802	96,802
	2,680	**–**	**–**	**97,144**	**99,824**

Sensitivity analysis

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

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

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

C. Capital management

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

Refer to Accounting Policies – page 71.

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

Non-Derivative Financial Instruments Accounting Policies

(i) Non-derivative financial assets

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

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

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

Financial assets measured at amortised cost

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

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

Financial assets measured at fair value

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

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

Cash and cash equivalents

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

Trade and other receivables

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

(ii) Non-derivative financial liabilities

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are stated at cost.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

20 COMMITMENTS

A. Capital expenditure not provided for

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

B. Forward purchase commitments

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

21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A. PGG Wrightson Loyalty Reward Programme

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

B. Contingent liabilities

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

C. Contingent assets

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

22 SEASONALITY OF OPERATIONS

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

23 SUBSEQUENT EVENTS

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

24 RELATED PARTIES

A. Key management personnel compensation

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

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

B. Other transactions with key management personnel

Several Directors, Senior Executives or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities transacted with the Group during the reporting period.

The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances (on a GST inclusive basis) relating to Directors, Senior Executives and entities over which they have control or significant influence were as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

25 REPORTING ENTITY

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

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

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

26 BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

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

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

Functional and presentation currency

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

Use of estimates and judgements

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

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

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

Note

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

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

Comparative information

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

PGG WRIGHTSON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2020

27 OTHER SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

B. Foreign currency

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

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

C. Discontinued operation

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

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

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

D. Disclosure of non-GAAP financial information

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

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

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

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

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

27 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Standards issued but not yet effective

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

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

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

28 CAPITAL AND RESERVES

Share capital

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

Foreign currency translation reserve

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

Realised capital and revaluation reserve

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

Defined benefit plan reserve

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

Fair value reserve

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

Retained earnings

Retained earnings equals accumulated undistributed profit.

Dividends

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

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

Share Capital Accounting Policies

Ordinary shares

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

Repurchase of ordinary shares

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

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

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

KPMG

Independent Auditor's Report

To the shareholders of PGG Wrightson Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of PGG Wrightson Limited (the 'company') and its subsidiaries (the 'Group') on pages 35 to 79:

i. present fairly in all material respects the Group's financial position as at 30 June 2020 and its financial performance and cash flows for the year ended on that date; and

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

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated statements of profit or loss, other comprehensive income, cash flows and changes in equity for the year then ended;
- the segment report as at and for the year ended 30 June 2020; and
- additional financial disclosures, including notes to the financial statements.

Basis for opinion

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

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1,000,000 determined with reference to a combined benchmark of Group revenue and profit before tax. We chose the benchmark because, in our view, this is a key measure of the Group's performance that incorporated the impact of one-off events.

KPMG

Key audit matters

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

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

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

Other information

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

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

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

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

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

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

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

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

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

For and on behalf of

KPMG

KPMG
Christchurch

17 August 2020

Corporate Governance and Board Charter

Incorporating Disclosure of Compliance with the NZX Corporate Governance Code

Introduction

The Board of PGG Wrightson Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all of PGG Wrightson's officers and staff. As part of this commitment, the Board has adopted this Corporate Governance Code which incorporates the Board Charter in section 2 below.

PGG Wrightson has applied the new NZX Listing Rules from 1 July 2019.

PGG Wrightson complies with the Recommendations in the NZX 2019 Corporate Governance Code (NZX Code) except where specifically disclosed in this annual report. This Corporate Governance section is current as at 30 June 2020 and has been approved by PGG Wrightson's Board of Directors.

The Board's primary objective is the creation of shareholder value through following appropriate strategies and ensuring effective and innovative use of PGG Wrightson's resources in providing customer satisfaction. PGG Wrightson will be a good employer and a responsible corporate citizen.

Principle 1 – Code of Ethical Behaviour

> *"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."*

1.1 PGG Wrightson Code of Conduct

Directors recognise that it is their role to set high standards of ethical behaviour, model this behaviour and hold management accountable for observing, fostering and delivering high ethical standards throughout PGG Wrightson. Directors and employees are expected to act honestly and in the best interests of PGG Wrightson, as required by law, and taking account of interests of shareholders and other stakeholders.

In compliance with NZX Code Recommendation 1.1, the Board has several documents that codify minimum standards of ethical behaviour, being the:

- Corporate Governance Code and Board Charter which is available at www.pggwrightson.co.nz under Our Company > Governance;
- Conflict of Interest Policy;
- Fraud Prevention and Response Policy; and
- Whistle-Blower Policy.

The Code of Conduct requires all PGG Wrightson, directors and employees, to observe the highest of standards of ethics and conduct, in alignment with these PGG Wrightson Values:

Accountability:

- Stand by our word and meet commitments.
- Be accountable to our customers and each other.

Leadership:

- Set standards and exceed expectations.
- Take action and strive to excel.
- Lead through innovation.

Integrity:

- Operate ethically and with integrity.
- Treat others with respect.
- Act professionally.

Smarter:

- Find ways to be more effective and efficient.
- Think, decide and act quickly (without compromising quality).
- Learn from mistakes and celebrate successes.

Teamwork:

- Share knowledge and information.
- Work together to create solutions.
- Think and act as 'One-PGW'.

The Code of Conduct is intended to guide directors and employees in carrying out their duties and responsibilities. It supports decision-making that is consistent with PGG Wrightson's values and obligations, rather than prescribing a complete list of acceptable and non-acceptable behaviour. It reflects expectations that directors and employees of the PGG Wrightson will:

- Comply with standards including all applicable laws, regulations, codes, policies and procedures and lawful and reasonable directions;
- Behave in a professional manner in a way that upholds the PGG Wrightson Values and maintains public confidence in our professionalism, honesty and integrity;
- Use PGG Wrightson resources, assets, time, funds and information only for their authorised/intended purpose;
- Treat customers, suppliers, other PGG Wrightson personnel and third parties with respect, courtesy and dignity;
- Ensure their own and others' health, safety and wellbeing in the workplace, and protect the environment;
- Avoid and/or disclose any Conflicts of Interest (real or apparent). PGG Wrightson has a detailed Conflicts of Interest Policy which contains good practice guidelines surrounding the identification, disclosure and management of staff conflicts of interest;
- Follow company policy on receiving and giving gifts and gratuities;
- Protect PGG Wrightson Assets and comply with our Group Fraud Prevention Policy;
- Give proper attention to all matters and create an open communication environment that results in all material items being brought to the attention of directors and the appropriate management; and
- Protect the confidentiality of and intellectual property rights in all non-public information about our customers, suppliers, PGG Wrightson personnel and business.

The Code of Conduct, and where to find it, is communicated to all staff and is included in regular staff training and inductions.

The Code of Conduct provides mechanisms to report breaches of the Code including unethical behaviour and specifies the disciplinary procedures in place for any breaches. It is the responsibility of the Board to review the Code of Conduct, to implement the Code and to monitor compliance. The Board receives reports on compliance with the Code of Conduct from its internal audit function. No instances of material breaches have been reported.

PGG Wrightson has a Whistle-Blower policy that allows any reports of serious wrongdoing including material breaches of the Code of Conduct to be made on a protected disclosure basis, which contains a process for direct access to an independent director, to help encourage a culture of promoting ethical behaviour and being able to speak up.

PGG Wrightson maintains a Directors and Officers Interests Register which is regularly updated, documenting interests disclosed by all Board members and senior management. The statutory disclosures section in the 2020 Annual Report is compiled from entries in the Directors Interests Register during the reporting period. Directors may not participate in Board discussions nor vote on matters in which they have a personal interest.

1.2 Securities Trading Policy

In compliance with NZX Code Recommendation 1.2, the Company has a detailed financial product trading policy applying to all Directors and staff which incorporates insider trading restraints, and rules. The Securities Trading Policy, which is available at www.pggwrightson.co.nz under Our Company > Governance, specifies that no director or employee may buy or sell PGG Wrightson shares while in possession of inside information. Inside information is material information that is not generally available to the market. The policy also states that Directors and staff in possession of inside information cannot directly or indirectly advise or encourage any person to deal in PGG Wrightson shares. Compliance with the Securities Trading Policy is monitored through the consent process, by education and by notification by PGG Wrightson's share registrar Computershare when any Director or Officer engages in trading activities. Trading in PGG Wrightson shares by Directors and Officers is disclosed to the NZX.

Principle 2 – Board Composition & Performance incorporating PGG Wrightson's Board Charter

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives."

2.1 This section 2 outlines the Board's Charter which is in compliance with NZX Code Recommendation 2.1. The Board is committed to the principle that there should be a balance of independence, skills, knowledge and experience among Directors so that the Board works effectively. Directors are, except where permitted by law, required to act in the best interests of PGG Wrightson and to give proper attention to the matters before them. The Board is satisfied that the Directors commit the time needed to be fully effective in the role. Directors are entitled to seek independent professional advice to assist them in meeting their responsibilities. The Board is responsible for:

- overall governance;
- employing the Chief Executive Officer;
- providing strategic leadership and overseeing the development, adoption and communication of a clear strategy for the business;
- overseeing management's implementation of PGG Wrightson's strategic objectives and performance;
- overseeing accounting and reporting systems (including the external audit) and PGG Wrightson's compliance with its continuous disclosure obligations;
- adopting and reviewing a risk management framework;
- approval of PGG Wrightson's operating budgets/major capital expenditure; and
- adoption of PGG Wrightson's remuneration policy and other corporate governance documents.

There is a clear understanding of the division of responsibilities between, and the respective roles of, the Board and management. To ensure efficiency, the Board has delegated to the Chief Executive Officer and subsidiary company boards the day to day management and leadership of PGG Wrightson operations. The Company has a formal delegated authority framework and policy that sets out matters reserved for the Board and sub-delegates certain authorities to the Chief Executive Officer and Managers within defined limits.

2.2 In compliance with NZX Code Recommendation 2.2 that every issuer should have a procedure for the nomination and appointment of directors to the Board. This is done as circumstances require. PGG Wrightson has a formal and transparent method for the nomination and appointment of directors to the Board – nominations are publicly called for by notice on the NZX and considered at the Annual Meeting. Checks will be done and key information about a candidate provided to shareholders in the Notice of Annual Meeting, including any material adverse information disclosed in the checks where a candidate is standing for the first time or the term of office if seeking re-election. Directors may be appointed by the Board between Annual Meetings as permitted by the Constitution but are required to seek re-election at the next Annual Meeting. The Constitution contains no provisions for compulsory retirement or a fixed tenure for Directors, although Directors must periodically retire and seek re-election in accordance with the Constitution and NZX Listing Rules.

2.3 In compliance with NZX Code Recommendation 2.3 that an issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment. The Board has a template Director Letter of Appointment available for use which sets out the written expectations of Directors and which is used for all new Directors.

2.4 In compliance with NZX Code Recommendation 2.4, information about each Director is disclosed in this annual report, including a profile of experience, length of service, independence, ownership interests and attendance at Board meetings. As at 30 June 2020 the Board had five Directors. Their experience, qualifications and the value that they contribute to the Board are listed in the Board of Directors biographies set out in the 2020 Annual Report. The full Board met seven times during the year ended 30 June 2020, including conference calls and video-meetings. Directors also meet on other occasions for strategic planning and held conference calls from time to time as required. The attendance at Board meetings of all Directors who served during the financial year to 30 June 2020 is set out below, including attendance in part:

DIRECTOR	NUMBER OF BOARD MEETINGS ATTENDED	NUMBER OF AUDIT COMMITTEE MEETINGS ATTENDED	NUMBER OF REMUNERATION COMMITTEE MEETINGS ATTENDED
Rodger Finlay	7 (2 via Audio/Video)	4	2
Sarah Brown	7 (2 via Audio/Video)	2 (via Audio)	2
David Cushing	7 (2 via Audio/Video)	4 (1 via Video)	2
Joo Hai Lee	7 (4 via Audio/Video)	4 (4 via Video)	2
U Kean Seng	7 (4 via Audio/Video)	0	1
Ronald Seah (to 31 August 2019)	1	0	1

2.5 In compliance with NZX Code Recommendation 2.5, the Board has a Diversity Policy which is available at www.pggwrightson.co.nz under Our Company > Governance. Attributes that are particularly relevant to PGG Wrightson are culture, ethnicity/nationality, gender and skills. The Board has evaluated PGG Wrightson's performance against its Diversity Policy objectives which relate to the working environment, employment and selection opportunities, Board appointment recommendations, leadership training and HR management support, and considers that these objectives have been met.

The table below lists the numerical quantitative breakdown of the gender composition of PGG Wrightson's Board of Directors and its Officers as at 30 June 2020 and comparative figures for 30 June 2019. An Officer means a person, however designated, who is concerned or takes part in the management of PGG Wrightson's business, but excludes a person who does not report directly to the Board or who does not report directly to a person who reports to the Board.

	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2020	PGG WRIGHTSON LTD'S BOARD OF DIRECTORS AS AT 30 JUNE 2019	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2020	PGG WRIGHTSON LTD'S OFFICERS AS AT 30 JUNE 2019	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2020	PGG WRIGHTSON GROUP WORKFORCE* AS AT 30 JUNE 2019
Number of Males	4	5	7	7	933	989
Percentage of Males	80%	83%	88%	88%	60%	61%
Number of Females	1	1	1	1	621	629
Percentage of Females	20%	17%	12%	12%	40%	39%

* Calculation methodology excludes casuals, fixed term employees and independent commission agents/independent contractors.

2.6 In compliance with NZX Code Recommendation 2.6, Directors are expected to undertake appropriate training to remain current on how best to perform their duties as a Director of a listed company. Directors are regularly updated on relevant industry and company issues, undertake visits to PGG Wrightson and customer branches and operations, and receive briefings from Executive Managers from all Business Units. Directors are able to attend PGG Wrightson Business Unit conference sessions to further their training.

2.7 In compliance with NZX Code Recommendation 2.7, the Board has a process to regularly assess the performance of each Director, the Board as a whole, and Board Committees.

2.8 In compliance with NZX Code Recommendation 2.8, a majority of the Board are Independent Directors, with three out of five Directors being independent. In accordance with NZX requirements, no less than one third of the total number of Directors are required to be Independent Directors. The Board meets this requirement. The Board defines an Independent Director as one who:

- is not an executive of the Company; and
- has no disqualifying relationship within the meaning of the NZX Listing Rules.

The statutory disclosures section in the 2020 Annual Report lists the Company's Directors' independence status. The Board reviews any determination that it makes on a Director's independence on becoming aware of any information that indicates that a Director may have a relevant material relationship. Directors are required to immediately advise of any new or changed relationships so the Board can consider and determine its materiality. Directors' interests including other relevant directorships that they hold are listed on pages 92 to 93 of the 2020 Annual Report. None of the Directors sit on any PGG Wrightson companies apart from the parent PGG Wrightson Limited.

2.9 In compliance with NZX Code Recommendation 2.9, the Chairman Rodger Finlay is an Independent Director.

Principle 3 - Board Committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

The Board has delegated some of its powers to Board Committees where it will enhance its effectiveness in key areas while still retaining Board responsibility. As at 30 June 2020 the Board had two standing Committees – the Audit Committee, the Remuneration and Appointments Committee.

The Committees are made up of a minimum of three non-Executive Director members and each Committee has a written Board-approved charter which outlines that Committee's role, rights, responsibilities, membership requirements and relationship with the Board. In compliance with NZX Code Recommendation 2.7, the Board has a process to formally review the performance of each Committee from time to time in accordance with the relevant Committee's written charter. Proceedings of Committees are reported back to the full Board to allow other Directors to question Committee members.

3.1 **Audit Committee**

In compliance with NZX Code Recommendation 3.1, as explained below, the Audit Committee operates under a written charter, membership is majority independent and comprises solely of non-Executive Directors. The Chairman of the Audit Committee, David Cushing is an Independent Director and is not also the Chairman of the Board.

The Audit Committee Charter is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance.

The members of the Audit Committee are currently David Cushing (Chairman), Rodger Finlay and Joo Hai Lee. The majority of the members of the Audit Committee are Independent Directors. No member of the Audit Committee is an Executive Director. The Audit Committee has appropriate financial expertise, with all current members having an accounting or financial background. The Audit Committee met four times during the financial year.

The main responsibilities of the Audit Committee are:

- Ensuring effectiveness of the accounting and internal control systems;
- Ensuring the Board is properly and regularly informed and updated on corporate financial matters;
- Monitoring and reviewing the independent and internal auditing practices;
- Recommending the appointment and removal of the external auditor and considering a change in the lead audit partner where the auditors continue in office for a period exceeding five years;
- Ensuring the ability and independence of the auditors to carry out their statutory audit role is not impaired or could reasonably be perceived to be impaired;
- To interface with management, internal auditors and external auditors and review the financial reports, as well as advising all Directors whether they comply with appropriate laws and regulations;
- Overseeing matters relating to the values, ethics and financial integrity of the Group; and
- To report Audit Committee proceedings back to the Board.

The Audit Committee has the authority to appoint outside legal or other professional advisors if it considers necessary. The Audit Committee on occasions meets with the internal auditors and external auditors without management present.

3.2 In compliance with NZX Code Recommendation 3.2, employees only attend Committee meetings at the invitation of the Committee as is considered appropriate.

3.3 **Remuneration and Appointments Committee**

In compliance with NZX Code Recommendation 3.3, the Remuneration and Appointments Committee operates under a written Charter, and the majority of members are independent directors as the Committee is comprised of the full Board. In compliance with NZX Code Recommendation 4.2 the Charter is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance. The Remuneration and Appointments Committee is chaired by Rodger Finlay. The Remuneration and Appointments Committee met twice during the financial year as part of a full Board meeting. Employees only attend Committee meetings at the invitation of the Committee as is considered appropriate.

The main responsibilities of the Remuneration and Appointments Committee are:

- To undertake an annual performance appraisal of the Chief Executive Officer and review the appraisal of direct reports to the Chief Executive Officer;
- To review compensation policy and procedures, including employee benefits and superannuation, and recommend to the Board remuneration changes for the Chief Executive Officer and direct reports to the Chief Executive Officer;
- To review succession planning and senior management development plans; and
- To report Committee proceedings back to the Board.

The role of the Remuneration and Appointments Committee as set out in its Charter will be expanded to include the function of recommending remuneration packages for Directors to shareholders in future when such a recommendation to shareholders is put forward.

3.4 In relation to NZX Code Recommendation 3.4, the Board does not have a nomination Committee to recommend director appointments to the Board as that is carried out by the whole Board.

3.5 In compliance with NZX Code Recommendation 3.5, the Board has considered but does not think it is currently necessary to have any other Board committees as standing Board committees. Other committees are formed as and when required.

3.6 In relation to NZX Code Recommendation 3.6, if and when necessary the Board will establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The protocols will disclose the scope of independent advisory reports to shareholders, the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee. The Board does not consider it necessary to establish such protocols in advance as standing protocols but will do so if the need arises.

Principle 4 – Reporting and Disclosure

> ***"The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."***

4.1 The Board endorses the principle that it should demand integrity both in financial and non-financial reporting and in the provision by management of information of sufficient content, balance, quality and timeliness to enable the Board to effectively discharge its disclosure duties.

In compliance with NZX Code Recommendation 4.1, the Board has adopted a Continuous Disclosure Policy which is available on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance. The Company will provide timely and adequate disclosure of information on matters of material impact to shareholders and comply with the continuous disclosure and other listing requirements of the NZX relating to shareholder reporting. PGG Wrightson has established and will maintain processes for the provision of information to the Board by management of sufficient content, quality and timeliness, as the Board considers necessary to enable the Board to effectively discharge its duties.

4.2 In compliance with NZX Code Recommendation 4.2, PGG Wrightson's Code of Conduct, Board and Committee Charters, Diversity Policy and other key governance policies are available to view on PGG Wrightson's website at www.pggwrightson.co.nz under Our Company > Governance.

4.3 In compliance with NZX Code Recommendation 4.3, PGG Wrightson considers that its financial reporting is balanced, clear and objective. The Board receives assurances from the Chief Executive Officer and Chief Financial Officer that the Directors' declaration provided in accordance with International Financial Reporting Standards (IFRS) and NZ IFRS is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

4.4 PGG Wrightson considers that its non-financial reporting is informative, contains forward-looking assessment, and aligns with key strategies and metrics monitored by the Board. Non-financial disclosure, including material environmental, economic and social sustainability factors and practices, risks and other key risks, risk management and relevant internal controls, is outlined in various sections of this annual report. The Company also communicates through the Interim and Annual Reports, releases to the NZX and media, and on its website at www.pggwrightson.co.nz.

Principle 5 - Remuneration

> ***"The remuneration of directors and executives should be transparent, fair and reasonable."***

5.1 The Board is committed to the policy that remuneration of Directors and Officers/Executives should be transparent, fair and reasonable. The Board's Remuneration Policy for Directors is that Directors' fees in aggregate must be formally approved by shareholders. In compliance with NZX Code Recommendation 5.1, the statutory disclosures section in the 2020 Annual Report lists the Company's Directors' actual remuneration including any Board Committee fees paid. There are no performance incentives for any Directors. The Board has not elected to create a performance-based Equity Security Compensation Plan. Further the Board supports Directors investing a portion of their Directors' remuneration in purchasing shares in the Company but it does not consider this should be mandatory.

5.2 The Board considers that it partially complies with NZX Code Recommendation 5.2, being that PGG Wrightson's policy for remuneration of Officers outlines the relative weightings of remuneration components and relevant performance criteria. Directors' remuneration does not have performance criteria attached to it. All executive officer remuneration incentives align with financial and non-financial performance measures relating to PGG Wrightson's objectives and are compatible with PGG Wrightson's risk management policies and systems.

5.3 In compliance with NZX Code Recommendation 5.3, the remuneration arrangements in place for the Chief Executive Officer during the year ended 30 June 2020 including disclosure of the base salary, short-term incentive and the performance criteria used to determine performance-based payments, are outlined on page 96 of this annual report.

Principle 6 – Risk Management

> ***"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."***

6.1 In compliance with NZX Code Recommendation 6.1, PGG Wrightson has in place a risk management framework for its business to manage any existing risks and to report the material risks facing the business and how these are being managed. The Board receives and reviews regular reports.

It is the responsibility of the Board to monitor the broader risk management processes in place to identify and manage potential and relevant risks. Directors have a sound understanding of the key risks faced by the business.

In discharging this obligation, the Board has:

- In conjunction with the Chief Executive Officer, Audit Committee, internal and external audit, set up and monitored rigorous processes for risk management and internal controls to ensure that management prudently and efficiently manage resources, and the identification of the nature and magnitude of the Company's material risks. PGG Wrightson has a comprehensive Risk Policy and Group Risk Management Framework;
- Considered the nature and extent of risks the Board is willing to take to achieve its strategic objectives. The Company is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore takes on controlled amounts of risk when considered appropriate;
- In conjunction with the Chief Executive Officer and Audit Committee, reviewed the effectiveness and integrity of compliance and risk management systems within the business. The Board receives and reviews regular reports on the operation of the risk management framework that includes policies and internal control processes, as well as any developments in relation to key risks. Reports include oversight of the Company's Group risk register and highlight the main risks to the Company's performance and the steps being taken to manage these; and
- Established a separate management Risk and Compliance Committee that is responsible for the oversight of business risks and future risk strategy.

The Board maintains insurance coverage with reputable insurers for relevant insurable risks and recently renewed its insurance policies in accordance with the policy approach determined by the Board.

6.2 In compliance with NZX Code Recommendation 6.2, PGG Wrightson has on pages 7 to 8 of this 2020 Annual Report disclosed how it manages its health and safety risks and has reported on our health and safety risks, performance and management.

Principle 7 – Auditors

> ***"The board should ensure the quality and independence of the external audit process."***

7.1 In compliance with NZX Code Recommendation 7.1, the Board has established a framework as set out below for the Company's relationship with its external auditors. This includes procedures:

(a) for sustaining communication with the external auditors;

(b) to ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;

(c) to address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors; and

(d) to provide for the monitoring and approval by the Audit Committee of any service provided by the external auditors other than in their statutory audit role.

The Board subscribes to the principle that it has a key function to ensure the quality and independence of the external audit process. The Board operates formal and transparent procedures for sustaining communication with PGG Wrightson's independent and internal auditors. The Board seeks to ensure that the ability, objectivity and independence of the auditors to carry out their statutory audit role is not compromised or impaired or could reasonably be perceived to be compromised or impaired. The auditors are invited to attend all Audit Committee meetings (except where auditor remuneration is discussed). This attendance can include invitations for private sessions between the Audit Committee and the external auditor without management present. In addition, the lead audit partner of the external auditor is rotated at least every five years.

To ensure there is no conflict with other services that may be provided by the external auditors, the Company has adopted a policy whereby the external auditors will not provide any other services unless specifically approved by the Audit Committee.

The external auditors KPMG did provide some small value non-financial statement audit work in the year ended 30 June 2020 which was pre-approved by the Audit Committee. The nature of the types of work completed and the remuneration received is disclosed on page 47 of the Annual Report. The external auditors confirmed in their audit report on pages 80 to 83 of this Annual Report that those matters did not impair their independence as auditor of the Group.

7.2 In compliance with NZX Code Recommendation 7.2, the external auditor attends the Annual Meeting to answer questions from shareholders in relation to the audit.

7.3 In compliance with NZX Code Recommendation 7.3, PGG Wrightson's internal audit functions are disclosed here. The internal audit function comprised a Manager supported by a panel of co-source external providers. The internal audit function is responsible for carrying out internal audits in accordance with the internal audit plan approved by the Audit Committee. The function reviews and reports on the effectiveness of internal control systems and processes for the Company.

Principle 8 – Shareholder Rights & Relations

> ***"The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."***

8.1 While the Company does not have a formal shareholder or stakeholder relations policy, the Board actively fosters constructive relationships with its shareholders, as appropriate. The Board is at all times cognisant of the need to protect and act in the best interests of the Company's shareholders.

In compliance with NZX Code Recommendation 8.1, PGG Wrightson's website www.pggwrightson.co.nz has an Investors Section where investors and interested stakeholders can access financial and operational information and key corporate governance information. This contains key governance documents and policies, contact details for investor matters, current and past Annual Reports, notices of meetings and other key dates in the investor schedule, the constitution, media releases and NZX announcements, periodic financial information, dividend histories and other information. PGG Wrightson lists its Business Unit descriptions and key activities on its website, and its releases contain information on business goals and performance. The Company encourages shareholder participation at the Annual Meeting, by providing as an item of General Business, the conducting of a shareholder discussion, where a reasonable opportunity is given for shareholders to question, discuss or comment on the management of the Company.

8.2 In compliance with NZX Code Recommendation 8.2, PGG Wrightson allows investors the ability to communicate with it, including providing the option to receive communications electronically. The Company has continued to seek to improve shareholder participation, efficiency and cost effectiveness of communication with shareholders by offering them its e-comms programme, where shareholders can elect to receive their security holder communications by electronic communications.

8.3 In compliance with NZX Code Recommendation 8.3, shareholders have the right to vote on major decisions which may change the nature of the Company.

8.4 If PGG Wrightson was seeking additional equity capital in the future, it would consider the recommendation in NZX Code Recommendation 8.4 to offer further equity securities to existing equity security holders of the same class on a pro rata basis and no less favourable terms before further equity securities are offered to other investors.

8.5 In compliance with NZX Code Recommendation 8.5, the shareholders' Notice of Annual Meeting is posted on the website as soon as possible and at least 20 working days prior to the meeting.

9 Annual Review

9.1 A review of this Corporate Governance Code and associated processes and procedures is completed on an annual basis to ensure the Company adheres to best practice governance principles (as promulgated by the relevant authoritative bodies) and maintains high ethical standards.

Statutory Disclosures

The following particulars of notices were given by Directors of the Company pursuant to section 140(2) of the Companies Act 1993 for the year 1 July 2019 to 30 June 2020

DIRECTOR	INTEREST	ORGANISATION
R J Finlay *Chairman*	Chairman	Mundane Asset Management Limited (UK)
		Independent Advisory Panel of Provincial Growth Fund
		St Andrews College Foundation (Trustee)
		NZ Post Limited
	Deputy Chairman	Rural Equities Limited
	Director	Provincial Growth Fund Limited
		Moeraki Limited
		Ngāi Tahu Holdings Corporation Limited
		Kiwi Group Holdings Limited
		Mundane World Leaders Fund Limited (Cayman)
	Trustee	Burnett Valley Trust
J H Lee *Deputy Chairman*	Director	Hyflux Ltd
		Agria Corporation
		Agria (Singapore) Pte Ltd
		Lung Kee (Bermuda) Holdings Limited
		IPC Corporation Ltd
S Brown	Director	Electricity Invercargill Limited
		PowerNet Limited
		OtagoNet Limited
		OtagoNet Properties Limited
		Electricity Southland Limited
		Pylon Limited
	Panellist	Independent Advisory Panel for the Provincial Growth Fund
	Trustee	Southland Boys High School Board of Trustees
		Turnbull Trust
B D Cushing	Executive Chairman	Rural Equities Limited
	Director	Skellerup Holdings Limited
		H & G Limited
		Red Steel Limited
		Makowai Farm Limited
U Kean Seng	Head of Corporate and Legal Affairs	Agria Corporation
L S Seah* ** Retired 31 August 2019*	Chairman	Nucleus Connect Pte Limited
	Director	M&C Reit Management Limited
		M&C Business Trust Management Limited
		Global Investments Limited
		Telechoice International Limited
		Yanlord Land Group Limited
	Non-Executive Director	Life Health Group Ltd
		Life Clinic Ltd
	Sole Proprietor	Soft Capital Sg

In addition, R Finlay and B D Cushing advised that they hold interests in farming operations that transact business with PGG Wrightson Limited companies on normal terms of trade.

Directors' Remuneration

The following persons held office, or ceased to hold office, as a Director during the year to 30 June 2020 and received the following remuneration (including the value of any benefits). Fees are not paid for membership of the Remuneration & Appointments Committee. Figures are gross and exclude GST (if any):

DIRECTOR	PGG WRIGHTSON LIMITED	DIRECTORS' FEES	AUDIT COMMITTEE	AUDIT COMMITTEE FEES	TOTAL REMUNERATION
R J Finlay	Chairman	$202,500		$10,000	$212,500
S Brown		$80,000		–	$80,000
B D Cushing		$80,000	Chairman	$18,125	$98,125
J H Lee	Deputy Chairman	$117,500		$10,000	$127,500
U Kean Seng		$80,000		–	$80,000
L S Seah *		$13,333		–	$13,333

** Retired 31 August 2019*

Statutory Disclosures *continued*

Directors' Shareholdings

As at 30 June 2020 the following Directors of PGG Wrightson Limited held a beneficial interest in shares in PGG Wrightson Limited:

DIRECTOR	REGISTERED HOLDER	NUMBER OF SHARES
R J Finlay	RGH Holdings Limited	81,274
S Brown	Sarah Brown	11,400

J H Lee and U Kean Seng are associated persons of substantial product holder Agria (Singapore) Pte Limited holding 33,463,399 shares. B D Cushing is an associated person of H & G Limited holding 2,006,732 shares.

Directors' Share Transactions

The following Directors of PGG Wrightson Limited notified the Company of the following share transactions between 1 July 2019 and 30 June 2020.

DIRECTOR	REGISTERED HOLDER	NATURE AND DATE OF TRANSACTION	NUMBER OF SHARES	CONSIDERATION
B D Cushing	H & G Limited (beneficial interest)	Pursuant to a court approved scheme of arrangement, PGW undertook a 2:1 share split immediately followed by a 1:2 cancellation on 7 August 2019. This was followed by a 1/10 share consolidation on 9 August 2019.	20,067,323 shares cancelled	$0.31 per share
B D Cushing	Rural Equities Limited (REL)* (beneficial interest)	On-market purchase 15 August 2019	72,238 purchased	$158,121.76
B D Cushing	Rural Equities Limited (REL)* (beneficial interest)	On-market purchase 16 August 2019	27,035 purchased	$61,647.91
B D Cushing	Rural Equities Limited (REL)* (beneficial interest)	Off-market purchase from Ngāi Tahu Capital Limited 19 August 2019	2,743,463 purchased	$6,447,138.05
B D Cushing	Rural Equities Limited (REL)* (beneficial interest)	Four on-market purchases between 26 September 2019 to 2 October 2019	315,577 purchased	$729,799
B D Cushing	Rural Equities Limited (REL)* (beneficial interest)	On-market sale 17 April 2020	3,158,313 sold	$8,685,361
R J Finlay	RGH Holdings Limited (beneficial interest)	On-market purchase 30 September 2019	31,069 purchased	$72,080.08
R J Finlay	RGH Holdings Limited (beneficial interest)	On-market purchase 3 October 2019	27,300 purchased	$63,437.03
R J Finlay	RGH Holdings Limited (beneficial interest)	On-market purchase 4 October 2019	22,905 purchased	$53,368.65
S Brown	Sarah Brown and Keith William Brown	On-market purchase 29 August 2019	6,400 purchased	$15,232.00
S Brown	Sarah Brown and Keith William Brown	On-market purchase 5 November 2019	5,000 purchased	$12,300.00

* H&G Limited is deemed to have had a relevant interest in REL's share as it is the legal and beneficial owner of more than 20% of the shares in REL. B D Cushing has a beneficial interest in H & G Limited.

Directors' Independence

The Board has determined that as at 30 June 2020:

- The following Directors are Independent Directors: R J Finlay, B D Cushing and S Brown.
- The following Directors are not Independent Directors by virtue of their association with a substantial product holder: J H Lee and U Kean Seng.

Directors' Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the Constitution of the Company, the Company has insured Directors and Officers against liabilities to other parties that may arise from their positions as Directors and Officers of the Company, Subsidiaries and Associates. This insurance does not cover liabilities arising from criminal actions and deliberate and reckless acts or omissions.

Use of Company Information by Directors

The Board has implemented a protocol governing the disclosure of Company information to its substantial product holders. In accordance with this protocol and section 145 of the Companies Act 1993, J H Lee and U Kean Seng have given notice that while directors they may disclose certain information to Agria Corporation in order to seek, and inform the Board of, its view as to the governance and operation of the Company and in order to enable Agria Corporation to comply with certain statutory obligations.

Employee Remuneration

Set out on page 96 are the numbers of employees of the Company and its subsidiaries who received remuneration and other benefits of $100,000 or more during the year, in their capacity as employees.

The schedule includes:

- all monetary payments actually made during the year, including termination payments and the face value of any at-risk long-term incentives granted, where applicable;
- the employer's contributions to superannuation funds, retiring entitlements, health insurance schemes and other payments to terminating employees (e.g. long service leave);
- livestock employees who are remunerated on a commission basis and whose remuneration fluctuates accordingly from year to year. Livestock remuneration includes incentives paid in the current year that were earned in respect of the prior year's performance.

The schedule excludes:

- amounts paid post 30 June 2020 that related to services provided in the 2019/2020 financial year;
- telephone concessions to some employees that can include free telephone line rental, national and international phone calls and online services;
- independent real estate/livestock commission agents;
- any attributed or non-attributed benefits received by employees.

No employees appointed as a director of a subsidiary company of PGG Wrightson Limited receives or retains any remuneration or other benefits from PGG Wrightson Limited for acting as such.

Statutory Disclosures *continued*

REMUNERATION RANGE	NUMBER OF EMPLOYEES
$100,000 – $110,000	52
$110,001 – $120,000	59
$120,001 – $130,000	31
$130,001 – $140,000	32
$140,001 – $150,000	33
$150,001 – $160,000	25
$160,001 – $170,000	12
$170,001 – $180,000	22
$180,001 – $190,000	12
$190,001 – $200,000	7
$200,001 – $210,000	4
$210,001 – $220,000	15
$220,001 – $230,000	7
$230,001 – $240,000	3
$240,001 – $250,000	2
$250,001 – $260,000	3
$260,001 – $270,000	2
$280,001 – $290,000	2
$290,001 – $300,000	1
$300,001 – $310,000	2
$310,001 – $320,000	1
$320,001 – $330,000	2
$330,001 – $340,000	1
$340,001 – $350,000	1
$350,001 – $360,000	2
$360,001 – $370,000	1
$370,001 – $380,000	2
$380,001 – $390,000	1
$390,001 – $400,000	1
$400,001 – $410,000	1
$420,001 – $430,000	1
$430,001 – $440,000	1
$500,001 – $510,000	1
$610,001 – $620,000	1
$770,001 – $780,000	1
$790,001 – $800,000	1

The Board's Remuneration and Appointments Committee approves the Group's remuneration policy. The Committee also reviews and recommends to the Board for approval the remuneration of the Chief Executive Officer and the remuneration of the executives who report directly to the Chief Executive Officer.

The Board of Directors' general policy for Chief Executive remuneration is payment of a base salary and an annual short-term incentive based on achievement of performance criteria being Financial Results, Strategic Objectives and Safety and Wellbeing performance.

In compliance with the NZX Code Recommendation 5.3, the remuneration arrangements in place for PGG Wrightson's Chief Executive Officer Stephen Guerin during the year ended 30 June 2020 are set out below. The Chief Executive Officer received payments totalling $770,440 as follows:

- $748,000 – base salary
- $22,440 – KiwiSaver employer contribution

The Chief Executive Officer had an annual short-term incentive of 20% of base salary based on achievement of performance criteria being Financial Results, Strategic Objectives and Safety and Wellbeing performance. Given the impact of COVID-19 on PGG Wrightson's business, no short-term incentive was paid for the year ended 30 June 2020.

The Chief Executive Officer has a company vehicle with full private use valued at $20,000pa.

General Disclosures

Subsidiary Company Directors

The following persons held the office of Director of the respective subsidiaries (as defined in the Companies Act 1993) during the year or part year as indicated on behalf of the Group. Directors appointed (A) or who resigned (R) during the year or part year are indicated. Staff appointments do not receive Director fees or other benefits as a Director. Unless otherwise indicated, Group ownership is 100%.

LEGAL COMPANY NAME	PGG WRIGHTSON APPOINTED DIRECTORS
Agriculture New Zealand Limited	JS Daly, SJ Guerin
Ag Property Holdings Limited	JS Daly, SJ Guerin
AgriServices South America Limited	JS Daly, SJ Guerin
Bidr Limited	SJ Guerin, PJ Moore, PC Scott
Bloch & Behrens Wool (NZ) Limited	JS Daly, SJ Guerin, GW Edwards
NZ Agritrade Limited	JS Daly, SJ Guerin
PGW Rural Capital Limited	JS Daly, SJ Guerin
PGG Wrightson Employee Benefits Plan Limited	CD Adam, JS Daly, SJ Guerin
PGG Wrightson Employee Benefits Plan Trustee Limited	CD Adam, JS Daly, S Guerin, PR Drury, JA O'Neill (A)
PGG Wrightson Investments Limited	JS Daly, SJ Guerin
PGG Wrightson Real Estate Limited	JS Daly, SJ Guerin
PGG Wrightson Trustee Limited	JS Daly, S Guerin

Shareholder Information

PGG Wrightson Limited is quoted on the New Zealand Stock Market of NZX Limited (code PGW). As at 30 June 2020, PGG Wrightson Limited had 75,484,083 ordinary shares on issue.

Substantial Product Holders

At 30 June 2020, the following security holders had given notices in accordance with the Financial Markets Conduct Act 2013 that they were, or in the case of H & G Limited had ceased to be, a substantial product holder in the Company. The number of shares shown below are as recorded in the Company's share register at 30 June 2020.

SHAREHOLDER	NUMBER OF SHARES AT 30 JUNE 2020	DATE OF NOTICE
Beijing Holdings BAIC Limited	8,382,626	30 June 2020
H & G Limited	2,006,732	17 April 2020
Agria (Singapore) Pte Limited	33,463,399	10 April 2019
Agria Group*	33,463,399	17 December 2018

* *Agria Group being Agria Group Limited, Agria Corporation, Agria Asia Investments Limited, Agria (Singapore) Pte Ltd, New Hope International and New Hope Group Co., Ltd as listed in the substantial security product notice.*

Twenty Largest Registered Shareholders

The 20 largest shareholders in PGG Wrightson Limited as at 21 August 2020 were:

SHAREHOLDER	NUMBER OF SHARES HELD	% OF SHARES HELD
1. Agria (Singapore) Pte Limited	33,463,399	44.33
2. Beijing Holdings BAIC Limited	8,754,174	11.60
3. H & G Limited	2,006,732	2.66
4. HSBC Nominees (New Zealand) Limited	1,739,582	2.30
5. Forsyth Barr Custodians Limited	1,531,765	2.03
6. FNZ Custodians Limited	953,791	1.26
7. Nicolaas Johannes Kaptein	500,962	0.66
8. Citibank Nominees (New Zealand) Limited	483,258	0.64
9. Accident Compensation Corporation	478,714	0.63
10. JBWERE (NZ) Nominees Limited	367,055	0.49
11. Michael Murray Benjamin	300,000	0.40
12. New Zealand Depository Nominee Limited	255,722	0.34
13. Leveraged Equities Finance Limited	205,478	0.27
14. Robert Vincent Cottrell + Lesley Maureen Cottrell	200,000	0.26
15. Woolf Fisher Trust Incorporated	185,000	0.25
16. Colin Hugh Notley + Jan Marie Notley	180,000	0.24
17. Ian David McIlraith	180,000	0.24
18. Totara Grove Investments Limited	180,000	0.24
19. JP Morgan Chase Bank NA NZ Branch	167,716	0.22
20. Gamma Trust Limited	155,284	0.21

Analysis of Shareholdings

Distribution of ordinary shares and shareholdings at 31 July 2020 was:

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 – 499	5,767	975,472	1.30
500 – 999	1,324	889,806	1.18
1,000 – 1,999	1,272	1,688,476	2.24
2,000 – 4,999	1,211	3,620,546	4.80
5,000 – 9,999	507	3,330,384	4.41
10,000 – 49,999	457	8,090,535	10.72
50,000 – 99,999	40	2,761,177	3.66
100,000 – 499,999	28	4,377,884	5.80
500,000 – 999,999	2	1,294,960	1.72
1,000,000 Over	6	48,454,843	64.19
Total	**10,614**	**75,484,083**	**100.00**

Registered addresses of shareholders as at 31 July 2020 were:

ADDRESS	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDERS	NUMBER OF SHARES	% OF SHARES
Singapore	10	0.09	33,609,518	44.53
New Zealand	10,351	97.52	41,549,985	55.04
Australia	139	1.31	169,102	0.22
Other	114	1.07	155,478	0.21
Total	**11,577**	**100.00**	**75,484,083**	**100.00**

Corporate Directory

Company number 142962
NZBN 9429040323497

Board of Directors
As at 30 June 2020

Rodger Finlay
Chairman

Joo Hai Lee
Deputy Chairman

David Cushing

Sarah Brown

U Kean Seng

Seah Lim Siang (Ronald)
(retired 31 August 2019)

Executive Team
As at 30 June 2020

Stephen Guerin
Chief Executive Officer

Nick Berry
General Manager Retail & Water

Julian Daly
General Manager Corporate Affairs/
Company Secretary

Grant Edwards
General Manager Wool

Peter Moore
General Manager Livestock

Peter Newbold
General Manager Real Estate

Peter Scott
Chief Financial Officer

Rachel Shearer
General Manager Human Resources
(From February 2020)

Registered Office
PGG Wrightson Limited
1 Robin Mann Place
Christchurch Airport
Christchurch 8053

PO Box 292
Christchurch 8140
Telephone:
0800 10 22 76 (NZ only)
+64 3 372 0800 (International)
Email: enquiries@pggwrightson.co.nz

Auditors
KPMG
Level 5
79 Cashel Street
PO Box 1739
Christchurch 8140
Telephone +64 3 363 5600

Managing your shareholding online:

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

www.investorcentre.com/nz

General enquiries can be directed to:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

@ enquiry@computershare.co.nz

✉ Private Bag 92119, Auckland 1142,
New Zealand

☎ Telephone +64 9 488 8777

Facsimile +64 9 488 8787

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

PGG Wrightson Retail Team Leader, Troy Mackey, arrives at Beaumont Station near Millers Flat in Central Otago in July 2020.


PGG Wrightson