PGG Wrightson

For the six months ended
31 December 2016

Half Year Report

Helping grow the country

Operating EBITDA

$26.0m

from $30.9 million for the previous corresponding period

Net profit after tax

$16.0m

from $16.1 million for the previous corresponding period

Net interest bearing debt

$156m

from $167 million against 31 December 2015

Fully imputed interim dividend

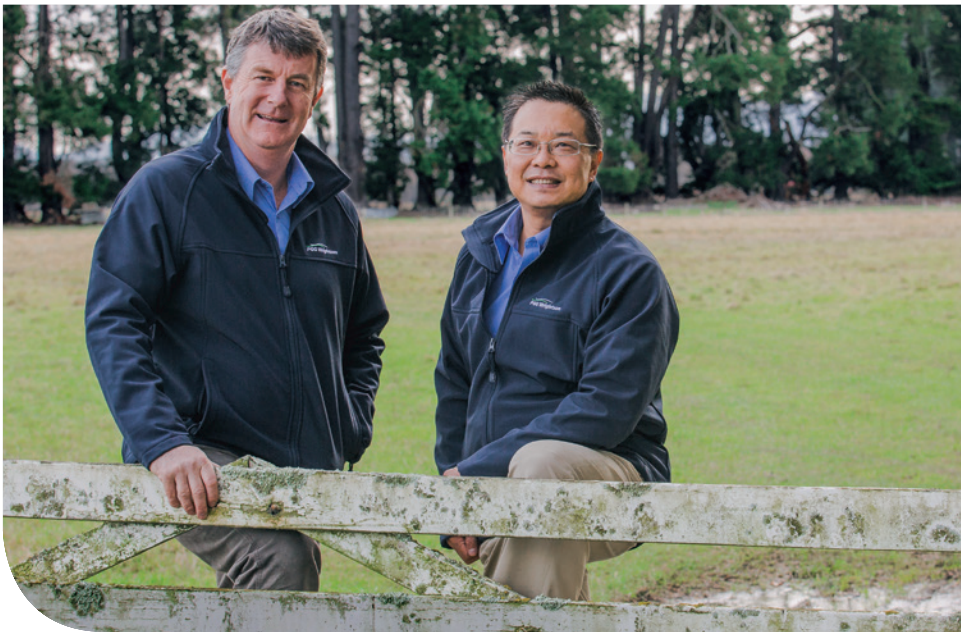
1.75¢

per share

Solid first half PERFORMANCE

Chairman and Chief Executive Officer's REPORT

- **For the six months ended 31 December 2016, PGW achieved Operating EBITDA of $26.0 million, down $5.0 million from the strong result in the corresponding period last year.**
- **Shareholders will receive a fully imputed interim dividend of 1.75 cents per share payable on 4 April 2017.**



Mark Dewdney
CHIEF EXECUTIVE OFFICER

Guanglin (Alan) Lai
CHAIRMAN

Operating Earnings for PGG Wrightson Limited ("PGW", "the Group", or "the Company") before interest, tax, depreciation and amortisation (Operating EBITDA) for the six months to 31 December 2016 was $26.0 million, down $5.0 million from the strong result in the corresponding period last year. Net profit after tax for the period was $16.0 million, broadly in line with the corresponding period last year.

As expected the tougher trading environment resulted in a dip in earnings for the first half of the year. With some key trading months still ahead of us, we remain on track to deliver a full year Operating EBITDA in the $62 million to $68 million range as signalled at the October 2016 Annual Shareholders Meeting. In addition, we now expect full year net profit after tax to be higher than last year - in the range of $46 million to $51 million. This increase is due to several non-operating gains we expect to realise in the second half of the year, such as gains on property we plan to sell.

We continue to operate well in New Zealand and across our other markets. This first half result was affected by the continued caution of dairy farm spending across the New Zealand market - this conservative approach has slowed irrigation development which impacts our Water business.

"…the really pleasing thing is that PGW has continued to perform consistently through these demanding conditions. It is a credit to our people and a positive indicator that reflects well on the value that we deliver to our customers, whatever the market conditions."

Mark Dewdney,
Chief Executive Officer

But it is not just the price of milk. Tough wool trading conditions, lower production levels across New Zealand for milk and red meat, and a wet start to spring led to cautious spending from most of our farming customers during the six months to 31 December 2016. These trading conditions led to a 2% decline in revenue. Despite this, net profit after tax remained broadly unchanged against the previous corresponding period.

Our Company benefits from being a diversified business. This half year our Water and Wool businesses had softer earnings versus the corresponding period last year due to the tougher trading conditions. Our New Zealand Seeds business was also back slightly, but our other business units all performed at, or better than the previous corresponding period.

We now look toward the second half of the financial year, which is traditionally the strongest trading period for us, with some optimism that we will see the impact of improving sentiment in the dairy sector. In particular, the early signals are positive for re-grassing and seed demand to pick up in the autumn.

Our continued focus on cash flow means our balance sheet remains strong, with lower levels of working capital and lower net interest bearing debt of $156.2m compared with our net interest bearing debt at December 2015 of $167.4 million.

PGW is meeting its budgets through these challenging trading conditions. As we foreshadowed, the lower confidence seen in the dairy sector through calendar 2015 and the first half of 2016 has impacted earnings. In that context this is a very pleasing result for the period given the market conditions.

RURAL SERVICES

Retail

Retail increased Operating EBITDA by $2.0 million compared to the same period last year. Margins also showed an increase year-on-year. Despite some challenges with weather and competitor activity all three business areas; Rural Supplies, Fruitfed and Agritrade contributed to the strong Retail result. The full year report will report on the Water business as part of the new Retail and Water group as outlined on page 6.

Our Fruitfed business continues to go from strength to strength with horticulture in New Zealand having another strong half year with all sectors enjoying positive returns. This has helped our Fruitfed business increase revenues and its contribution again.

Rural Supplies performed strongly despite the lower spend from dairy customers, increasing market share particularly in the key agronomy categories of ag-chem and seed. PGW differentiates itself in the rural supplies market through our advice-based offering and high level of service through our expert technical and on-farm teams. Our business continues to reap the rewards of this approach. It is an excellent achievement to continue to grow in this environment.

Livestock

Our Livestock business repeated last year's interim Operating EBITDA. The year-on-year drop in national lamb and mutton kill led to a 1% fall in tallies. However this volume decline was offset by sheep prices being buoyed by a strong store market driven by low supply and high demand due to good feed conditions.

Over the last 12 months beef prices have stabilised, and there remains steady demand due to good levels of feed in some areas and a reduction in the availability of grazing contracts.

Livestock traditionally makes most of its contribution to earnings in the second half of the financial year and changes in livestock prices and volumes can have a significant impact on our full year results. However with a continued strong beef commodity price, a flat outlook for sheep meat, a recovering dairy sector (both cattle volumes and prices) and continued momentum in revamped supply chain products, we expect a similar full year Operating EBITDA to last year from this segment.

The Livestock business has started implementing a strategy that will see the continued evolution and rationalisation of the Saleyard infrastructure.

Water

As expected, the low confidence levels in the dairy sector at the beginning of the season is impacting PGW Water, with less dairy conversions and irrigation upgrades being undertaken. Water is well back on last year's first half result, and this has contributed to the year-on-year decline at the Group level. With the improved confidence in the dairy sector in recent months we expect demand to improve and this should start to lift earnings from financial year 2018. The other area of opportunity for the business is further water schemes. We await decisions around a number of these, in particular the Central Plains Water Stage II which would see an additional 20,000ha of land irrigated in Canterbury.

Wool

Wool Operating EBITDA decreased by $1.4 million compared to the same period last year.

Our Wool business performance was challenged by difficult trading conditions with falling wool prices impacting private buying and auction trading, reducing volumes, revenue and margins. International wool prices have fallen approximately 50% over the past six months with the consequence that some growers are preferring to hold their wool bales either on farm or in our wool stores, awaiting prices to recover. On a positive note, once the price expectation gap between buyers and sellers of wool closes we will be well positioned to sell through growers' excess inventory, but until then our Wool business' earnings will be constrained.

Real Estate

Our Real Estate business continues to perform well, with strengthening activity in the market contributing to the best revenue result in six years. This half year the market strength was based off a strong lifestyle market and a lift in rural sales, which has been challenged in recent years.

SEED AND GRAIN

Seed and Grain's Operating EBITDA was back on the same period last year by $1.7 million. While the South American business had a promising start to the year and the Australian business delivered a steady performance for the first six months, this was offset by a number of factors in the New Zealand market, including a more cautious spend from our dairy and dairy-related clients.

Overall, Seed and Grain is performing well. We are expecting a solid result at year end as the earnings of this business is generally skewed more towards the second half of the financial year.

New Zealand

Our New Zealand Seeds business is a key first half year earner for Seed and Grain. This is in part due to the emphasis on the spring-sown forage options including brassicas, fodder beet and forage cereals that are critical to winter feeding programmes. As expected, New Zealand Seeds fell short of last year's impressive first half result.

Good demand for cereal seed during spring and increased interest in domestic cereal and maize grain over recent months has enabled the Grain business to perform to expectations for the first six months.

The New Zealand Turf business had a good first half year aided by revegetation projects and the continued work in Canterbury with earthquake remediation projects.

We are optimistic regarding the upcoming autumn pasture renewal season. There is no doubt that dairy farmers, in particular, are in a better position to invest in new pasture and genetics to boost productivity.

Australia

While predominantly a second half business, Australian Seeds have maintained their year-on-year contribution, with improved margins achieved across most product categories.

Growth initiatives continue to be a focus in Australia. Increased warehousing and logistics capability in Melbourne and Brisbane support the Group's strategy to improve operational efficiency. This, along with the acquisition of GrainSearch has built capacity in cereal research and development and supports our growth strategy to expand in the cereal market.

Looking ahead, good sheep and beef prices are supportive of investment in pasture renewal as are improved dairy prices. With favourable seasonable conditions, good commodity prices and good seed supplies, we are optimistic for a good second half for our Australian business, with actual performance reliant on the timing and amount of autumn rain.

South America

The South American business had a promising start to the year, with the first half ending with good signs of recovery across the whole region.

After a very tough previous year in Uruguay due to a drop in commodity prices and extreme weather conditions, the agriculture sector has started to move again. Most South American sales in the first half of the financial year are driven by the cropping sector – including soybean, wheat, maize and sorghum seed sales along with agrichemicals and fertilisers for these crops. Earnings exceeded expectations for the first half of the year, and we enter the key second half of the year with optimism.

Some of the big projects completed in the last twelve months that are key to the future of PGW's operations in the region are now contributing to the business, including the new Technology and Logistics Centre and Head Office in Montevideo.

> "The Board and I are pleased PGW is meeting its budgets through these challenging trading conditions. As we foreshadowed, the lower confidence seen in the dairy sector through calendar 2015 and the first half of 2016 has impacted earnings. In that context this is a very pleasing result for the period given the market conditions."
>
> Alan Lai, Chairman

HUMAN RESOURCES

Health and Safety

As part of our strategy to build a strong health and safety culture across our business, an online Health and Safety Risk Management system was successfully implemented in late 2016. This system has been well received across our diverse business and assists us to analyse and intervene as well as share lessons learned from our health and safety performance.

As part of our commitment to build a strong health and safety culture, a new role of Group Health and Safety Manager was established to refresh our overall health, safety and wellbeing strategy. The new appointment commenced in late-February 2017 to work with our leaders to deliver on a revitalised Group health, safety and wellbeing framework, culture and management systems.

Agriculture New Zealand

In December 2016 we closed Agriculture New Zealand (AgNZ), our private training enterprise business. Following a strategic review and a consultative change process with our employees, AgNZ was no longer viewed as a core part of the Company's overall strategy. Furthermore the business was not considered to be commercially viable in light of changes to the funding model under which it operated.

A key focus for the Company was to ensure AgNZ honoured all obligations to employees, students, funders and other stakeholders.

The seed production research team windrowing a Cocksfoot trial at McCaw Farming near Methven in January. This prepares the trial for subsequent seed harvest. (Left to right) John Foley, Richard Merrilees (driving plot windrower) and Murray Kelly.

Seed and Grain

'WALKING ENCYCLOPEDIA' WINS RESEARCH AWARD

PGG Wrightson Seeds Senior Production Agronomist Murray Kelly, who has been involved with seed production for over 40 years, has been described as a walking encyclopedia on the subject.

Murray, who is based at the Company's Kimihia Research Centre near Lincoln in Canterbury, had his contribution to the industry recognised in December 2016 when he was awarded the Foundation for Arable Research (FAR) researcher of the year.

FAR's Chief Executive Nick Pyke said, "every year Murray runs many on-farm trials, focusing on topical problems and specific weed issues. The development of plantain as a viable seed crop, giving seed grower's economic returns is largely the result of 20 years' work that Murray led.

"In addition to this, for the last 10 years Murray has worked with FAR and AgResearch staff to deliver new research and understanding on ryegrass management to the FAR ryegrass discussion groups. With his significant contribution to the industry, Murray's award is richly deserved" Nick said.

Murray is well known internationally in seed production circles and has attended many International Herbage Seed Group events. He has regular contact with seed production teams and growers based in Tasmania, Denmark, Oregon and Uruguay.

Group General Manager of PGW's Seed and Grain John McKenzie adds, "as a business we rely heavily on the expertise of our staff and Murray Kelly is a great example of the passion, commitment and loyalty our team has to achieving excellence in seed production."

Murray says, "I am very fortunate to be a member of team who have shared goals in the field of seed production and market development. You can't do it on your own and I accepted the award of researcher of the year from FAR on behalf on our team at PGG Wrightson Seeds.

"Our team develops techniques by conducting replicated trials. We manage variables (inputs) into crops and monitor the effects those inputs have on crop yield and quality. The Cocksfoot Grass Trial Plot at John McCaw's farm near Methven, which our team cut in mid-January, is an example of this. The information we gain from each trial not only inputs into the research development programme but also provides valuable insight that is packaged up into training programmes and technical support for the wider PGW Seeds team and clients," said Murray.

PERFORMANCE

Cash Flow and Debt

Our continued focus on cash flow means our balance sheet remains strong. The seasonality of our business results in our working capital and debt levels growing from June through to December each year. This December we experienced lower levels of working capital and lower net interest bearing debt than the previous December. Net interest bearing debt was $156.2 million compared with our net interest bearing debt at December 2015 of $167.4 million.

Operating cash flows for the six months were negative $16.2 million, which is broadly in line with the previous corresponding period. The cash flow this half includes lump sum funding contributions of $6.0 million made to the Group's defined benefit plans.

Net cash flow from investing activities was positive $2.3 million compared to a net cash outflow of $19.8 million for the same period last year.

We have completed several significant investments in recent years such as the logistics centre in Uruguay. As a result, capital expenditure has reduced from $32.7 million for the six months to December 2015, to $10.9 million for the six months to December 2016.

Distributions

In February the Board of Directors declared an interim dividend of 1.75 cents per share to be paid to shareholders registered at the record date of 10 March 2017. The dividend will be fully imputed and paid to shareholders on 4 April 2017.

Group Structure Changes

As our Company continues to operate within tough trading conditions, we need to continue to find ways to reduce operating costs and to improve efficiencies in the way we deliver.

Due to this focus, in the last quarter of 2016 we implemented a realigned Group structure, separating the Rural Services businesses into two operating Groups: Agency and Retail and Water. The new Retail and Water group is led by Stephen Guerin, who has been very successful in growing the Retail business. The new Agency group comprises the Livestock, Wool, Real Estate, Insurance and Financial Services businesses. The newly-created position of Group General Manager Agency is currently being overseen by CEO Mark Dewdney until an appointment is made.

These two operating groups join the Seed and Grain group to give us three broad trading groups under the PGW umbrella, along with a Group Corporate function. Our full year report will reflect the new Group structure.

Outlook

Looking ahead, PGW is maintaining its 2017 full year Operating EBITDA guidance.

Overall, confidence in commodity markets is generally higher compared with recent years. As referenced earlier, dairy prices have staged a welcome recovery over the last five months. Beef prices show some signs of stabilising at good levels – down on the peaks of 2014 and 2015, but still good by historic standards. Sheep meat prices also seem to be stabilising, horticulture continues to go from strength to strength. We are also seeing encouraging signs of recovery in the Uruguayan agricultural sector as they look to put the floods of 2016 behind them.

Overall, we expect trading conditions will improve for us for the remainder of this financial year. It is very pleasing that PGW has continued to perform consistently through the demanding conditions. It is a credit to our people and a positive indicator that reflects well on the value that we deliver to our customers, whatever the market conditions. It's been a while since PGW has felt the wind at its back, and the early indications for the 2018 financial year are encouraging. Our 2016 earnings were outstanding and we are optimistic that 2018 can be even better.

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

Alan Lai
Chairman

Mark Dewdney
Chief Executive Officer

PGW's Auctioneer John McKone and his team look for bids for Lot 104 at the first of the three day Standardbred Sale series in February 2017.

Livestock

STANDARDBRED DIVISION CELEBRATES 30 YEARS

PGG Wrightson's Standardbred division celebrates its 30th year as a small but solid contributor to the Group's performance since 1987.

While the organisation's roots have been intertwined with the horse industry for over 100 years (back to the early days of the Canterbury Horse Bazaar and later through the Trentham Thoroughbred Sales) it wasn't until 1987 that a Standardbred division was established.

The Standardbred division specialises in the trading of harness horses. The team has a dedicated staff of five, collectively with over 125 years' experience at PGW between them. They have provided a solid and consistent service delivery for 30 years and as a result they are well respected in the industry. Prior to 1987 there were seven organisations selling Standardbred horses throughout New Zealand, but since 1991 PGW have been the sole auctioneer to the industry.

Another unique aspect of this division is how it operates. The division generates 90 percent of its annual turnover each February over three consecutive days of national yearling sales (day one at the NZ Bloodstock Karaka Sales Complex, and the following two days at the Canterbury A&P Showgrounds in Christchurch).

PGW's Standardbred Representatives Bruce Barlass and Peter Lagan have been with the division since 1987. Bruce said, "the team experiences an unusual combination of excitement and angst on the three big days of the year. We need to get it right, or it impacts significantly on the annual performance of the division and so far we have. In the last 30 years, the team have catalogued and sold over 20,000 Standardbred horses – this is something we are all very proud of.

"A great deal has changed in the industry since 1987. When our division started the pedigrees in the catalogue were handwritten, but over the last 30 years our team has developed an electronic database of Standardbred race records and pedigrees. This database is unequalled in the country, so we consider it one of our most valued assets."

While horse trading has been around for centuries, the New Zealand Standardbred market is ever-changing. World-wide the number of horses being bred is decreasing, yet the demand and values at the top end have continued to grow. This was illustrated at the February 2017 sale when 16 horses sold for $100,000 or more. In the last five years the number of weanlings (7-8 months old) being sold has increased as the price of yearlings has increased.

It is likely that the Standardbred division will continue to see changes in the industry but given their track record to date, they will continue to be a solid performing division for PGW.

The 2017 sales saw an increase in demand from Australia, but the need for greater race stakes in New Zealand meant a drop off in demand in the middle market from New Zealand buyers. Despite this, the combined Auckland and Christchurch sales still produced a total turnover of $11.25 million. A total of 370 horses were sold this year at an average of $37,880 in Auckland and $27,302 in Christchurch.

Retail and Water

WE ARE PART OF YOUR TEAM

Many farmers and horticulturists – from North Canterbury through to Marlborough – were badly affected by the devastating impact of the series of November 2016 earthquakes, and will continue to be for some time. One North Canterbury farming family's story will sound familiar to many.

Matt and Vicky Stainton farm 520 hectares in North Canterbury alongside their son Josh and his partner Doris. While Matt focuses on the dry stock block, Josh runs the dairy block which milks 950 cows.

After the first earthquake woke the family in the early hours of Monday 14 November 2016, their first priority was to make sure that everyone on the farm were safe and well. Then they checked on the dairy shed (which had significant damage) as the cows were due for milking at 5am.

Their next priority was to ensure that stock had a reliable source of water, given the dry pasture conditions. They quickly discovered the dry stock block's water supply system was severely damaged, including kilometres of piping, so a new water pump and generator was quickly sourced for livestock supply. With their focus on stock management, water supply and fencing repairs to contain stock, the Staintons sought help from Culverden based PGW Technical Field Representative, Dave Wooldridge, to monitor their crop programme.

They had planted over 25 hectares of Rivage Fodder Beet in early November and the first four weeks is critical for crop management, particularly the spray programme. Dave monitored their fodder beet crop and other crops on the farm that would be critical for the Stainton's dairy grazing programme during the 2017 winter months.

Matt said, "we had so much on our plate in November, we just couldn't stretch ourselves any further, so it was a huge relief to have Dave assist us with the crop management. He knows what he is doing, and this is very helpful support for us. Things are pretty dry here now and along with the water supply and fencing issues, we also have some buildings to repair including all the farm houses. It'll be a while before we get everything back to normal."

As part of Dave's ongoing crop monitoring programme, he visited the Staintons in early February 2017, to review the progress of their crops, including Rivage Fodder Beet. Matt and Vicky were pleased to see that the crop was doing well and they were on track to achieve their goal of 18 tonne/hectare dry matter by early June.

PGW's TFR Dave Wooldridge walks a paddock of fodder beet with Vicky and Matt Stainton at their farm near Waiau in February 2017.

The 'One PGW' approach kicked into action in the early hours of Monday 14 November in the areas most affected by the 7.8 magnitude earthquake.

PGW's Upper South Island Regional Manager Chris Adam said, "it was important for all business units to stay connected and ensure we took a coordinated approach to customers. Many of our clients had lost their homes, critical farm buildings and had water supply, fencing and road access issues.

"Initially, we made contact where we could to make sure people were safe and we provided whatever support they needed to keep their businesses running. We relied heavily on our strong customer relationships across all business units, to consider individual circumstances and tailor our approach. While some clients were just happy with a quick call, others were looking for a more hands on approach.

"Our stores became another hub for the community and our staff went the extra mile to assist clients with whatever they could to keep going – whether it was helping to rehome staff or have food supplies delivered to their farms.

"Of course, staff were our number one priority. The safety of our staff and their families, many of which were personally affected, was key for us. We brought in extra resource from Christchurch to allow them to get themselves sorted, and provided support to source product for the local teams.

"This was a massive earthquake event and so the repair and recovery will take some time. We are not going to fix this in months, it will take years. With this in mind, we have set up new processes and additional resources to support our clients in whatever way they need. Whether it is logistics to help them transport lambs off farms with access issues, fencing supplies or technical expertise for crops, we are there for them," Chris said.

Our People:
DOING WHAT WE DO BEST






KEY FINANCIAL DISCLOSURES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

The financial statements contained on pages 11–31 have been approved by the Board of Directors on 20 February 2017.

Alan Lai
Chairman

Bruce Irvine
Director and Audit Committee Chairman

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2016

	NOTE	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Continuing operations				
Operating revenue		607,771	1,181,624	623,066
Cost of sales		(450,308)	(854,871)	(461,669)
Gross profit		157,463	326,753	161,397
Other income		30	725	388
Employee benefits expense		(79,969)	(156,148)	(79,175)
Research and development		(2,650)	(4,515)	(2,850)
Other operating expenses		(49,215)	(96,390)	(48,579)
Equity accounted earnings of investees		323	(244)	(245)
		(131,481)	(256,572)	(130,461)
Operating EBITDA		**25,982**	**70,181**	**30,936**
Non-operating items		1,932	(1,684)	(1,157)
Fair value adjustments	1	(283)	(232)	400
Depreciation and amortisation expense		(5,188)	(9,170)	(4,111)
EBIT		22,443	59,095	26,068
Net interest and finance costs	2	(1,511)	(10,474)	(3,520)
Profit from continuing operations before income taxes		20,932	48,621	22,548
Income tax expense		(4,955)	(8,832)	(6,558)
Profit from continuing operations		15,977	39,789	15,990
Discontinued operations				
Profit from discontinued operations (net of income taxes)		12	(211)	76
Net profit after tax		**15,989**	**39,578**	**16,066**
Net profit after tax attributable to:				
Shareholders of the Company		15,998	38,823	15,947
Non-controlling interest		(9)	755	119
Net profit after tax		**15,989**	**39,578**	**16,066**
Earnings per share				
Basic earnings per share (New Zealand Dollars)	3	0.021	0.052	0.021
Continuing operations				
Basic earnings per share (New Zealand Dollars)	3	0.021	0.053	0.021

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

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2016

	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Net profit after tax	**15,989**	**39,578**	**16,066**
Other comprehensive income/(loss) for the period			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments	504	5,433	4,856
Remeasurements of defined benefit liability	3,343	(4,831)	1,554
Deferred tax on remeasurements and change of defined benefit liability	(2,564)	1,353	(435)
	1,283	1,955	5,975
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations	942	(8,513)	(3,924)
Effective portion of changes in fair value of cash flow hedges	(2,039)	3,888	2,811
Deferred tax on changes in fair value of cash flow hedges	571	(1,088)	(787)
	(526)	(5,713)	(1,900)
Other comprehensive income/(loss) for the period, net of income tax	757	(3,758)	4,075
Total comprehensive income for the period	**16,746**	**35,820**	**20,141**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company	16,773	35,098	20,055
Non-controlling interest	(27)	722	86
Total comprehensive income for the period	**16,746**	**35,820**	**20,141**

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

PGG WRIGHTSON LIMITED

INTERIM SEGMENT REPORT

For the six months ended / as at 31 December 2016

(a) Operating Segments

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

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

– ***Retail.*** Includes the Rural Supplies and Fruitfed retail operations, AgNZ (Consulting), Agritrade and ancillary sales support, supply chain and marketing functions.

– ***Livestock.*** Includes rural Livestock trading activities and Export Livestock.

– ***Other Rural Services.*** Includes Insurance, Real Estate, Wool, PGG Wrightson Water, AgNZ (Training), Regional Admin, Finance Commission and other related activities. PGG Wrightson Water will be included as part of the Retail segment for the 30 June 2017 financial statements.

(b) Operating Segment Information

	TOTAL RURAL SERVICES			SEED & GRAIN		
	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Total segment revenue	436,848	771,647	449,815	203,521	453,168	201,419
Intersegment revenue	–	–	–	(36,419)	(51,920)	(33,929)
Total external operating revenues	436,848	771,647	449,815	167,102	401,248	167,490
Operating EBITDA	**29,376**	**52,979**	**32,770**	**9,982**	**44,621**	**11,697**
Non–operating items	829	(3,147)	(3,248)	(118)	(418)	(397)
Fair value adjustments	17	458	400	(300)	(19)	–
Depreciation and amortisation expense	(1,452)	(2,771)	(1,390)	(2,658)	(4,397)	(1,735)
EBIT	28,770	47,519	28,532	6,906	39,787	9,565
Net interest and finance costs	1,726	(1,699)	(1,189)	(1,437)	(3,845)	(218)
Profit/(loss) from continuing operations before income taxes	30,496	45,820	27,343	5,469	35,942	9,347
Income tax (expense) / income	(8,868)	(12,982)	(7,508)	(2,831)	(10,262)	(5,649)
Profit/(loss) from continuing operations	21,628	32,838	19,835	2,638	25,680	3,698
Discontinued operations	–	–	–	–	–	–
Net profit after tax	**21,628**	**32,838**	**19,835**	**2,638**	**25,680**	**3,698**
Segment assets	347,081	252,629	341,908	338,758	360,602	322,448
Investment in equity accounted investees	–	–	–	21,107	17,890	16,947
Assets held for sale	352	819	–	5,497	–	–
Total segment assets	347,433	253,448	341,908	365,362	378,492	339,395
Segment liabilities	(176,807)	(133,193)	(184,003)	(160,073)	(183,293)	(154,775)

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

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

Other. Other non-segmented amounts relate to certain Corporate activities including Finance, Treasury, HR and other support services including corporate property services and include adjustments for discontinued operations (PGW Rural Capital Limited) and consolidation adjustments.

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

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

TOTAL OPERATING SEGMENTS			OTHER			TOTAL		
UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
640,369	1,224,815	651,234	3,821	8,729	5,761	644,190	1,233,544	656,995
(36,419)	(51,920)	(33,929)	–	–	–	(36,419)	(51,920)	(33,929)
603,950	1,172,895	617,305	3,821	8,729	5,761	607,771	1,181,624	623,066
39,358	**97,600**	**44,467**	**(13,376)**	**(27,419)**	**(13,531)**	**25,982**	**70,181**	**30,936**
711	(3,565)	(3,645)	1,221	1,881	2,488	1,932	(1,684)	(1,157)
(283)	439	400	–	(671)	–	(283)	(232)	400
(4,110)	(7,168)	(3,125)	(1,078)	(2,002)	(986)	(5,188)	(9,170)	(4,111)
35,676	87,306	38,097	(13,233)	(28,211)	(12,029)	22,443	59,095	26,068
289	(5,544)	(1,407)	(1,800)	(4,930)	(2,113)	(1,511)	(10,474)	(3,520)
35,965	81,762	36,690	(15,033)	(33,141)	(14,142)	20,932	48,621	22,548
(11,699)	(23,244)	(13,157)	6,744	14,412	6,599	(4,955)	(8,832)	(6,558)
24,266	58,518	23,533	(8,289)	(18,729)	(7,543)	15,977	39,789	15,990
–	–	–	12	(211)	76	12	(211)	76
24,266	**58,518**	**23,533**	**(8,277)**	**(18,940)**	**(7,467)**	**15,989**	**39,578**	**16,066**
670,892	613,231	664,356	32,964	50,372	71,177	718,803	663,603	735,533
21,107	17,890	16,947	78	110	91	21,185	18,000	17,038
5,849	819	–	2,311	4,794	1,557	8,160	5,613	1,557
697,848	631,940	681,303	35,353	55,276	72,825	748,148	687,216	754,128
(336,880)	(316,486)	(338,778)	(135,383)	(96,431)	(143,388)	(472,263)	(412,917)	(482,166)

PGG WRIGHTSON LIMITED

INTERIM SEGMENT REPORT (CONTINUED)

For the six months ended / as at 31 December 2016

(b) Operating Segment Information continued

	RURAL SERVICES					
	RETAIL			LIVESTOCK		
	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Total segment revenue	318,904	479,772	306,631	27,429	73,111	30,265
Intersegment revenue	–	–	–	–	–	–
Total external operating revenues	318,904	479,772	306,631	27,429	73,111	30,265
Operating EBITDA	**26,843**	**29,154**	**24,799**	**2,565**	**15,234**	**2,592**
Non–operating items	203	390	12	746	(3,177)	(3,243)
Fair value adjustments	–	–	–	17	458	400
Depreciation and amortisation	(744)	(1,239)	(617)	(330)	(635)	(305)
EBIT	26,302	28,305	24,194	2,998	11,880	(556)
Net interest and finance costs	380	(660)	(403)	(114)	(269)	(103)
Profit/(loss) from continuing operations before income taxes	26,682	27,645	23,791	2,884	11,611	(659)
Income tax (expense) / income	(7,686)	(7,892)	(6,662)	(930)	(3,251)	337
Profit/(loss) from continuing operations	18,996	19,753	17,129	1,954	8,360	(322)
Discontinued operations	–	–	–	–	–	–
Net profit after tax	**18,996**	**19,753**	**17,129**	**1,954**	**8,360**	**(322)**
Segment assets	213,736	101,630	211,018	73,365	78,816	58,876
Investment in equity accounted investees	–	–	–	–	–	–
Assets held for sale	264	763	–	88	56	–
Total segment assets	214,000	102,393	211,018	73,453	78,872	58,876
Segment liabilities	(131,726)	(51,854)	(130,444)	(27,778)	(49,656)	(24,760)

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

RURAL SERVICES					
OTHER RURAL SERVICES			TOTAL RURAL SERVICES		
UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
90,515	218,764	112,919	436,848	771,647	449,815
–	–	–	–	–	–
90,515	218,764	112,919	436,848	771,647	449,815
(32)	**8,591**	**5,379**	**29,376**	**52,979**	**32,770**
(120)	(360)	(17)	829	(3,147)	(3,248)
–	–	–	17	458	400
(378)	(897)	(468)	(1,452)	(2,771)	(1,390)
(530)	7,334	4,894	28,770	47,519	28,532
1,460	(770)	(683)	1,726	(1,699)	(1,189)
930	6,564	4,211	30,496	45,820	27,343
(252)	(1,839)	(1,183)	(8,868)	(12,982)	(7,508)
678	4,725	3,028	21,628	32,838	19,835
–	–	–	–	–	–
678	**4,725**	**3,028**	**21,628**	**32,838**	**19,835**
59,980	72,183	72,014	347,081	252,629	341,908
–	–	–	–	–	–
–	–	–	352	819	–
59,980	72,183	72,014	347,433	253,448	341,908
(17,303)	(31,683)	(28,799)	(176,807)	(133,193)	(184,003)

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2016

	NOTE	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers		566,771	1,242,386	567,162
Dividends received		1	6	2
Interest received		1,282	2,038	919
		568,054	1,244,430	568,083
Cash was applied to:				
Payments to suppliers and employees		(567,335)	(1,188,736)	(566,114)
Contributions to defined benefit plans		(6,030)	–	–
Interest paid		(3,417)	(6,579)	(3,723)
Income tax paid		(7,465)	(13,903)	(10,420)
		(584,247)	(1,209,218)	(580,257)
Net cash flow from operating activities		**(16,193)**	**35,212**	**(12,174)**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property, plant and equipment and assets held for sale		8,673	19,898	12,758
Net decrease in finance receivables		22	1,079	–
Net proceeds from sale of investments		4,424	9,692	159
		13,119	30,669	12,917
Cash was applied to:				
Purchase of property, plant and equipment		(6,950)	(30,750)	(22,454)
Purchase of intangibles		(933)	(2,176)	(722)
Net increase in finance receivables		–	–	(26)
Net cash paid for purchase of investments		(2,975)	(10,895)	(9,533)
		(10,858)	(43,821)	(32,735)
Net cash flow from investing activities		**2,261**	**(13,152)**	**(19,818)**
Cash flows from financing activities				
Cash was provided from:				
Increase in external borrowings and bank overdraft		32,144	7,035	57,115
		32,144	7,035	57,115
Cash was applied to:				
Dividends paid to shareholders		(15,252)	(28,602)	(15,260)
Dividends paid to minority interests		(289)	(205)	(287)
Repayment of loans to related parties		(163)	–	(10)
		(15,704)	(28,807)	(15,557)
Net cash flow from financing activities		**16,440**	**(21,772)**	**41,558**
Net increase/(decrease) in cash held		2,508	288	9,566
Opening cash		7,561	7,273	7,273
Cash and cash equivalents	4	**10,069**	**7,561**	**16,839**

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

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

For the six months ended 31 December 2016

	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Profit after taxation	15,989	39,578	16,066
Add/(deduct) non–cash/non operating items:			
Depreciation, amortisation and impairment	5,188	9,170	4,111
Fair value adjustments	283	232	(400)
Net (profit)/loss on sale of assets/investments	(1,636)	(5,321)	(2,819)
Bad debts written off (net)	494	1,483	505
Change in deferred taxation	(8,453)	(2,001)	111
Earnings of equity accounted investees	(323)	244	245
Discontinued operations	(12)	211	(76)
Effect of foreign exchange movements	(307)	(6,131)	(2,520)
Other non–cash/non–operating items	(3,244)	10,246	4,785
	7,979	47,711	20,008
Add/(deduct) movement in working capital items:			
Movement in working capital due to sale/purchase of businesses	(3,433)	(583)	(541)
Change in inventories and biological assets	29,739	3,990	37,855
Change in accounts receivable and prepayments	(83,702)	(15,290)	(100,292)
Change in trade creditors, provisions and accruals	27,337	10,620	36,821
Change in income tax payable/receivable	8,433	(2,604)	(2,203)
Change in other current assets/liabilities	(2,546)	(8,632)	(3,822)
	(24,172)	(12,499)	(32,182)
Net cash flow from operating activities	**(16,193)**	**35,212**	**(12,174)**

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

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTE	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
ASSETS				
Current				
Cash and cash equivalents	4	10,069	7,561	16,839
Short–term derivative assets		2,595	3,743	2,917
Trade and other receivables		335,314	250,486	335,497
Finance receivables		–	–	784
Assets classified as held for sale		8,160	5,613	1,557
Biological assets		927	843	1,888
Inventories		214,251	244,074	209,163
Other investments	6	3,822	6,691	–
Total current assets		575,138	519,011	568,645
Non–current				
Long–term derivative assets		2,412	1,516	380
Biological assets		61	108	107
Deferred tax asset		22,787	14,334	12,222
Investments in equity accounted investees	5	21,185	18,000	17,038
Other investments	6	1,925	2,165	17,345
Intangible assets		6,655	7,079	6,832
Property, plant and equipment	7	117,985	125,003	131,559
Total non–current assets		173,010	168,205	185,483
Total assets		**748,148**	**687,216**	**754,128**
LIABILITIES				
Current				
Debt due within one year	4	70,034	36,623	82,640
Short–term derivative liabilities		748	1,438	1,362
Accounts payable and accruals		269,426	239,696	269,542
Income tax payable		10,555	2,392	1,706
Defined benefit liability	9	1,117	2,642	–
Total current liabilities		351,880	282,791	355,250
Non–current				
Long–term debt	4	96,283	97,511	101,595
Long–term derivative liabilities		762	940	445
Other long–term liabilities		9,138	8,588	8,402
Defined benefit liability	9	14,200	23,087	16,474
Total non–current liabilities		120,383	130,126	126,916
Total liabilities		**472,263**	**412,917**	**482,166**
EQUITY				
Share capital		606,324	606,324	606,324
Reserves		5,231	2,033	8,876
Retained earnings		(337,778)	(336,101)	(345,847)
Total equity attributable to shareholders of the Company		273,777	272,256	269,353
Non–controlling interest		2,108	2,043	2,609
Total equity		**275,885**	**274,299**	**271,962**
Total liabilities and equity		**748,148**	**687,216**	**754,128**

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

ADDITIONAL FINANCIAL DISCLOSURES INCLUDING NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2016

1 FAIR VALUE ADJUSTMENTS

	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Assets held for sale	–	(670)	–
Biological assets	10	552	400
Investments	(293)	(114)	–
	(283)	**(232)**	**400**

2 NET INTEREST AND FINANCE COSTS

	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Finance income contains the following items:			
Other interest income	80	73	82
Finance income	80	73	82
Interest funding contains the following items:			
Interest on loans and overdrafts	(2,722)	(6,304)	(3,383)
Net interest on interest rate derivatives	(173)	(282)	(77)
Fair value change on interest rate derivatives	585	(846)	(122)
Effective interest on expected earnout payments	(558)	(809)	–
Effective interest on expected defined benefit pension ESCT payments	(229)	–	–
Other interest expense	(506)	(3)	(146)
Bank facility fees	(417)	(845)	(477)
Interest funding expense	(4,020)	(9,089)	(4,205)
Foreign exchange contains the following items:			
Net gain/(loss) on foreign denominated items	120	(3,717)	(1,061)
Fair value change on foreign exchange derivatives	2,309	2,259	1,664
Foreign exchange income/(expense)	2,429	(1,458)	603
Net interest and finance costs	**(1,511)**	**(10,474)**	**(3,520)**

3 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

	UNAUDITED DEC 2016 000	AUDITED JUN 2016 000	UNAUDITED DEC 2015 000
Number of shares			
Weighted average number of ordinary shares	754,849	754,849	754,849
Number of ordinary shares	**754,849**	**754,849**	**754,849**

	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Net Tangible Assets			
Total assets	748,147	687,216	754,128
Total liabilities	(472,263)	(412,917)	(482,166)
less intangible assets	(6,654)	(7,079)	(6,832)
less deferred tax	(22,787)	(14,334)	(12,222)
	246,443	**252,886**	**252,908**

	UNAUDITED DEC 2016 $	AUDITED JUN 2016 $	UNAUDITED DEC 2015 $
Net tangible assets per share	0.326	0.335	0.335
Earnings per share	0.021	0.052	0.021

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2016

4 CASH AND FINANCING FACILITIES

	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Cash and cash equivalents	10,069	7,561	16,839
Current financing facilities	(70,034)	(36,623)	(82,640)
Term financing facilities	(96,283)	(97,511)	(101,595)
	(156,248)	**(126,573)**	**(167,396)**

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

The Company's bank syndicate facilities provide:

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

The syndicated facility agreement also allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company syndicated facility. The additional facilities are guaranteed by the security trust. These facilities amounted to $19.41 million as at 31 December 2016 providing:

- Overdraft facilities of $9.54 million.
- Guarantee and trade finance facilities of $6.53 million.
- Finance lease facilities of $3.34 million.

In addition, the bank financing of the Group's South American operations is provided by Uruguayan-authorised banks. Two of the Group's wholly-owned Uruguayan subsidiaries (Wrightson Pas S.A. and Agrosan S.A.) are jointly and severally financed by a club structure. The club facilities contain various financial covenants and restrictions that are standard for facilities of this nature. The club facilities are denominated in USD, secured by a mortgage over the new Uruguay logistics centre and provide:

- An amortising logistics centre facility of $14.37 million (USD 10 million) maturing on 17 September 2022.
- A committed facility of $17.24 million (USD 12 million) maturing on 17 September 2018.

Separate to the club facility, the Group's South American operations have various unsecured financing facilities that amounted to $20.13 million (USD 14.00 million) as at 31 December 2016.

5 ACQUISITION OF EQUITY ACCOUNTED INVESTEE

Agri Optics New Zealand Limited

On 11 October 2016 the Group acquired a 51% investment in Agri Optics New Zealand Limited. This jointly controlled entity is accounted for using the equity method and is included in the Group's Seed & Grain business segment. The acquisition involved an upfront payment and an earn out component determined over the next two years based on the financial performance of the business. The initial investment recorded for the investee was $0.80 million which includes management's estimate of the fair value of the earn out. Agri Optics New Zealand Limited is a Canterbury-based precision agriculture business.

6 OTHER INVESTMENTS

	NOTE	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Current investments				
BioPacificVentures	10	230	3,170	–
Advances to equity accounted investees		3,592	3,521	–
		3,822	**6,691**	**–**
Non-current investments				
BioPacificVentures	10	–	–	12,040
Sundry other investments including saleyards		1,925	2,165	1,650
Advances to equity accounted investees		–	–	3,655
		1,925	**2,165**	**17,345**

Investment in BioPacificVentures

In 2005 the Group committed $14.00 million to an international fund established for investment in food and agriculture life sciences. The investment in BioPacificVentures has an anticipated total lifespan of 12 years. At 31 December 2016 $13.95 million has been drawn on the committed level of investment (30 June 2016: $13.95 million, 31 December 2015: $13.95 million). A fair value gain of $0.50 million was recorded in the Statement of Other Comprehensive Income for the BioPacificVentures investment in the period to 31 December 2016 (30 June 2016: fair value gain of $5.43 million, 31 December 2015: fair value gain of $4.86 million). In addition the Group received a capital return of $3.52 million from its BioPacificVentures investment in the period to 31 December 2016 (30 June 2016: $9.68 million, 31 December 2015: $0.08 million).

Advances to equity accounted investees

This advance is a loan to the South American investee entity Fertimas S. A. Interest is payable on the balance and no provision for doubtful debts was recorded against the loan as at 31 December 2016 (30 June 2016: nil, 31 December 2015: nil).

Sundry other investments including saleyards

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

7 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the period to 31 December 2016, the Group acquired assets with a cost of $4.26 million (30 June 2016: $30.75 million, 31 December 2015: $22.41 million), together with assets acquired through business combinations of nil (30 June 2016: $0.23 million, 31 December 2015: $0.23 million). Assets with a net book value of $10.08 million were disposed during the period to 31 December 2016 (30 June 2016: $19.88 million, 31 December 2015: $11.93 million), resulting in a gain on disposal of $1.10 million (30 June 2016 Gain: $4.99 million, 31 December 2015 Gain: $2.99 million).

8 SEASONALITY OF OPERATIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2016

9 DEFINED BENEFIT ASSET / LIABILITY

During the period the Group made lump sum contributions to the two defined benefit plans amounting to $6.03 million. In addition the assets and liabilities of the Wrightson Retirement Plan were transferred to the PGG Wrightson Employee Benefits Plan during the period. This resulted in the Wrightson Retirement Plan having no liability as at 31 December 2016.

10 COMMITMENTS

	NOTE	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
There are commitments with respect to:				
Capital expenditure not provided for		2,365	1,427	7,786
Investment in BioPacificVentures	6	51	51	51
Contributions to Primary Growth Partnership		1,167	1,429	1,952
		3,583	**2,907**	**9,789**

Primary Growth Partnership – seed and nutritional technology development

The Group announced on 18 February 2013 that it had completed the contracting process for the Primary Growth Partnership (PGP) programme with the Ministry of Primary Industries. The PGP programme is a Seed and Nutritional Technology Development Programme that aims to deliver innovative forages for New Zealand farms. As a result of entering into the partnership the Group is committed to contributions to the partnership of $3.61 million over the six year life of the programme which ends on 31 December 2018. As at 31 December 2016 total contributions of $2.44 million (30 June 2016: $2.18 million, 31 December 2015: $2.00 million) have been made to the programme.

Forward purchase commitments

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

11 CONTINGENT LIABILITIES

PGG Wrightson Max Rewards loyalty programme

PGG Wrightson operates the Max Rewards loyalty programme. A provision is retained for the expected level of points redemption. A contingent liability of $0.12 million represents the balance of unexpired points that do not form part of the provision (30 June 2016: $0.13 million, 31 December 2015: $0.13 million). Losses are not expected to arise from this contingent liability.

12 RELATED PARTIES

Parent and ultimate controlling party

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

Transactions with key management personnel

	UNAUDITED DEC 2016 $000	AUDITED JUN 2016 $000	UNAUDITED DEC 2015 $000
Key management personnel compensation comprised:			
Short-term employee benefits	3,622	5,798	3,300
Post-employment benefits	64	205	189
Termination benefits	–	–	–
	3,686	6,003	3,489

13 EVENTS SUBSEQUENT TO END OF INTERIM PERIOD

Assets held for sale

Subsequent to 31 December 2016 an unconditional sale agreement was entered into for one of the assets classified as held for sale. The sale is expected to settle in February 2017 and will result in the disposal of property with a book value of $5.50 million. The Group expects to realise a gain of approximately $5.00 million on the disposal of this asset.

Dividend

On 20 February 2017 the Directors of PGG Wrightson Limited resolved to pay an interim dividend of 1.75 cents per share on 4 April 2017 to shareholders on the Company's share register as at 5.00pm on 10 March 2017. This dividend will be fully imputed.

14 REPORTING ENTITY

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

The interim financial statements of PGG Wrightson Limited for the six months ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. Financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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

15 BASIS OF PREPARATION

Statement of Compliance

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

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

These statements were approved by the Board of Directors on 20 February 2017.

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

A number of new standards and interpretations are not yet effective for the period ended 31 December 2016 and have not been applied in preparing these interim financial statements. None of these standards are expected to have a significant impact on these financial statements except for:

– IFRS 9 (2014) Financial Instruments has been issued. The final component of IFRS 9 (2014) introduces a new expected credit loss model for calculating impairment. IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Group does not plan to adopt IFRS 9 (2014) early and the extent of the impact has not yet been determined. The Group early adopted IFRS 9 (2013) from 1 January 2015. IFRS 9 (2013) provides amended general hedge accounting requirements.

– IFRS 15 Revenue from Contracts with Customers has been issued. This standard introduced a new revenue recognition model for contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018. The Group does not plan to adopt IFRS 15 early and the extent of the impact has not yet been determined.

– IFRS 16 Leases has been issued. This standard eliminates the classification of leases as either operating leases or finance leases. The standard uses a single lessee model which requires a lessee to recognise on the Statement of Financial Position assets and liabilities for all leases with a term of more than 12 months. The standard is effective for annual periods beginning on or after 1 January 2019. The Group does not plan to adopt IFRS 16 early and the extent of the impact has not yet been determined.

– A variety of minor improvements to standards have been made in order to clarify various treatments of specific transactions. These are not expected to have an impact on the Group's financial results.

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	REALISED CAPITAL AND OTHER RESERVES $000
Balance at 1 July 2015	606,324	(269)	23,443
Total comprehensive income for the period			
Profit or loss	–	–	–
Other comprehensive income			
Foreign currency translation differences	–	(3,891)	–
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–
Total other comprehensive income	–	(3,891)	–
Total comprehensive income for the period	–	(3,891)	–
Transactions with shareholders, recorded directly in equity			
Contributions by and distributions to shareholders			
Dividends to shareholders	–	–	–
Total contributions by and distributions to shareholders	–	–	–
Balance at 31 December 2015	**606,324**	**(4,160)**	**23,443**
Balance at 1 January 2016	606,324	(4,160)	23,443
Total comprehensive income for the period			
Profit or loss	–	–	–
Other comprehensive income			
Foreign currency translation differences	–	(4,589)	–
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–
Total other comprehensive income	–	(4,589)	–
Total comprehensive income for the period	–	(4,589)	–
Transactions with shareholders, recorded directly in equity			
Contributions by and distributions to shareholders			
Dividends to shareholders	–	–	–
Total contributions by and distributions to shareholders	–	–	–
Transfer to retained earnings	–	–	–
Balance at 30 June 2016	**606,324**	**(8,749)**	**23,443**

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

REVALUATION RESERVE $000	HEDGING RESERVE $000	DEFINED BENEFIT PLAN RESERVE $000	FAIR VALUE RESERVE $000	RETAINED EARNINGS $000	NON–CONTROLLING INTEREST $000	TOTAL EQUITY $000
556	692	(13,490)	1,835	(345,847)	2,609	271,962
–	–	–	–	22,876	636	23,512
–	–	–	–	–	–	(4,589)
–	–	–	577	–	–	577
–	776	–	–	–	–	776
–	–	(4,597)	–	–	–	(4,597)
–	776	(4,597)	577	–	–	(7,833)
–	776	(4,597)	577	22,876	636	15,679
–	–	–	–	(13,424)	82	(13,342)
–	–	–	–	(13,424)	82	(13,342)
–	–	990	–	294	(1,284)	–
556	**1,468**	**(17,097)**	**2,412**	**(336,101)**	**2,043**	**274,299**

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 2016

	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	REALISED CAPITAL AND OTHER RESERVES $000
Balance at 1 July 2016	606,324	(8,749)	23,443
Total comprehensive income for the period			
Profit or loss	–	–	–
Other comprehensive income			
Foreign currency translation differences	–	960	–
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–
Total other comprehensive income	–	960	–
Total comprehensive income for the period	–	960	–
Transactions with shareholders, recorded directly in equity			
Contributions by and distributions to shareholders			
Investment in minority interest	–	–	–
Dividends to shareholders	–	–	–
Total contributions by and distributions to shareholders	–	–	–
Transfer to retained earnings	–	1,491	(875)
Balance at 31 December 2016	**606,324**	**(6,298)**	**22,568**

REVALUATION RESERVE $000	HEDGING RESERVE $000	DEFINED BENEFIT PLAN RESERVE $000	FAIR VALUE RESERVE $000	RETAINED EARNINGS $000	NON–CONTROLLING INTEREST $000	TOTAL EQUITY $000
556	1,468	(17,097)	2,412	(336,101)	2,043	274,299
–	–	–	–	15,998	(9)	16,341
–	–	–	–	–	(18)	1,087
–	–	–	504	–	–	504
–	(1,468)	–	–	–	–	(1,468)
–	–	779	–	–	–	427
–	(1,468)	779	504	–	(18)	550
–	(1,468)	779	504	15,998	(27)	16,891
–	–	–	–	–	381	381
–	–	–	–	(15,252)	(289)	(15,686)
–	–	–	–	(15,252)	92	(15,305)
–	–	1,807	–	(2,423)	–	–
556	**–**	**(14,511)**	**2,916**	**(337,778)**	**2,108**	**275,885**

CORPORATE DIRECTORY

Board of Directors
for the six months ended 31 December 2016

Guanglin (Alan) Lai
Chairman

Trevor Burt
Deputy Chairman

Bruce Irvine

John Nichol

Lim Siang (Ronald) Seah

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

Kean Seng U

Executive Team
for the six months ended 31 December 2016

Mark Dewdney
Chief Executive Officer

Cedric Bayly
General Manager Wool

Julian Daly
General Manager Strategy and Corporate Affairs/ Company Secretary

Grant Edwards
General Manager Insurance and Financial Services

David Green
General Manager New Zealand Seeds

Stephen Guerin
Group General Manager Retail and Water

John McKenzie
Group General Manager Seed and Grain

Peter Moore
General Manager Livestock

Peter Newbold
General Manager Real Estate

Peter Scott
Chief Financial Officer

Rachel Shearer
General Manager Human Resources

Brent Sycamore
General Manager Grain

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+64 3 372 0800 (International)
Email: enquires@pggwrightson.co.nz

Auditors

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PO Box 1739
Christchurch 8140
Telephone +64 3 363 5600

Company number 142962
NZBN 9429040323497

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

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Takapuna, Auckland 0622

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Facsimile +64 9 488 8787

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

PGG Wrightson

Helping grow the country