PGG Wrightson

Half Year Report

For the six months ended 31 December 2017

Helping grow the country

PGW Seeds Arable Representative Shane Butler with Eric Watson in Mid Canterbury, December 2017.

Reporting on an IMPRESSIVE RESULT

PGW South Island Livestock Manager Shane Gerken is on the gates, drafting lambs with his team at Airies Station near Burkes Pass, on the morning of their on farm sale in February 2018.

Operating EBITDA of

$34.2m

from $26.0 million for the previous corresponding period

Net profit after tax of

$14.6m

from $15.0 million for the previous corresponding period

Fully imputed interim dividend of

1.75¢

per share

Chairman and Chief Executive Officer's REPORT

Ian Glasson
CHIEF EXECUTIVE OFFICER

Guanglin (Alan) Lai
CHAIRMAN

- **For the six months ended 31 December 2017, PGW achieved Operating EBITDA of $34.2 million, up $8.2 million from the corresponding period last year.**
- **Shareholders will receive a fully imputed interim dividend of 1.75 cents per share payable on 5 April 2018.**

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 2017 was $34.2 million, up $8.2 million on the corresponding period last year. This is PGW's best first half Operating EBITDA result in a decade. Net profit after tax (NPAT) was $14.6 million, $0.4 million lower than the same period last year due in part to movement in the New Zealand dollar.

We advised in October last year that against a backdrop of higher commodity prices, lower agricultural production and a delayed start to spring we expected our Operating EBITDA to be at a similar level to FY2017. It is pleasing to be able to report that the business has achieved a first half performance at an Operating EBITDA level that is stronger than the corresponding period last year.

Furthermore, we expect this strength to continue and anticipate Operating EBITDA to exceed FY2017's result and be in the $65 million to $70 million range.

Previously we also expected that NPAT for FY2018 would be approximately 30 percent lower than FY2017 due to a reduction in gains on property sales given that our divestment programme is now largely complete. With this stronger trading performance we now expect NPAT to be approximately 20 percent lower.

This is a very pleasing result for the first half. We have a highly engaged team who continue to deliver good results through the market cycles and weather variability that impact the agri-sector. The lift in Operating EBITDA from the same time last year is heartening and puts us in a good position as we move into the second half. This performance was achieved with most of our businesses trading well through the first half.

AGENCY

The Agency group delivered an excellent result with a more than two-fold increase in Operating EBITDA.

The Livestock business benefited from strong international demand for protein and reduced tallies which combined to push up livestock prices across New Zealand. In addition, our Livestock supply chain products continue to perform well.

Wool has performed significantly above the corresponding period last year with both our brokering and export businesses tracking well. This has been driven by increases of bales into store and farmers meeting market levels.

The Real Estate business had a challenging first six months but maintained market share and remains well positioned to respond when market conditions improve.

RETAIL AND WATER

The Retail and Water group performed superbly with a 25 percent increase in Operating EBITDA over the same period last year which was largely built on the operating performance in our Retail business. All three Retail business areas (Rural Supplies, Fruitfed Supplies and Agritrade) contributed to the pleasing result.

The Retail business performed extremely well during a period when they look to deliver more than 85 percent of their full year Operating EBITDA. It was pleasing to see that they finished with Operating EBITDA higher than the same period last year despite some challenges with weather. Wet growing conditions in spring were followed by dry conditions in November and December.

The main impact on horticulture was the advance of harvest dates. This resulted in spray programme applications being brought forward and as a consequence some of the sales that were planned for January occurred during December.

The Water business continues to be challenged by the lack of on farm development. Despite this, the business is seeing a number of opportunities come to fruition, such as the successful tendering to supply irrigation to the Royal Auckland and Grange Golf Club, and Millbrook developments.

SEED AND GRAIN

Seed and Grain performed well increasing Operating EBITDA by $2.2 million over the same period last year.

The New Zealand Seed and Grain business had a solid result due to favourable weather conditions in spring, compared to the same period last year. Recovery in the grain and forage seeds market along with a lift in performance in international shipments due to high yields resulted in an increased Operating EBITDA.

However, a reduction in spring sales increased closing inventory levels in both the Australian and South American businesses. Initiatives are in place to alleviate working capital demands across the Seed and Grain group and we expect that to improve as the Australian business performance is traditionally focused in the second six months of the financial year.

The Seed and Grain group's continued investment in research and development was highlighted in spring with the launch of our environmentally functional programme, NSentinel 4™, which includes our new plantain product, Ecotain®. We also had impressive demand for the first full commercial year of our raphanobrassica product.

STRATEGY UPDATE

In October 2017 it was announced that the Board had made a joint appointment of Credit Suisse (Australia) Ltd and First NZ Capital Ltd as financial advisers to assist with a strategic review of PGW's business, its growth opportunities, capital and balance sheet requirements, and potentially shareholding structure. The review remains ongoing and it is hoped that the Company will be in a position to comment further on outcomes from this work later in the year.

BALANCE SHEET

Net cash outflows from operating activities were $49.8 million up from $16.2 million on the same period last year. Receivables increased largely as a result of the continued success of our *Go* range of livestock products and the weather-driven seasonal delay in planting, which pushed our seasonal peak in working capital closer to December 2017 than usual. However, due to our continued focus on cash

> "Operating EBITDA for the half year ended 31 December 2017 was $34.2 million, up $8.2 million on the corresponding period last year. This is PGW's best first half Operating EBITDA result in a decade."
>
> Alan Lai, Chairman

management, we have seen good collections in January and February 2018.

We continue to invest into the business to improve facilities and operating systems, and we foresee growth in our *Go* products. Currently we expect year end debt levels in June 2018 to be approximately $30 million higher than June 2017 due to increased working capital across Seed and Grain, Retail and Water, and *Go* Livestock receivables. Much of the growth in debt over the last two years can be attributed to our working capital investment in *Go* product receivables that are proving to be popular with our customers and profitable for the Company. If you exclude the effect of *Go* products from our net interest-bearing debt you will see that our debt as at December 2017 is at approximately the same level as at December 2015 (Note: *Go* products were launched in November 2015).

HEALTH AND SAFETY

We have made some good progress in improving the workplace health and safety of our employees. However there are still plenty of challenges to overcome as the agricultural sector in which we operate is one area where the injury rate is high and many risks and hazards exist.

In recognition of our ongoing commitment to improve the health, safety and wellbeing of our people we continue to invest in initiatives across our five key strategic drivers: People and Leadership; Critical Risk and Controls; Learning and Communication; Systems and Structure, and Governance and Assurance.

Programmes of work within these key pillars are designed to achieve net positive results from our health and safety efforts, creating organisational benefits alongside our desired sense of citizenship whereby health, safety and wellbeing is seen as an integral part of everything we do at PGW.

To support our efforts a revised governance model was implemented, we renewed our focus on critical risks and our team of health and safety professionals grew substantially to support and guide our leaders and frontline employees. To ensure we develop a learning culture which understands and recognises the risks in our operations and works tirelessly to prevent harm, we also commenced the Zero Incident Process (ZIP) cognitive behavioural safety leadership and engagement programme. 600 leaders and frontline team members will have completed ZIP training by the end of this financial year.

DIVIDENDS

In February 2018 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 16 March 2018. The dividend will be fully imputed and paid to shareholders on 5 April 2018.

OUTLOOK

Dairy price expectations for the season have softened but are still ahead of this time last year. Milk processing companies are expecting production to fall for the remainder of their season. We have seen some increase in confidence in the dairy market but activity is still constrained as dairy farmers remain cautious in their decision making.

We expect continued strong lamb and beef commodity demand and pricing. This is buoyed in part by good feed supply across the country, except for Southland and parts of Otago where drought was officially declared in late January 2018. Our staff continue to work alongside local rural support and industry groups in all drought-affected areas to assist customers who remain impacted despite heavy and sustained rainfall during February which has returned Southland rivers and aquifers back to normal levels for this time of the year.

Crossbred wool prices have stabilised at low levels and growers are starting to meet the market with inventory beginning to move through auctions again. The demand for fine wool is heartening and we are making gains in that market with international supply chain contracts increasing.

The second six trading months for the Retail and Water group are always lower revenue months which reflect the role the business has in farm activity at that time of the year. The excellent result delivered by the Fruitfed horticulture business in the first half of the financial year is set to continue with large-scale grape, kiwifruit, apple and avocado producers experiencing favourable returns and forging ahead with extensive development. The added benefit of this customer investment to our business is the increase in sales in fencing, machinery, horticulture merchandise, water and irrigation categories.

The outlook for the Seed and Grain group remains positive for the second half of the financial year. Subject to favourable autumn planting and climatic conditions in our key markets, we expect these businesses to deliver good second half results. The South American business continues to recover from the impact of the devastating floods of 2016.

Assuming positive market conditions continue, we believe that we are on track to deliver a full year operating result to surpass last year at an Operating EBITDA level. Much of the earnings of our South American, Australian and Livestock businesses will not be certain until later in the financial year, but as of 27 February 2018 (the date of the Half Year results announcement) we expect FY2018 Operating EBITDA to be in the $65 million to $70 million range and NPAT to be approximately 20 percent lower than last year.

GOVERNANCE AND EXECUTIVE TEAM

The PGG Wrightson Limited Board remains stable, aside from one change in membership due to retirement. On 16 October 2017 Wah Kwong Tsang retired as a Director. Joo Hai Lee was appointed to the Board on 31 October 2017.

There were two changes to the executive team during the first six months of FY2018. Firstly, Ian Glasson was appointed as Chief Executive on 1 November 2017 following the resignation of Mark Dewdney. Secondly, Grant Edwards (former General Manager Finance and Insurance) was appointed General Manager of Wool on 1 November 2017 following the retirement of Cedric Bayly.

The Board extends its thanks to Mark and Cedric for their respective contributions to PGW during their tenure.

ACKNOWLEDGEMENTS

This year's outstanding result is an achievement that PGW's dedicated, hard working and passionate people can share with our stakeholders. The PGW Board and executive team continue to be impressed with the commitment and passion for agriculture that our staff display. There are many examples across the Company of the enduring relationships our people have with our customers. We share our expertise and are invested in our customers' performance.

Alan Lai
Chairman

Ian Glasson
Chief Executive Officer

Agency

Go products: providing flexibility

Calum Watson of Papanui Station with PGW National Livestock Supply Chain Manager Jamie Molloy and Livestock Agent Alex Stewart. They are inspecting some of the Station's lambs and steers in January 2018.

The PGG Wrightson Livestock business has continued to strengthen its performance over the last three years as lower stock numbers and sustained international demand for New Zealand's high-quality protein have combined to push up livestock prices.

Livestock is principally an agency business, with revenue predominantly reflecting commissions earned on the buying and selling of livestock. Consequently the key drivers of business performance are the volume and value of livestock transacted.

Underpinning this strong market activity of recent years is the development and implementation of a supply chain strategy that has had a positive impact on this business. This includes the impressive growth of the *Go* range of livestock products, since they were launched in November 2015.

The *Go* products are a supply chain product for cattle and sheep owned by PGG Wrightson (PGW). The *Go* products have proven popular with farmers and have grown to an asset balance of $28.7 million as at 31 December 2017.

PGW National Livestock Supply Chain Manager Jamie Molloy who developed and manages the *Go* products scheme explains, "The market was looking for a grazing product to assist them with their livestock trading. The scheme has been designed to be easy to put in place with our customers signing up to the scheme with their PGW Livestock Agent. Under the scheme, PGW own the livestock and when it is sold the change in the value of the livestock is the farmer's, less fees.

"Farmers need to be agile as market prices and climatic conditions can change quickly. The timing of *Go* products are flexible and our customers can use them to suit their own farming operation, for example, farmers typically hold the sheep (*Go*-Lamb™) for up to four months and cattle (*Go*-Beef™) for up to 12 months.

"During the 2017 financial year 187,964 sheep and 33,983 cattle entered the scheme. The stock numbers entering the scheme for the first six months of FY2018 have grown from those levels, which is indicative of the strong appeal of the *Go* products to our customers," said Jamie.

One of the many PGW customers who signed up for the scheme were Calum and Siobhan Watson of Papanui Station in Makara, west of Wellington. They have signed up for five separate contracts for a total of 400 steers and 5,000 lambs through the scheme since March 2017.

Calum explains, "Siobhan and I had been managing Papanui Station for eight years when we were given the opportunity to farm it in our own right in early 2017. This is sheep and beef country so our major asset is our capital stock. We've made good margin through trading stock utilising *Go* products over the last year or so. This country can dry off quickly here and we usually try and get the store cattle and lambs off the property by December. We got a bit less rain than usual over this summer so we only have the bottom end of the lambs left on the property and we will hold them through to January to get the best margin. Every year is a bit different, so having flexibility with *Go* products really helps us make the most of the conditions at the time.

"Our Livestock Agent Alex Stewart suggested we take a look at *Go* products because it gave us the flexibility to trade stock in a strong market while still maintaining the ability to hold or sell stock as needed given current conditions on farm," said Calum.

PGW Livestock Agent Alex Stewart has been working with the Watson's for about 18 months and he saw *Go* products as a good solution to get them involved in trading stock with the end goal of building up their capital from the gains made using *Go* products. Alex said, "To date they have signed up for five separate contracts, it works well for them and it is suited to their farming operation."

Jamie concludes, "The international outlook is good for both cattle and sheep markets.

"While it is well documented that our national sheep flock has been decreasing for some time, more recently that decrease has slowed, I think there are enough good long-term signals out there for that trend to start to reverse. We see that as a positive sign for future growth for our *Go* product range. We are currently developing other *Go* products, including dairy, to further meet the needs of the market. We believe that *Go* products will continue to go from strength to strength."

AIS South Island Manager Paul Mooney and RAGGC Director of Agronomy Mark Hooker inspect the development of the Grange Course number two hole in January 2018.

Retail and Water

Irrigation innovation: keeping the fairways green

KEY FACTS

- 27 holes will be developed (13 on the Grange and 14 on the Royal Auckland side).
- AIS will lay approximately 44 kilometres of irrigation pipes.
- AIS will install 1750 sprinkler heads.
- Fairways will be sand capped with 38,000 cubic metres of sand.
- RAGGC will plant approximately 1500 native plants over the next four years in addition to exotic accent trees in strategic areas.

With the slowing of irrigation development in the rural sector in New Zealand over the last two to three years, the PGG Wrightson Water team turned its focus on growing other areas of their business including irrigation systems for golf courses.

Advanced Irrigation Systems (AIS) – a trading division of PGG Wrightson Limited – provides water system design, infrastructure implementation and service support to a range of customers including golf clubs around New Zealand. As a result of the innovative technology and highly valued work the team have been delivering, their bid for the redevelopment project at the prestigious Royal Auckland and Grange Golf Club (RAGGC) was successful.

The specialised golf irrigation system that the team is installing at RAGGC is the Rain Bird® Integrated Control™ (IC) system. AIS has already installed the system at two golf courses, with four more to come online in the near future.

A key aspect of the system is the integrated control software package which allows our customers to turn individual sprinklers on and off via a central control computer or internet enabled devices such as smart phones or tablets. The highly sophisticated IC™ system has advanced diagnostic capabilities to troubleshoot field issues with pinpoint accuracy.

The RAGGC project's earthworks commenced in September 2017 and the project is expected to be completed by October 2021. Leading the AIS project team is South Island Manager and irrigation golf specialist Paul Mooney.

Paul said, "It is a privilege to be working on this major development at one of the most prestigious golf clubs in Australasia. Our team was delighted when the project bid was accepted. Now the hard work begins.

"AIS are New Zealand's sole authorised Rain Bird® distributor for golf irrigation products, which provide automatically controlled irrigation systems for heavy turf applications such as golf and race courses," said Paul.

Paul and his team work closely with RAGGC Director of Agronomy Mark Hooker and his team, as well as the Nicklaus Design Associate onsite, Paul Garvie.

Mark said, "Our objective is to develop a golf course that is comparable with the best Australasian courses and to produce high quality playing surfaces for our members all year round. We are pleased to be working with AIS to be able to deliver on this.

"It is therefore important to install an excellent irrigation system. Their system met our requirements. The water supply system is highly customised and will provide smart technology to address the unique soil, sand and grass (turf) combinations on each hole," said Mark.

In addition the RAGGC will install an integrated weather station and soil moisture sensors that will help with irrigation scheduling to avoid over or under watering on the golf course. Another integrated feature that will assist with the efficient use of water is the Rain Bird® Smart Pump technology. The pump technology will help RAGGC maximise pump use and improve water window efficiency, which in turn will decrease energy consumption.

The $60 million plus project involves three separate contractors managing earthworks, drainage and irrigation. Once these aspects of the project are completed, then the naked soil is handed back to RAGGC to plant and grow in the course.

Mark sums up, "While the project involves three contractors, they work closely together as a team – sharing information and agreeing on goals which I believe will result in a better outcome for us and our members. An excellent irrigation system is key to a top performing golf course. If you get that part right and take the time to plan and install carefully, this goes a long way and enables our agronomy team time to focus on preparing top quality turf surfaces."

Royal Auckland and Grange Golf Club

The Auckland Golf Club was founded in 1894 and the Grange Golf Club was founded in 1924. In the 123 years since a number of golf clubs have formed in the Auckland area, relocating as the city grows.

In 2015 it was decided to merge the Royal Auckland and Grange Golf Clubs. This new entity provided an opportunity for redevelopment with the new layout spread equally across the Grange and Middlemore properties. Two bridges will link the properties across the estuary, one for golfers arriving to the clubhouse and another to ferry them across the estuary as they play the course. The club will build a new clubhouse as well as a 300 metre driving range and short game practice facilities.

The project will be carried out in two phases, the first being the construction of the 13 holes on the Grange property, the bridges and clubhouse. These elements will be completed in mid to late 2019. Phase two will see the balance of the holes constructed on the Middlemore property, along with the driving range, all to be completed in 2021.

PGW Turf

PGW Turf are also working closely with the RAGGC by supplying seed, fertiliser and plant health products for the construction and maintenance of the course. The relationship between PGW Turf and Mark Hooker goes back a number of years to when PGW Turf supplied Mark with Colosseum perennial ryegrass for the over-seeding of the Royal Golf Club in the Kingdom of Bahrain (the only grass golf course in Bahrain).

Seed and Grain

Team approach: resulting in high yields

One of the high-performing teams within the PGG Wrightson Seeds' New Zealand business, which operates largely away from the public eye, is the Arable business unit.

This business unit which works alongside specialist arable farmers is based in Canterbury, New Zealand's most intense arable production region. The team of 18 arable specialists is located throughout the South Island in key arable areas.

The team, which was formed in 2006, is led by PGG Wrightson Seeds Arable Business Unit Manager Graeme Jones.

Graeme said, "The formation of the team came about as our arable customers had a number of PGG Wrightson (PGW) staff they were dealing with across the Company which resulted in some confusion and duplication of effort. We needed to change our thinking to build the best agronomic platform to service and support our arable customers and the PGW Seeds business. We concluded that the best way to service and interact with our arable customers was to have a primary relationship – a representative who specialised in seed production who also had a high level of agronomy and technical expertise.

"The two things that drive our business unit are seeds and agronomy. As a result, our team is required to perform at a strong level of service, market knowledge and technical knowledge.

"New Zealand has some of the best arable seed production in the world. We have good soils, irrigation (reliable water supply) and optimal climatic (reasonably consistent) conditions. As a result, we are able to provide quality and reliable seed and grain production. We have developed a hands on approach between ourselves and our arable customers, but to compete in the global market we cannot rely on that alone. There is also a technical requirement to produce seed at the highest quality and yield per hectare.

"A significant competitive advantage for us is the support of the highly experienced PGW Seeds research and development (R&D) team. Developing a new cultivar can take more than 10 years of intensive work and the R&D team share their expertise with us, which we in turn share with our customers. The R&D team run many agronomic and cultivar field trials during that development period on our customers' farms so they are invested in future cultivars as much as we are.

"Our customers require a high level of technical and market knowledge so it is critical to provide them with support that will add value to their farming operation and work alongside them in an industry where innovation is fast-moving. So we need to be ahead of the game," said Graeme.

One member of the Arable business unit who has been working alongside arable farmers for 20 years is PGW Seeds Arable Representative Shane Butler. Shane works with arable farmers in Mid Canterbury and one of his customers is Eric and Maxine Watson.

Shane said, "Eric and Maxine are passionate arable farmers who are willing to learn about and adopt new technologies regarding the latest arable research and development which adds value to their arable farming business.

"Our wider PGW Seeds team is equally as passionate about arable farming. Remaining competitive in global markets, and maximising seed yield and quality are our key goals. We can achieve this with customers, such as Eric and Maxine Watson, through sharing the R&D and technology innovation by bringing it onto farm in a practical application both through field trials and seed production," said Shane.

The Watsons run a 490 hectare property in Wakanui. The farm is a fully irrigated property growing a range of arable crops for PGW Seeds including; ryegrass, tall fescue, timothy, red fescue, plantain, chicory, linseed, wheat, triticale and barley.

Eric said, "Our family has been involved with PGW (and its predecessors) for three generations. We have been loyal to them and in turn they have looked after us. We view our relationship with Shane and the team at PGW as a partnership. We fire ideas around and between us we come up with the best way forward. We rely heavily on the technical knowledge of Shane and the wider PGW Seeds team.

"As a specialised arable operation, maximum yield is the key outcome for us and we continue to achieve that with Shane. We are involved in field trials and the more we understand the development of cultivars the better outcome we can gain through yield when we grow them as production or multiplication crops. Shane is an essential part of our business and he helps us get the best out of our crops," said Eric.

PGW Seeds Arable Representative Shane Butler and Arable Business Unit Manager Graeme Jones with Eric Watson. They are inspecting a 24 hectare paddock of Ecotain® at the Watson's Mid Canterbury farm in December 2017.

15,000 lambs and ewes on the move in the Airies Station sheep yards, near Burkes Pass in February 2018.

PGG Wrightson

Key Financial Disclosures

for the six months ended 31 December 2017

The financial statements contained on pages 14 – 31 have been approved by the Board of Directors on 26 February 2018.

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 2017

	NOTE	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Continuing operations				
Operating revenue		628,177	1,132,963	607,771
Cost of sales		(457,241)	(804,317)	(450,308)
Gross profit		170,936	328,646	157,463
Other income		4	388	30
Employee benefits expense		(82,257)	(160,851)	(79,969)
Research and development		(2,811)	(4,542)	(2,650)
Other operating expenses		(52,012)	(99,268)	(49,215)
Equity accounted earnings of investees		312	126	323
		(136,764)	(264,147)	(131,481)
Operating EBITDA		**34,172**	**64,499**	**25,982**
Non-operating items		1,293	9,521	529
Fair value adjustments	1	(106)	(420)	(283)
Depreciation and amortisation expense		(6,115)	(10,733)	(5,188)
EBIT		29,244	62,867	21,040
Net interest and finance costs	2	(7,997)	(6,158)	(1,511)
Profit from continuing operations before income taxes		21,247	56,709	19,529
Income tax expense		(6,604)	(10,428)	(4,562)
Profit from continuing operations		14,643	46,281	14,967
Discontinued operations				
Profit / (loss) from discontinued operations (net of income taxes)		(3)	30	12
Net profit after tax		**14,640**	**46,311**	**14,979**
Profit attributable to:				
Shareholders of the Company		14,488	45,607	14,988
Non-controlling interest		152	704	(9)
Net profit after tax		**14,640**	**46,311**	**14,979**
Earnings per share				
Basic earnings per share (New Zealand Dollars)	3	0.019	0.061	0.020
Continuing operations				
Basic earnings per share (New Zealand Dollars)	3	0.019	0.061	0.020

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

INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Net profit after tax	**14,640**	**46,311**	**14,979**
Other comprehensive income/(loss) for the period			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments	–	240	504
Remeasurements of defined benefit liability	1,992	3,121	4,745
Deferred tax on remeasurements and change of defined benefit liability	(550)	(2,389)	(2,956)
	1,442	972	2,293
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations	3,885	(1,550)	942
Effective portion of changes in fair value of cash flow hedges	–	(2,039)	(2,039)
Income/deferred tax on changes in fair value of cash flow hedges	–	571	571
	3,885	(3,018)	(526)
Other comprehensive income/(loss) for the period, net of income tax	5,327	(2,046)	1,767
Total comprehensive income for the period	**19,967**	**44,265**	**16,746**
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company	19,818	43,579	16,773
Non-controlling interest	149	686	(27)
Total comprehensive income for the period	**19,967**	**44,265**	**16,746**

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 2017

(a) Operating Segments

During 2017 the Group reorganised its operating structure to have three primary operating segments: Agency, Retail and Water and Seed and Grain which are the Group's strategic divisions. Agency and Retail and Water operate within New Zealand. Seed and Grain primarily operates within New Zealand with additional operations in Australia and South America. Comparative segmental information has been restated in respect of the change in operating structure.

The three operating segments offer different products and services, and are managed separately because they require different skills, technology and marketing strategies. There is also a Group General Manager for each segment. 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.

- **Agency.** Includes rural Livestock trading activities, Export Livestock, Wool, Insurance, Real Estate and Finance Commission.
- **Retail and Water.** Includes the Rural Supplies and Fruitfed retail operations, PGG Wrightson Water, AgNZ (Consulting), Agritrade and ancillary sales support, supply chain and marketing functions.
- **Seed and Grain.** Includes Australasia Seed and Grain (New Zealand and Australian manufacturing and distribution of forage seed and turf, sale of cereal seed and grain trading, international trading and seed production), 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 and Grain (research and development and corporate seeds).
- **Other.** Other non-segmented amounts relate to certain Group 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/elimination adjustments.

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

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

Other cost allocation

The Group has adopted an allocation methodology which allocates certain corporate costs where they can be directly attributed to the operating segment or attributed based on the use of the following methods:

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

Other costs including non-operating items, fair value adjustments, net interest and finance costs, income tax expense as well as the reporting of discontinued operations are not fully allocated by the Group. Accordingly, these items have not been allocated across the operating segments. The Group Finance, Risk and Assurance, Treasury, HR, Credit and the Executive Team functions continue to be reported outside of the operating segments.

(b) Operating Segment Information

	AGENCY			RETAIL AND WATER		
	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Total segment revenue	84,304	197,098	91,415	381,732	562,162	348,569
Intersegment revenue	–	–	–	–	–	–
Total external operating revenues	84,304	197,098	91,415	381,732	562,162	348,569
Operating EBITDA	**4,633**	**17,996**	**2,012**	**23,621**	**18,295**	**18,922**
Non-operating items	350	3,275	745	600	(12)	67
Fair value adjustments	(18)	26	17	–	–	–
Depreciation and amortisation expense	(513)	(1,130)	(561)	(1,445)	(1,737)	(863)
EBIT	4,452	20,167	2,213	22,776	16,546	18,126
Net interest and finance costs	(1,370)	472	1,134	291	272	592
Profit / (loss) from continuing operations before income taxes	3,082	20,639	3,347	23,067	16,819	18,719
Income tax (expense) / income	(584)	(4,171)	(1,925)	(6,354)	(5,253)	(7,411)
Profit/(loss) from continuing operations	2,498	16,468	1,422	16,712	11,566	11,307
Discontinued operations	–	–	–	–	–	–
Net profit after tax	**2,498**	**16,468**	**1,422**	**16,712**	**11,566**	**11,307**
Segment assets	142,539	145,410	114,303	275,372	137,081	241,042
Investment in equity accounted investees	–	–	–	–	–	–
Assets held for sale	–	37	88	218	500	264
Total segment assets	142,539	145,447	114,391	275,590	137,581	241,306
Segment liabilities	(39,283)	(71,296)	(43,903)	(171,920)	(72,117)	(150,193)

	SEED AND GRAIN			OTHER			TOTAL		
	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Total segment revenue	208,790	428,711	203,521	305	1,040	685	675,131	1,189,012	644,190
Intersegment revenue	(46,954)	(56,049)	(36,419)	–	–	–	(46,954)	(56,049)	(36,419)
Total external operating revenues	161,836	372,663	167,102	305	1,040	685	628,177	1,132,963	607,771
Operating EBITDA	**10,813**	**37,045**	**8,613**	**(4,895)**	**(8,836)**	**(3,565)**	**34,172**	**64,499**	**25,982**
Non-operating items	253	7,604	(118)	90	(1,347)	(165)	1,293	9,521	529
Fair value adjustments	(88)	(324)	(300)	–	(121)	–	(106)	(420)	(283)
Depreciation and amortisation expense	(2,912)	(5,517)	(2,658)	(1,245)	(2,349)	(1,106)	(6,115)	(10,733)	(5,188)
EBIT	8,066	38,807	5,538	(6,050)	(12,654)	(4,837)	29,244	62,866	21,040
Net interest and finance costs	(4,131)	(4,127)	(1,437)	(2,787)	(2,774)	(1,800)	(7,997)	(6,158)	(1,511)
Profit / (loss) from continuing operations before income taxes	3,935	34,680	4,101	(8,837)	(15,428)	(6,637)	21,247	56,709	19,529
Income tax (expense) / income	(1,231)	(7,513)	(2,831)	1,565	6,509	7,605	(6,604)	(10,428)	(4,562)
Profit/(loss) from continuing operations	2,704	27,166	1,270	(7,272)	(8,920)	969	14,643	46,281	14,967
Discontinued operations	–	–	–	(3)	30	12	(3)	30	12
Net profit after tax	**2,704**	**27,166**	**1,270**	**(7,275)**	**(8,890)**	**981**	**14,640**	**46,311**	**14,979**
Segment assets	361,463	367,753	324,870	39,028	27,704	38,588	818,402	677,949	718,803
Investment in equity accounted investees	24,234	20,892	21,107	62	81	78	24,296	20,973	21,185
Assets held for sale	–	–	5,497	2,398	2,690	2,311	2,616	3,227	8,160
Total segment assets	385,697	388,645	351,475	41,488	30,475	40,977	845,314	702,148	748,148
Segment liabilities	(171,754)	(187,209)	(161,806)	(168,223)	(81,816)	(116,361)	(551,180)	(412,437)	(472,263)

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

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	NOTE	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Cash flows from operating activities				
Cash was provided from				
Receipts from customers		543,007	1,201,273	566,771
Dividends received		2	10	1
Interest received		2,403	3,318	1,282
		545,412	1,204,601	568,054
Cash was applied to				
Payments to suppliers and employees		(582,712)	(1,159,853)	(567,335)
Lump sum contributions to defined benefit plans (ESCT inclusive)		(1,340)	(7,551)	(6,030)
Interest paid		(4,049)	(6,321)	(3,417)
Income tax paid		(7,090)	(10,408)	(7,465)
		(595,191)	(1,184,133)	(584,247)
Net cash inflow / (outflow) from operating activities		**(49,779)**	**20,468**	**(16,193)**
Cash flows from investing activities				
Cash was provided from				
Proceeds from sale of property, plant and equipment and assets held for sale		2,426	22,352	8,673
Net decrease in finance receivables		–	–	22
Net proceeds from sale of investments		111	4,424	4,424
		2,537	26,776	13,119
Cash was applied to				
Purchase of property, plant and equipment		(5,268)	(12,803)	(6,950)
Purchase of intangibles		(3,940)	(4,307)	(933)
Net cash paid for purchase of investments		(1,056)	(2,773)	(2,975)
		(10,264)	(19,883)	(10,858)
Net cash flow from investing activities		**(7,727)**	**6,893**	**2,261**
Cash flows from financing activities				
Cash was provided from				
Increase in external borrowings and bank overdraft		84,298	3,715	32,144
Repayment of loans from related parties		3,596	–	–
		87,894	3,715	32,144
Cash was applied to				
Dividends paid to shareholders		(15,234)	(28,588)	(15,252)
Dividends paid to minority interests		(310)	(646)	(289)
Repayment of loans to related parties		–	–	(163)
		(15,544)	(29,234)	(15,704)
Net cash flow from financing activities		**72,350**	**(25,519)**	**16,440**
Net increase in cash held		14,844	1,842	2,508
Opening cash		9,403	7,561	7,561
Cash and cash equivalents	4	**24,247**	**9,403**	**10,069**

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 2017

	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Profit after taxation	14,640	46,311	14,979
Add/(deduct) non-cash/non operating items			
Depreciation, amortisation and impairment	6,115	10,733	5,188
Fair value adjustments	106	420	283
Net (profit)/loss on sale of assets/investments	(1,327)	(9,630)	(1,636)
Bad debts written off (net)	561	1,244	494
Change in deferred taxation	(3,834)	(811)	(8,453)
Earnings of equity accounted investees	312	(126)	(323)
Discontinued operations	3	(30)	(12)
Effect of foreign exchange movements	(98)	(197)	(307)
Earn-out provision reassessment	(328)	(2,373)	–
Pension contributions (operating cash) not expensed through profit and loss	(1,340)	(7,551)	(6,030)
Other non-cash/non-operating items	445	1,988	4,189
	15,255	39,978	8,372
Add/(deduct) movement in working capital items			
Movement in working capital due to sale/purchase of businesses	(2,683)	(3,378)	(3,433)
Change in inventories and biological assets	10,634	(11,208)	29,739
Change in accounts receivable and prepayments	(132,215)	(12,364)	(83,702)
Change in trade creditors, provisions and accruals	53,479	5,856	27,337
Change in income tax payable/receivable	4,357	2,156	8,040
Change in other current assets/liabilities	1,394	(572)	(2,546)
	(65,034)	(19,510)	(24,565)
Net cash flow from operating activities	**(49,779)**	**20,468**	**(16,193)**

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

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	NOTE	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
ASSETS				
Current				
Cash and cash equivalents	4	24,247	9,403	10,069
Short-term derivative assets		1,501	3,528	2,595
Trade and other receivables		365,924	230,022	322,498
Go livestock receivables		28,683	32,371	12,816
Assets classified as held for sale		2,616	3,227	8,160
Biological assets		1,897	1,553	927
Inventories		242,677	253,600	214,251
Other investments		30	3,441	3,822
Total current assets		667,575	537,145	575,138
Non-current				
Long-term derivative assets		122	427	2,412
Biological assets		78	58	61
Deferred tax asset		18,979	15,145	22,787
Investments in equity accounted investees		24,296	20,973	21,185
Other investments	5	2,140	1,906	1,925
Intangible assets		11,162	9,129	6,655
Property, plant and equipment	7	120,962	117,365	117,985
Total non-current assets		177,739	165,003	173,010
Total assets		**845,314**	**702,148**	**748,148**
LIABILITIES				
Current				
Debt due within one year	4	91,215	26,719	70,034
Short-term derivative liabilities		2,724	991	748
Accounts payable and accruals		301,837	248,290	269,426
Income tax payable		8,115	4,115	10,555
Defined benefit liability	9	1,046	942	1,117
Total current liabilities		404,937	281,057	351,880
Non-current				
Long-term debt	4	130,634	110,925	96,283
Long-term derivative liabilities		824	661	762
Other long-term liabilities		3,107	4,909	9,138
Defined benefit liability	9	11,678	14,885	14,200
Total non-current liabilities		146,243	131,380	120,383
Total liabilities		**551,180**	**412,437**	**472,263**
EQUITY				
Share capital		606,324	606,324	606,324
Reserves		4,980	(2,956)	5,552
Retained earnings		(319,473)	(316,121)	(338,099)
Total equity attributable to shareholders of the Company		291,831	287,247	273,777
Non-controlling interest		2,303	2,464	2,108
Total equity		**294,134**	**289,711**	**275,885**
Total liabilities and equity		**845,314**	**702,148**	**748,148**

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

Fruitfed TFR Lara Dunningham inspects fruit trees with Brian Fulford of Omahuri Orchard, near Hastings, October 2017.

Additional Financial Disclosures

including Notes to the Financial Statements for the six months ended 31 December 2017

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1 FAIR VALUE ADJUSTMENTS

	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Assets held for sale	–	(121)	–
Biological assets	(23)	28	10
Investments	(83)	(327)	(293)
	(106)	**(420)**	**(283)**

2 NET INTEREST AND FINANCE COSTS

	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Finance income contains the following items:			
Other interest income	183	211	80
Finance income	183	211	80
Interest funding contains the following items:			
Interest on loans and overdrafts	(3,033)	(5,747)	(2,722)
Net interest on interest rate derivatives	(338)	(367)	(173)
Fair value change on interest rate derivatives	(75)	392	585
Effective interest on expected earnout payments	(420)	(27)	(558)
Effective interest on expected defined benefit pension ESCT payments	(208)	(122)	(229)
Other interest expense	(634)	(108)	(506)
Bank facility fees	(373)	(772)	(417)
Interest funding expense	(5,081)	(6,751)	(4,020)
Foreign exchange contains the following items:			
Net gain/(loss) on foreign denominated items	1,056	(924)	120
Fair value change on foreign exchange derivatives	(4,155)	1,306	2,309
Foreign exchange income/(expense)	(3,099)	382	2,429
Net interest and finance costs	**(7,997)**	**(6,158)**	**(1,511)**

3 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

	UNAUDITED DEC 2017 000	AUDITED JUN 2017 000	UNAUDITED DEC 2016 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**

3 EARNINGS PER SHARE AND NET TANGIBLE ASSETS (CONTINUED)

	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Net Tangible Assets			
Total assets	845,314	702,148	748,148
Total liabilities	(551,180)	(412,437)	(472,263)
less intangible assets	(11,162)	(9,129)	(6,655)
less deferred tax	(18,979)	(15,145)	(22,787)
	263,993	**265,437**	**246,443**

	UNAUDITED DEC 2017 $	AUDITED JUN 2017 $	UNAUDITED DEC 2016 $
Net tangible assets per share	0.350	0.352	0.326
Earnings per share	0.019	0.061	0.020

4 CASH AND FINANCING FACILITIES

	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Cash and cash equivalents	24,247	9,403	10,069
Current financing facilities	(91,215)	(26,719)	(70,034)
Term financing facilities	(130,634)	(110,925)	(96,283)
Net interest bearing debt	**(197,602)**	**(128,241)**	**(156,248)**
Go range of livestock product receivables	28,683	32,371	12,838
Net interest-bearing debt less *Go* livestock receivables	**(168,919)**	**(95,870)**	**(143,410)**

Australia and New Zealand facilities

The Company amended and restated its syndicated facility agreement on 15 December 2017. The facility agreement provides bank facilities of $210.00 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 China (New Zealand) Limited, Bank of New Zealand, Bank of Tokyo-Mitsubishi UFJ, Ltd and Westpac New Zealand Limited).

The Company's bank syndicate facilities include:

– Term debt facilities of $150.00 million maturing on 31 July 2020.

– A working capital facility of up to $60.00 million maturing on 31 July 2020.

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 $22.59 million as at 31 December 2017 providing:

– Overdraft facilities of $9.60 million.

– Guarantee and trade finance facilities of $10.23 million.

– Finance lease facilities of $2.76 million.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

4 CASH AND FINANCING FACILITIES (CONTINUED)

South American facilities

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 logistics centre in Uruguay and provide:

- An amortising logistics centre facility of $12.23 million (USD 8.68 million) maturing on 17 September 2022.
- A committed facility of $16.90 million (USD 12.00 million) maturing on 17 September 2018.
- Finance lease facilities of $0.30 million.

Separate to the club facility, the Group's South American operations have various unsecured financing facilities that amounted to $17.24 million (USD 12.24 million) as at 31 December 2017.

5 OTHER INVESTMENTS

	NOTE	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Current investments				
BioPacificVentures	10	30	30	230
Advances to equity accounted investees		–	3,411	3,592
		30	**3,441**	**3,822**
Non-current investments				
Sundry other investments including saleyards		2,140	1,906	1,925
Advances to equity accounted investees		–	–	–
		2,140	**1,906**	**1,925**

Advances to equity accounted investees

This advance was a loan to the South American investee entity Fertimas S. A.. During the period the advance was repaid and replaced with external bank funding. The Group supports the bank funding by way of guarantee. See Note 11.

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.

6 EQUITY ACCOUNTED INVESTEE

During the period the Group made an additional investment in the jointly controlled entity Agimol Corporation S.A. (AgroCentro Uruguay). The additional investment of $3.07 million was matched by the other joint venture partner. Consideration for the additional investment was the capitalisation of amounts payable by AgroCentro to the Group.

7 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the period to 31 December 2017, the Group acquired assets with a cost of $4.64 million (30 June 2017: $12.86 million, 31 December 2016: $4.26 million), together with assets acquired through business combinations of $0.66 million (30 June 2017: nil, 31 December 2016: nil).

Assets with a net book value of $0.02 million were disposed during the period to 31 December 2017 (30 June 2017: $10.80 million, 31 December 2016: $10.08 million), resulting in a gain on disposal of $1.48 million (30 June 2017 Gain: $8.74 million, 31 December 2016 Gain: $1.10 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 the Australian and South American Seed and Grain activities are significantly weighted to the second half of the financial year. Seed and 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.

9 DEFINED BENEFIT ASSET / LIABILITY

The Group made lump sum cash contributions of $1.34 million (gross including employer superannuation contribution tax) to the PGG Wrightson Employee Benefits Plan during the period (30 June 2017: $7.55 million, 31 December 2016: $6.03 million).

10 COMMITMENTS

	NOTE	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
There are commitments with respect to:				
Capital expenditure not provided for		3,281	1,432	2,365
Investment in BioPacificVentures	5	51	51	51
Contributions to Primary Growth Partnership		572	867	1,167
		3,904	**2,350**	**3,583**

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 2017 total contributions of $3.04 million (30 June 2017: $2.74 million, 31 December 2016: $2.44 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 stages of execution, therefore uncertainty exists with respect to yield, quality and market price. The Group is unable to sufficiently quantify the value of these commitments.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

11 CONTINGENT LIABILITIES

	UNAUDITED DEC 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
There are commitments with respect to:			
Guarantees	3,487	–	–
PGG Wrightson Loyalty Reward Programme	100	140	120
	3,587	**140**	**120**

Guarantees

The guarantee is a standby letter of credit supporting external bank funding of the jointly controlled entity Fertimas S.A. Funding was previously provided by the respective joint venture partners. See Note 5.

PGG Wrightson Loyalty Reward Programme

PGG Wrightson operates the Max Rewards loyalty programme. A provision is retained for the expected level of points redemption. A contingent liability of $0.10 million represents the balance of unexpired points that do not form part of the provision (30 June 2017: $0.14 million, 31 December 2016: $0.12 million). Losses are not expected to arise from this contingent liability.

Holidays Act 2003 entitlements

The Group has commenced a review of payroll payments made to determine the correctness of calculations in accordance with the Holidays Act 2003. As work on this review has not been completed to a level to reliably estimate the amount of the liability, no provision has been recognised in respect of this review as at 31 December 2017.

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 2017 $000	AUDITED JUN 2017 $000	UNAUDITED DEC 2016 $000
Key management personnel compensation comprised:			
Short-term employee benefits	5,018	7,924	3,622
Post-employment benefits	95	121	64
Termination benefits	–	–	–
	5,113	**8,045**	**3,686**

13 EVENTS SUBSEQUENT TO END OF INTERIM PERIOD

Dividend

On 26 February 2018 the Directors of PGG Wrightson Limited resolved to pay an interim dividend of 1.75 cents per share on 5 April 2018 to shareholders on the Company's share register as at 5.00pm on 16 March 2018. 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 2017 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. Certain comparative amounts have been reclassified to conform with the current period's presentation.

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 2017 and have not been applied in preparing these interim financial statements. The impact of these new standards and interpretations to the Group is as follows:

- 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. Initial review has determined that this new standard will not have a significant financial impact on the Group's financial statements.
- 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. Initial review has determined that this new standard will not have a significant financial impact on the Group's financial statements.
- 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. Initial review has determined that this new standard will likely have a significant financial impact on both the balance sheet and profit and loss given the extent of operating leases the Group is exposed to.
- A variety of minor improvements to standards have been made in order to clarify various treatments of specific transactions. These are not expected to have an impact on the Group's financial results.

These statements were approved by the Board of Directors on 26 February 2018.

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	REALISED CAPITAL AND OTHER RESERVES $000	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
Balance at 1 July 2016	606,324	(8,749)	23,443	556	1,468	(17,170)	2,412	(336,028)	2,043	274,299
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	14,988	(9)	14,979
Other comprehensive income										
Foreign currency translation differences	–	960	–	–	–	–	–	–	(18)	942
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	504	–	–	504
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	(1,468)	–	–	–	–	(1,468)
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	1,789	–	–	–	1,789
Total other comprehensive income	–	960	–	–	(1,468)	1,789	504	–	(18)	1,767
Total comprehensive income for the period	–	960	–	–	(1,468)	1,789	504	14,988	(27)	16,746
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Investment in minority interest	–	–	–	–	–	–	–	–	381	381
Dividends to shareholders	–	–	–	–	–	–	–	(15,252)	(289)	(15,541)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(15,252)	92	(15,160)
Transfer to retained earnings	–	–	–	–	–	1,807	–	(1,807)	–	–
Balance at 31 December 2016	**606,324**	**(7,789)**	**23,443**	**556**	**–**	**(13,574)**	**2,916**	**(338,099)**	**2,108**	**275,885**
Balance at 1 January 2017	606,324	(7,789)	23,443	556	–	(13,574)	2,916	(338,099)	2,108	275,885
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	30,619	713	31,332
Other comprehensive income										
Foreign currency translation differences	–	(2,492)	–	–	–	–	–	–	–	(2,492)
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	(264)	–	–	(264)
Effective portion of changes in fair value of cash flow hedges, net of tax	–	–	–	–	–	–	–	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	(1,057)	–	–	–	(1,057)
Total other comprehensive income	–	(2,492)	–	–	–	(1,057)	(264)	–	–	(3,813)
Total comprehensive income for the period	–	(2,492)	–	–	–	(1,057)	(264)	30,619	713	27,519
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Dividends to shareholders	–	–	–	–	–	–	–	(13,336)	(357)	(13,693)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(13,336)	(357)	(13,693)
Transfer to retained earnings	–	–	–	–	–	544	(5,239)	4,695		–
Balance at 30 June 2017	**606,324**	**(10,281)**	**23,443**	**556**	**–**	**(14,087)**	**(2,587)**	**(316,121)**	**2,464**	**289,711**

PGG WRIGHTSON LIMITED

INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 2017

	SHARE CAPITAL $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	REALISED CAPITAL AND OTHER RESERVES $000	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
Balance at 1 July 2017	606,324	(10,281)	23,443	556	–	(14,087)	(2,587)	(316,121)	2,464	289,711
Total comprehensive income for the period										
Profit or loss	–	–	–	–	–	–	–	14,488	152	14,640
Other comprehensive income										
Foreign currency translation differences	–	3,888	–	–	–	–	–	–	(3)	3,885
Effective portion of changes in fair value of equity instruments, net of tax	–	–	–	–	–	–	–	–	–	–
Defined benefit plan actuarial gains and losses, net of tax	–	–	–	–	–	1,442	–	–	–	1,442
Total other comprehensive income	–	3,888	–	–	–	1,442	–	–	(3)	5,327
Total comprehensive income for the period	–	3,888	–	–	–	1,442	–	14,488	149	19,967
Transactions with shareholders, recorded directly in equity										
Contributions by and distributions to shareholders										
Investment in minority interest	–	–	–	–	–	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–	–	–	(15,234)	(310)	(15,544)
Total contributions by and distributions to shareholders	–	–	–	–	–	–	–	(15,234)	(310)	(15,544)
Transfer to retained earnings	–	–	–	–	–	2,606	–	(2,606)	–	–
Balance at 31 December 2017	**606,324**	**(6,393)**	**23,443**	**556**	**–**	**(10,039)**	**(2,587)**	**(319,473)**	**2,303**	**294,134**

CORPORATE DIRECTORY

Board of Directors
for the six months ended 31 December 2017

Guanglin (Alan) Lai
Chairman

Trevor Burt
Deputy Chairman

Bruce Irvine

John Nichol

Lim Siang (Ronald) Seah

Joo Hai Lee
(appointed 31 October 2017)
John Fulton is an Alternate Director for Joo Hai Lee

Kean Seng U

Wah Kwong (WK) Tsang
(retired 16 October 2017)

Executive Team
for the six months ended 31 December 2017

Ian Glasson
Chief Executive Officer
(appointed 1 November 2017)*

Julian Daly
General Manager Strategy and Corporate Affairs / Company Secretary

Grant Edwards
General Manager Wool
*(appointed 1 November 2017, previously 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

* Mark Dewdney
Chief Executive Officer
(resigned 31 October 2017)

** Cedric Bayly
General Manager Wool
(retired 31 October 2017)

Registered Office

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Christchurch 8042

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Email: enquiries@pggwrightson.co.nz

Auditors

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PO Box 1739
Christchurch 8140
Telephone +64 3 363 560

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

General enquiries can be directed to:

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Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

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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.

"This is a very pleasing result for the first half. We have a highly engaged team who continue to deliver good results through the market cycles and weather variability that impact the agri-sector."

Ian Glasson
Chief Executive Officer

PGW Chief Executive Ian Glasson on farm with Paul Wright near Sheffield in Canterbury in November 2017.

PGG Wrightson

Helping grow the country