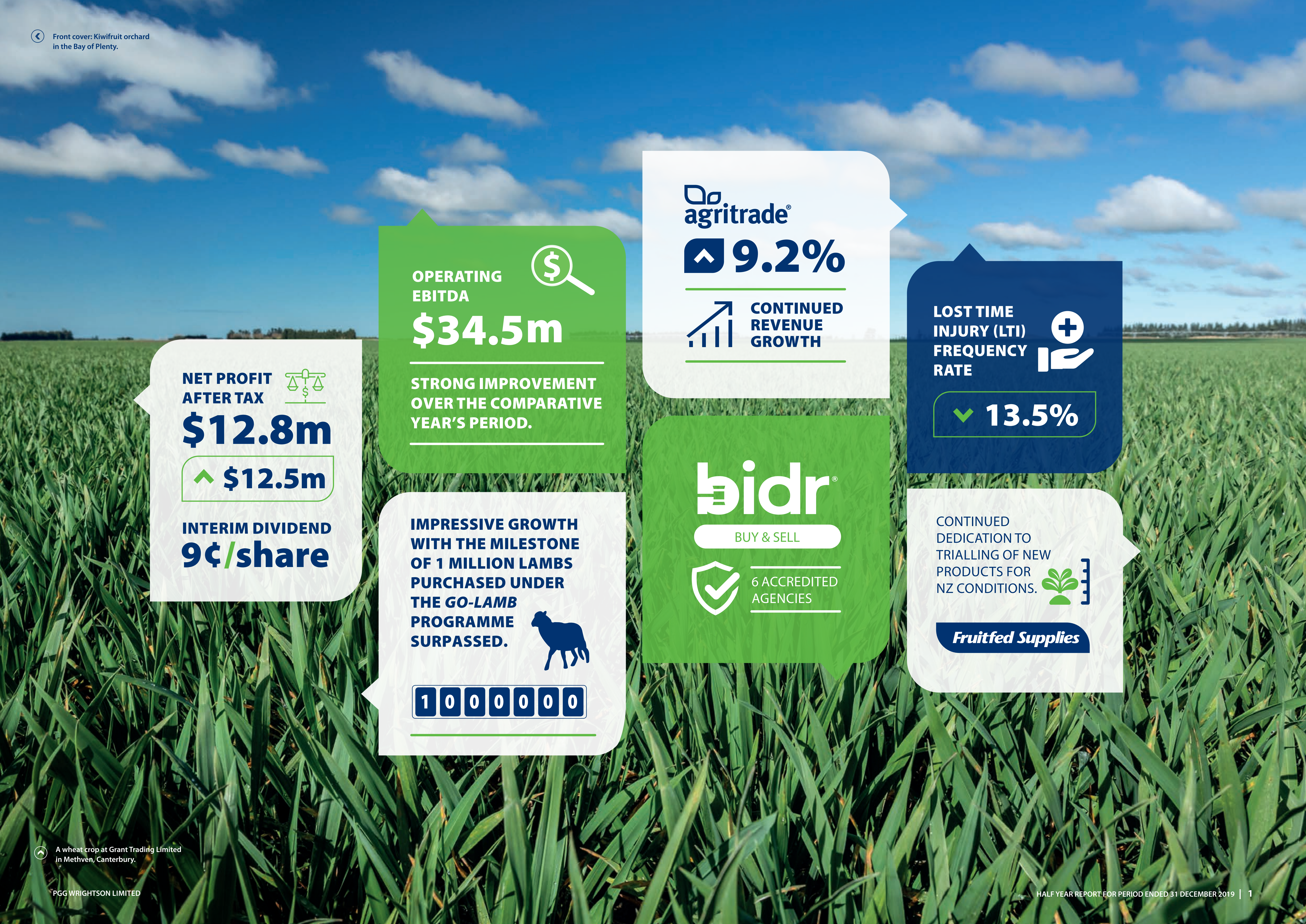
PGG Wrightson

# Half Year Report

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

*Helping grow the country*

Front cover: Kiwifruit orchard in the Bay of Plenty.



NET PROFIT AFTER TAX

$12.8m

$12.5m

INTERIM DIVIDEND

9¢/share

OPERATING EBITDA

$34.5m

STRONG IMPROVEMENT OVER THE COMPARATIVE YEAR'S PERIOD.

IMPRESSIVE GROWTH WITH THE MILESTONE OF 1 MILLION LAMBS PURCHASED UNDER THE *GO-LAMB* PROGRAMME SURPASSED.

1000000

agritrade®

9.2%

CONTINUED REVENUE GROWTH

bidr®

BUY & SELL

6 ACCREDITED AGENCIES

LOST TIME INJURY (LTI) FREQUENCY RATE

13.5%

CONTINUED DEDICATION TO TRIALLING OF NEW PRODUCTS FOR NZ CONDITIONS.

Fruitfed Supplies

A wheat crop at Grant Trading Limited in Methven, Canterbury.

# CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

**Stephen Guerin**
CHIEF EXECUTIVE OFFICER

**Rodger Finlay**
CHAIRMAN

PGG Wrightson Limited ("PGW") delivered operating earnings before interest, tax, depreciation and amortisation (Operating EBITDA) of $34.5 million for the first six months ending 31 December 2019, showing strong improvement over the comparative year's period. This includes the impact of the new accounting lease standard which has led to an increase in Operating EBITDA of $10.9 million.

# PGW delivered a net profit after tax (NPAT) of $12.8 million from continuing operations.

These results have been driven by strong performances in our Fruitfed Supplies and Livestock businesses, as well as a continued focus on reducing costs with the benefits of the restructure starting to materialise and flow through into our reporting. We have resized our overhead structures to fit the business and we will continue to look for efficiencies in our operations on an ongoing basis. As part of this ongoing commitment to recalibrate our cost base, the Board has resolved to capture savings through trimming the Board to five members and cutting some director fees. The combined effect of these changes will result in directors fee levels reducing by approximately 18% when calculated on an annualised basis.

## Agency

Trading in the first six months of the financial year was strong by comparison to the previous year. This was assisted by generally conducive farming conditions across large parts of the country and a mild spring that saw good feed in most regions. Commodity pricing for lamb and beef held and remained high compared to historical levels. This has been welcomed by sheep and beef farmers as commodity pricing has been driven by strong demand from China.

Confidence in the dairy sector remains subdued with access to bank funding having become more constrained together with increased environmental and regulatory pressures creating a degree of uncertainty for dairy farmers. Whilst these dynamics are not expected to change in the short term there has been a welcome lift in dairy commodity pricing seen in the Global Dairy Trade auction which has resulted in Fonterra upgrading its farm-gate milk price forecast for the 2019/2020 season to $7.00 – $7.60 per kg of milk solids.

There has been impressive growth in PGW Livestock's innovative *Go* livestock programmes. The *Go* programmes were only launched as a pilot in 2015 and in December 2019 the millionth lamb was purchased. There has also been equally notable growth in our *Go-Beef* counterpart. The investment in the *Go* range at 31 December 2019 was $38.6 million, compared to $31.0 million last year. *Go* is an excellent example of how PGW can innovate and develop products that meet the needs of our customers.

Our Wool business traded solidly for the period with Operating EBITDA (excluding NZ IFRS 16) up 21% compared to the same period last year. Grower bales sold are on par to last year while export volumes are up 16% and there has been a continuing focus on reducing our costs. The Real Estate business is experiencing reduced activity within the rural segment but has maintained its market position and share.

**SAVINGS THROUGH RESIZED BOARD AND OVERHEAD STRUCTURE**

WE WILL CONTINUE TO LOOK FOR EFFICIENCIES IN OUR OPERATIONS.

**OUR WOOL BUSINESS TRADED SOLIDLY FOR THE PERIOD WITH OPERATING EBITDA**

**^ 21%**

EXCLUDING NZ IFRS 16.

Fruitfed Supplies Technical Horticultural Representative Nick Kininmonth inspects strawberries with Clayton Morgan of Hedgerows Hydroponic Strawberries in Blenheim, Marlborough, in October 2019.

**FRUITFED SUPPLIES IS WELL PLACED TO BENEFIT FROM THE CONTINUED GROWTH IN HORTICULTURAL PRODUCTION AS IT BUILDS ON ITS REPUTATION AS THE MARKET LEADER IN DELIVERING TECHNICAL EXPERTISE, PRODUCTS AND SERVICE TO THE SECTOR.**

IN AUGUST WE MADE A CAPITAL RETURN TO SHAREHOLDERS OF

**$234.0m**

FROM PROCEEDS OF THE SALE OF PGG WRIGHTSON SEEDS.

## Retail & Water

Revenue for the Retail & Water group was up $5.0 million on the same period last year. Conditions in the horticultural sector have remained positive and our market leading Fruitfed Supplies business has performed well in servicing the sector and continued growth. The buoyant conditions in horticulture have been underpinned by solid export returns. This has in turn stimulated further investment and development with larger enterprises diversifying their portfolios into the sector. Fruitfed Supplies remains well placed to benefit from this growth as it builds on its reputation as the market leader in delivering technical expertise, products and service. In addition to our nationwide Retail store network and on-farm servicing we also have a network dedicated to the trialling of new products under New Zealand conditions prior to commercial release. This pipeline ensures that our customers continue to have access to international leading innovation and brands to optimise outcomes for their businesses.

Our Agritrade wholesale business has continued to demonstrate growth year on year with revenue up on the same period last year by $3.4 million (9.2%). This was achieved through growth in our existing range in addition to product acquisition. We continue to source opportunities to provide distribution services for international brand owners contracting with Agritrade to bring their products to market locally.

The implementation of the renewal programme for our network of Retail premises across the country has continued with improvements and upgrades implemented at a number of rural towns as well as the relocation of our head office to premises on the Christchurch International Airport campus.

It has been especially pleasing to see that the distribution arrangements between PGW Rural Supplies and PGG Wrightson Seeds have continued to operate seamlessly since the divestment of the Seed and Grain business in May last year. The seeds offering is an important part of our business and we have been heartened by the way in which our respective teams have continued to work together to deliver seeds and related inputs to our customers as we have always done.

Trading conditions have remained challenging in some pockets of the business with Mycoplasma bovis having an impact on dairy and beef customers. Policy changes to the application of the Overseas Investment Act and other environmental regulation has also had an impact on land values and investment decisions, and capital investment into dairy operations in particular. Access to debt is constrained and this has had the most significant impact on dairy related spend. On the positive side of the ledger, at a macro level farming returns remain strong and the outlook is generally positive for horticulture, red meat and dairy.

The PGW Water business continues to face challenges given the lack of on-farm development. Changes to government policy and the discontinuation of development of irrigation schemes together with increasing environmental regulations have resulted in sluggish demand. Accordingly, revenue for the Water business was back $7.1 million or 34%.

## Other

In August 2019 PGW made a capital return to shareholders of $234.0 million and declared a dividend of 7.5 cents per share (approximately $5.7 million). Following these payments PGW's net interest-bearing debt was $59.3 million as at 31 December 2019. A substantial portion of this debt ($38.6 million) relates to PGW's investment in our Go livestock products.

Capital expenditure for the six months to 31 December 2019 was $4.6 million ($2.9 million less than the comparative period for the prior year). This spend has seen continued investment in information technology including the bidr® online trading platform and in Retail technology.

The financial statements have been impacted by the introduction of the new lease accounting standard (NZ IFRS 16). The impact of this change has reduced NPAT by $0.9 million. It is important to note that this change has no net cash impact and is for financial reporting purposes only and is also excluded from our bank covenant ratios and dividend calculations.

Hereford bulls from Nick and Penny France's Okawa Poll Hereford Stud in Mt Somers, Canterbury.


**THERE HAS BEEN IMPRESSIVE GROWTH IN PGW LIVESTOCK'S INNOVATIVE *GO* LIVESTOCK PROGRAMMES.**

***GO* IS AN EXCELLENT EXAMPLE OF HOW PGW CAN INNOVATE AND DEVELOP PRODUCTS THAT MEET THE NEEDS OF OUR CUSTOMERS.**

**RELOCATION OF OUR HEAD OFFICE**

TO PREMISES ON THE CHRISTCHURCH INTERNATIONAL AIRPORT CAMPUS

## Dividend

Taking into account the positive performance of the business the Board has resolved to pay a fully imputed 2020 interim dividend of 9 cents per share (a 20% increase from the interim dividend payment in 2019 on a post share consolidation basis) on 3 April 2020 to shareholders on PGW's share register as at 5pm on 6 March 2020.

## Health, Safety, & Well-Being

We are continuing to invest in the development of our health and safety culture by implementing improvement initiatives and safer practices across our business. The Zero Incident Process (or ZIP) programme across the business has assisted in delivering results. Our lost time injury frequency rate, which dropped by 35 percent last financial year, has decreased a further 13.5 percent in the last six months indicating a positive reduction in the impacts of injuries. Our total recordable injury frequency rate has decreased by 2.4 percent for the same period. Our reporting of uncontrolled hazards as a proportion of all safety reports has doubled compared with the same period in last year which is also a positive sign.

A current example is the investment made to put our drivers through a behavioural vehicle training programme to reinforce safer driving habits. We are also developing our new Well-being Strategy, which will explore opportunities for our people to improve their mental and physical well-being, and their fitness for the work that they do. These are significant commitments and illustrates the proactive approach we want to take in looking after our people.

## Outlook

The Directors are pleased with the progress achieved in the first half and the financial results.

At this early stage, Directors currently expect Operating EBITDA from continuing businesses for the full year to be around $30 million excluding changes due to the lease accounting standard. The Directors note there are still many months of trading to complete and there could be some volatility to earnings due to the impacts of COVID-19 on agricultural trade flows.

## Governance

The PGW Board had one change in membership due to retirement. Seah Lim Siang (Ronald) retired effective 31 August 2019. The Board expresses its sincere thanks for Ronald's service to the company.

Following this retirement the Board determined, as part of its governance resizing, not to replace this role reducing the number of directors to five.

## Acknowledgements

Across the company's business units our people have worked with passion and commitment to deliver high levels of service and quality of products that our valued customers have come to expect.

On behalf of the Board and the management team, we extend our thanks to the PGW staff, our customers and our suppliers for their continued support and effort in contributing to our success.

**Rodger Finlay**
Chairman

**Stephen Guerin**
Chief Executive Officer

Perendale sheep from Snowdon Station at auction in Windwhistle, Canterbury.

# KEY FINANCIAL DISCLOSURES

## FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

THE FINANCIAL STATEMENTS CONTAINED ON PAGES 9 – 25 HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS ON 25 FEBRUARY 2020.

**Rodger Finlay**
Chairman

**David Cushing**
Director and Audit Committee Chair

## NOTES REGARDING COMPARATIVE PERIODS

Our financial reporting changed as a result of the sale of the Seed & Grain business to DLF Seeds A/S on 1 May 2019. Note the following for the comparative periods:

- For the statement of profit or loss for the comparative periods ended 31 December 2018 and 30 June 2019, we removed the impact of Seed & Grain from the respective profit or loss lines and disclosed Seed & Grain's result in a separate discontinued operations line.
- For the statement of financial position as at 31 December 2018, we reclassified Seed & Grain's assets and liabilities to separate assets and liabilities held for sale lines.

The statement of cash flows for the comparative periods include the Seed & Grain business up until the date of sale.

# INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2019

| | NOTE | UNAUDITED DEC 2019* $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Operating revenue | | 474,079 | 809,255 | 473,765 |
| Cost of sales | | (353,486) | (589,714) | (355,226) |
| **Gross profit** | | 120,593 | 219,541 | 118,539 |
| Other income | | 117 | 241 | (8) |
| Employee expenses | | (61,438) | (123,311) | (63,812) |
| Other operating expenses | | (24,745) | (72,006) | (36,880) |
| Equity accounted earnings/(losses) of investees | | (5) | (40) | – |
| **Operating EBITDA** | | **34,522** | **24,425** | **17,839** |
| Non-operating items | | (275) | (4,482) | (1,005) |
| Holidays Act 2003 remediation costs | | (5) | 2,303 | 2,478 |
| Impairments and fair value adjustments | | (133) | (3,187) | 22 |
| Depreciation and amortisation expense | | (14,478) | (9,362) | (4,205) |
| **EBIT** | | 19,631 | 9,697 | 15,129 |
| Net interest and finance income/(expense) | 2 | (1,921) | (6,067) | (3,186) |
| **Profit/loss from continuing operations before income tax** | | 17,710 | 3,630 | 11,943 |
| Income tax benefit/(expense) | | (4,949) | 370 | (2,920) |
| **Profit from continuing operations, net of income tax** | | 12,761 | 4,000 | 9,023 |
| **Discontinued operations** | | | | |
| Results from discontinued operations, net of income tax | | (5) | (6,475) | (8,703) |
| Gain on sale of discontinued operations, net of income tax | | – | 134,281 | – |
| **Profit/(loss) from discontinued operations, net of income tax** | | (5) | 127,806 | (8,703) |
| **Net profit after tax** | | **12,756** | **131,806** | **320** |
| **Profit attributable to:** | | | | |
| Shareholders of the Company | | 12,756 | 131,123 | 140 |
| Non-controlling interest | | – | 683 | 180 |
| **Net profit after tax** | | **12,756** | **131,806** | **320** |
| **Basic earnings per share (EPS)** | | | | |
| Basic EPS (New Zealand Dollars) on issued ordinary shares at the end of period | 3 | 0.169 | 0.174 | 0.000 |
| Basic EPS (New Zealand Dollars) on issued ordinary shares at the end of period – continuing operations | 3 | 0.169 | 0.005 | 0.012 |
| Basic EPS (New Zealand Dollars) on a weighted average basis | 3 | 0.053 | 0.174 | 0.000 |
| Basic EPS (New Zealand Dollars) on a weighted average basis – continuing operations | 3 | 0.053 | 0.005 | 0.012 |

* *The Group adopted NZ IFRS 16 Leases from 1 July 2019 using the modified retrospective approach. The December 2019 reporting period includes NZ IFRS 16 adjustments however the comparative periods exclude such adjustments. Excluding NZ IFRS 16, the Operating EBITDA and NPAT for the December 2019 period were $23.66 million and $13.69 million, respectively. Refer page 11 for the impact of the standard on the December 2019 profit or loss.*

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

PGG WRIGHTSON LIMITED

# INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

| | UNAUDITED DEC 2019 $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|
| **Net profit after tax** | **12,756** | **131,806** | **320** |
| **Other comprehensive income/(loss):** | | | |
| **Continuing operations** | | | |
| **Items that will never be reclassified to Profit or Loss** | | | |
| Changes in fair value of equity instruments | – | 21 | – |
| Remeasurements of defined benefit liability | 2,985 | (6,101) | (3,399) |
| Deferred tax on remeasurements of defined benefit liability | (836) | 703 | 803 |
| | 2,149 | (5,377) | (2,596) |
| **Items that are or may be reclassified to Profit or Loss** | | | |
| Foreign currency translation differences for foreign operations | – | (884) | (1,290) |
| | – | (884) | (1,290) |
| **Other comprehensive income/(loss) for continuing operations** | 2,149 | (6,261) | (3,886) |
| **Discontinued operations** | | | |
| Changes in asset revaluation reserve | – | 403 | – |
| **Other comprehensive income/(loss) for discontinued operations** | – | 403 | – |
| **Total comprehensive income /(loss) for the period** | **14,905** | **125,948** | **(3,566)** |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Shareholders of the Company | 14,905 | 125,282 | (3,875) |
| Non-controlling interest | – | 666 | 309 |
| **Total comprehensive income/(loss) for the period** | **14,905** | **125,948** | **(3,566)** |

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

# IMPACT OF ADOPTION OF NZ IFRS 16 LEASES

For the six months ended 31 December 2019

The Group adopted NZ IFRS 16 *Leases* from 1 July 2019 using the modified retrospective approach. Under the method adopted, comparative information is not restated and continues to be reported under NZ IAS 17. Refer Note 1 for the change in accounting policy in respect of leases.

The impact of NZ IFRS 16 on the financial statements for the 31 December 2019 period is significant. The following tables show the adjustments to the interim statement of profit and loss, statement of financial position and statement of cash flows as a result of the adoption of NZ IFRS 16 *Leases*.

**(a) Adjustments in statement of profit and loss**

| | UNAUDITED DEC 2019 INCLUDING NZ IFRS 16 $000 | NZ IFRS 16 ADJUSTMENTS $000 | UNAUDITED DEC 2019 EXCLUDING NZ IFRS 16 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Operating revenue | 474,079 | – | 474,079 | 473,765 |
| Cost of sales | (353,486) | – | (353,486) | (355,226) |
| **Gross profit** | 120,593 | – | 120,593 | 118,539 |
| Other income | 117 | – | 117 | (8) |
| Employee expenses | (61,438) | – | (61,438) | (63,812) |
| Other operating expenses | (24,745) | (10,863) | (35,608) | (36,880) |
| Equity accounted earnings/(losses) of investees | (5) | – | (5) | – |
| **Operating EBITDA** | **34,522** | **(10,863)** | **23,659** | **17,839** |
| Non-operating items | (275) | – | (275) | (1,005) |
| Holidays Act 2003 remediation costs | (5) | – | (5) | 2,478 |
| Impairments and fair value adjustments | (133) | – | (133) | 22 |
| Depreciation and amortisation expense | (14,478) | 10,057 | (4,421) | (4,205) |
| **EBIT** | 19,631 | (806) | 18,825 | 15,129 |
| Net interest and finance income/(expense) | (1,921) | 2,106 | 185 | (3,186) |
| **Profit from continuing operations before income tax** | 17,710 | 1,300 | 19,010 | 11,943 |
| Income tax benefit/(expense) | (4,949) | (364) | (5,313) | (2,920) |
| **Profit from continuing operations, net of income tax** | 12,761 | 936 | 13,697 | 9,023 |
| **Profit/(loss) from discontinued operations, net of income tax** | (5) | – | (5) | (8,703) |
| **Net profit after tax** | **12,756** | **936** | **13,692** | **320** |

# IMPACT OF ADOPTION OF NZ IFRS 16 LEASES CONTINUED

For the six months ended 31 December 2019

**(b) Adjustments in statement of financial position**

| | UNAUDITED DEC 2019 INCLUDING NZ IFRS 16 $000 | NZ IFRS 16 ADJUSTMENTS $000 | UNAUDITED DEC 2019 EXCLUDING NZ IFRS 16 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|---|
| Total current assets | 392,996 | – | 392,996 | 860,316 |
| Total non-current assets | 179,450 | (111,160) | 68,290 | 70,715 |
| **Total assets** | **572,446** | **(111,160)** | **461,286** | **931,031** |
| Total current liabilities | 278,117 | (15,681) | 262,436 | 515,027 |
| Total non-current liabilities | 120,873 | (96,415) | 24,458 | 142,258 |
| **Total liabilities** | **398,990** | **(112,096)** | **286,894** | **657,285** |
| **Total equity** | **173,456** | **936** | **174,392** | **273,746** |

**(c) Adjustments in statement of cash flows**

| | UNAUDITED DEC 2019 INCLUDING NZ IFRS 16 $000 | NZ IFRS 16 ADJUSTMENTS $000 | UNAUDITED DEC 2019 EXCLUDING NZ IFRS 16 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|---|
| Net cash inflow/(outflow) from operating activities | (14,871) | (8,757) | (23,628) | (58,601) |
| Net cash inflow/(outflow) from investing activities | (3,789) | – | (3,789) | (5,275) |
| Net cash inflow/(outflow) from financing activities | (191,149) | 8,757 | (182,392) | 74,031 |
| **Total cash inflow/(outflow)** | **(209,809)** | **–** | **(209,809)** | **10,155** |

# SEGMENT REPORT

For the six months ended / as at 31 December 2019

**(a) Operating Segments**

The Group has two primary operating segments, Agency and Retail & Water, which are the Group's strategic divisions. These operating segments operate within New Zealand.
The two operating segments offer different products and services, and are managed separately because they require different skills, technology and marketing strategies. Within each segment, further business unit analysis may be provided to management where there are significant differences in the nature of activities. The Chief Executive Officer or Chairman of the Board reviews internal management reports on each strategic business unit on at least a monthly basis.

The Group's segments are described below:

– **Agency:** Includes rural Livestock trading activities, Wool, Insurance, Real Estate and Finance Commission.
– **Retail & Water:** Includes Rural Supplies and Fruitfed retail operations, PGG Wrightson Water, PGW Consulting, Agritrade and ancillary sales support and supply chain functions.
– **Other:** Relates to certain Group Corporate activities such as Governance, Finance, Treasury, HR, IT, Marketing and other support services (including corporate property services) and includes consolidation/elimination adjustments.
– **Discontinued operations:** Pertains to PGG Wrightson Seeds Holdings Limited together with its subsdiaries and investments in jointly controlled entities (formerly the Seed and Grain segment), and PGW Rural Capital Limited (PGWRC). PGWRC was established in 2012 to hold and recover certain excluded loans related to the sale of the Group's finance subsidiary PGG Wrightson Finance Limited.

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

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

**Other cost allocation**

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

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

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

**(b) Geographical Segment**

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

# INTERIM SEGMENT REPORT CONTINUED

For the six months ended / as at 31 December 2019

**(c) Operating Segment Information**

| | AGENCY | | | RETAIL & WATER | | | OTHER | | | DISCONTINUED OPERATIONS | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | UNAUDITED DEC 2019* $000 | AUDITED JUN 2019** $000 | UNAUDITED DEC 2018** $000 | UNAUDITED DEC 2019* $000 | AUDITED JUN 2019** $000 | UNAUDITED DEC 2018** $000 | UNAUDITED DEC 2019* $000 | AUDITED JUN 2019** $000 | UNAUDITED DEC 2018** $000 | UNAUDITED DEC 2019* $000 | AUDITED JUN 2019** $000 | UNAUDITED DEC 2018** $000 | UNAUDITED DEC 2019* $000 | AUDITED JUN 2019** $000 | UNAUDITED DEC 2018** $000 |
| **Total external operating revenues** | 84,797 | 193,843 | 85,767 | 384,165 | 602,917 | 379,208 | 5,117 | 12,495 | 8,790 | – | – | – | 474,079 | 809,255 | 473,765 |
| **Operating EBITDA** | **6,383** | **15,394** | **1,614** | **31,120** | **19,296** | **22,759** | **(2,981)** | **(10,265)** | **(6,534)** | **–** | **–** | **–** | **34,522** | **24,425** | **17,839** |
| Non-operating items | 6 | (665) | (10) | 251 | (406) | 151 | (532) | (3,411) | (1,146) | – | – | – | (275) | (4,482) | (1,005) |
| Holidays Act 2003 remediation costs | – | 752 | 752 | – | 1,724 | 1,724 | (5) | (173) | 2 | – | – | – | (5) | 2,303 | 2,478 |
| Impairment and fair value adjustments | (133) | (2,286) | 22 | – | – | – | – | (901) | – | – | – | – | (133) | (3,187) | 22 |
| Depreciation and amortisation expense | (4,371) | (1,712) | (706) | (8,000) | (4,922) | (1,767) | (2,107) | (2,728) | (1,732) | – | – | – | (14,478) | (9,362) | (4,205) |
| **EBIT** | 1,885 | 11,483 | 1,672 | 23,371 | 15,692 | 22,867 | (5,625) | (17,478) | (9,410) | – | – | – | 19,631 | 9,697 | 15,129 |
| Net interest and finance income/(expense) | (606) | 1,460 | 1,145 | (1,571) | (357) | (321) | 256 | (7,170) | (4,010) | – | – | – | (1,921) | (6,067) | (3,186) |
| **Profit/(loss) from continuing operations before income tax** | 1,279 | 12,943 | 2,817 | 21,800 | 15,335 | 22,546 | (5,369) | (24,648) | (13,420) | – | – | – | 17,710 | 3,630 | 11,943 |
| Income tax benefit/(expense) | (362) | (3,323) | (578) | (5,963) | (3,860) | (5,951) | 1,376 | 7,553 | 3,609 | – | – | – | (4,949) | 370 | (2,920) |
| **Profit/(loss) from continuing operations, net of income tax** | 917 | 9,620 | 2,239 | 15,837 | 11,475 | 16,595 | (3,993) | (17,095) | (9,811) | – | – | – | 12,761 | 4,000 | 9,023 |
| Discontinued operations | – | – | – | – | – | – | – | – | – | (5) | 127,806 | (8,703) | (5) | 127,806 | (8,703) |
| **Net profit/(loss) after tax** | **917** | **9,620** | **2,239** | **15,837** | **11,475** | **16,595** | **(3,993)** | **(17,095)** | **(9,811)** | **(5)** | **127,806** | **(8,703)** | **12,756** | **131,806** | **320** |
| Segment assets | 178,352 | 168,907 | 144,528 | 373,837 | 154,298 | 312,393 | 18,011 | 238,821 | 23,942 | 2 | 1,202 | 1,209 | 570,202 | 563,228 | 482,072 |
| Assets held for sale | 23 | – | – | 218 | 218 | 218 | 2,003 | 2,108 | 2,290 | – | – | 446,451 | 2,244 | 2,326 | 448,959 |
| **Total segment assets** | **178,375** | **168,907** | **144,528** | **374,055** | **154,516** | **312,611** | **20,014** | **240,929** | **26,232** | **2** | **1,202** | **447,660** | **572,446** | **565,554** | **931,031** |
| Segment liabilities | (68,867) | (81,923) | (49,248) | (255,068) | (66,373) | (186,164) | (75,055) | (18,994) | (232,311) | – | – | – | (398,990) | (167,290) | (467,723) |
| Liabilities held for sale | – | – | – | – | – | – | – | – | – | – | – | (189,562) | – | – | (189,562) |
| **Total segment liabilities** | **(68,867)** | **(81,923)** | **(49,248)** | **(255,068)** | **(66,373)** | **(186,164)** | **(75,055)** | **(18,994)** | **(232,311)** | **–** | **–** | **(189,562)** | **(398,990)** | **(167,290)** | **(657,285)** |

**(d) Impact of adoption of NZ IFRS 16**

| | AGENCY | RETAIL & WATER | OTHER | DISCONTINUED OPERATIONS | TOTAL |
|---|---|---|---|---|---|
| **Net profit/(loss) after tax post *NZ* IFRS 16** | **917** | **15,837** | **(3,993)** | **(5)** | **12,756** |
| *Less NZ IFRS 16 adjustments:* | | | | | |
| Other operating expenses | 3,630 | 6,317 | 916 | - | 10,863 |
| Depreciation and amortisation expense | (3,460) | (5,747) | (850) | - | (10,057) |
| Net interest and finance income/(expense) | (506) | (1,433) | (167) | - | (2,106) |
| Income tax benefit/(expense) | 96 | 240 | 28 | - | 364 |
| **Net profit/(loss) after tax pre NZ IFRS 16** | **1,157** | **16,460** | **(3,920)** | **(5)** | **13,692** |
| **NZ IFRS 16 adjustments in the statement of financial position** | | | | | |
| Right-of-use assets | 26,194 | 74,230 | 10,372 | - | 110,796 |
| Deferred tax asset | 96 | 240 | 28 | - | 364 |
| Lease liabilities | (25,923) | (73,246) | (10,367) | - | (109,536) |
| Other long-term liabilities | (613) | (1,840) | (107) | - | (2,560) |

* *The Group adopted NZ IFRS 16 Leases from 1 July 2019 using the modified retrospective approach. The December 2019 reporting period includes NZ IFRS 16 adjustments, however the approach adopted has no impact on the comparative periods which exclude such adjustments.*

** *The June 2019 and December 2018 comparatives have been restated to reflect the transfer of Marketing, IT and HR functions, which were previously included within Agency and Retail & Water segments, to Group Corporate during the period.*

*The 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 2019

| | NOTE | UNAUDITED DEC 2019 $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash was provided from: | | | | |
| Receipts from customers | | 387,793 | 1,226,807 | 644,442 |
| Dividends received | | 2 | 2 | 2 |
| Interest received | | 3,436 | 6,399 | 2,525 |
| | | 391,231 | 1,233,208 | 646,969 |
| Cash was applied to: | | | | |
| Payments to suppliers and employees | | (400,090) | (1,248,659) | (686,660) |
| Contributions to defined benefit plans (ESCT inclusive) | | – | (10,274) | (1,481) |
| Interest paid | | (387) | (8,322) | (4,894) |
| Interest paid on leases | | (2,106) | – | – |
| Income tax paid | | (3,519) | (14,954) | (12,535) |
| | | (406,102) | (1,282,209) | (705,570) |
| **Net cash inflow/(outflow) from operating activities** | | **(14,871)** | **(49,001)** | **(58,601)** |
| **Cash flows from investing activities** | | | | |
| Cash was provided from: | | | | |
| Proceeds from sale of property, plant and equipment and assets held for sale | | 760 | 624 | 612 |
| Cash acquired on purchase of investment | | – | 1,523 | 1,523 |
| Proceeds from sale of investments | | – | 425,851 | – |
| | | 760 | 427,998 | 2,135 |
| Cash was applied to: | | | | |
| Purchase of property, plant and equipment | | (2,293) | (11,571) | (5,446) |
| Purchase of intangibles | | (2,256) | (4,934) | (1,964) |
| Investment sale costs | | – | (6,799) | – |
| Cash disposed on sale of investment | | – | (25,414) | – |
| | | (4,549) | (48,718) | (7,410) |
| **Net cash inflow/(outflow) from investing activities** | | **(3,789)** | **379,280** | **(5,275)** |
| **Cash flows from financing activities** | | | | |
| Cash was provided from: | | | | |
| Increase in external borrowings and bank overdraft | | 57,320 | – | 83,857 |
| | | 57,320 | – | 83,857 |
| Cash was applied to: | | | | |
| Share repurchase and cancellation | | (234,000) | (6) | – |
| Dividends paid to shareholders | | (5,713) | (15,267) | (9,688) |
| Dividends paid to minority interests | | – | (1,189) | (138) |
| Repayment of external borrowings and bank overdraft | | – | (114,252) | – |
| Repayment of principal portion of lease liabilities | | (8,757) | – | – |
| | | (248,470) | (130,714) | (9,826) |
| **Net cash inflow/(outflow) from financing activities** | | **(191,150)** | **(130,714)** | **74,031** |
| Net increase/(decrease) in cash held | | (209,809) | 199,565 | 10,155 |
| Opening cash | | 210,491 | 10,926 | 10,926 |
| **Cash and cash equivalents** | 4 | **682** | **210,491** | **21,081** |
| Cash and cash equivalents attributable to continuing operations | | 682 | 210,491 | 3,884 |
| Cash and cash equivalents attributable to assets held for sale | | – | – | 17,197 |
| | | **682** | **210,491** | **21,081** |

*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 2019

| | UNAUDITED DEC 2019 $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|
| **Profit after taxation** | 12,756 | 131,806 | 320 |
| Add/(deduct) non-cash/non-operating items: | | | |
| Depreciation and amortisation | 14,478 | 13,891 | 7,786 |
| Impairment and fair value adjustments | 133 | 4,079 | 2,028 |
| Net (profit)/loss on sale of assets/investments | (92) | (134,218) | (282) |
| Loss/(earnings) of equity accounted investees | 5 | 6,412 | 6,243 |
| Bad debts written off (net) | 75 | 2,519 | 925 |
| Effect of foreign exchange movements | (72) | (5,879) | (2,389) |
| Change in deferred taxation | 1,338 | 2,111 | (5,714) |
| Defined benefit expense | (3) | (817) | – |
| Pension contributions (operating cash) not expensed through profit and loss | – | (10,274) | (1,481) |
| Other non-cash/non-operating items | (1,301) | (2,357) | (2,002) |
| | 27,317 | 7,273 | 5,434 |
| Add/(deduct) movement in working capital items: | | | |
| Change in working capital due to sale/purchase of businesses | – | (199,376) | 5,741 |
| Change in working capital due to balance sheet reclasssification | (15,681) | (24,957) | – |
| Change in inventories and biological assets | (21,758) | 176,575 | (25,998) |
| Change in accounts receivable and prepayments | (86,611) | 110,893 | (116,337) |
| Change in trade creditors, provisions and accruals | 81,391 | (112,759) | 86,293 |
| Change in income tax payable/receivable | (271) | (4,997) | (10,939) |
| Change in other current assets/liabilities | 742 | (1,653) | (2,795) |
| | (42,188) | (56,274) | (64,035) |
| **Net cash inflow/(outflow) from operating activities** | **(14,871)** | **(49,001)** | **(58,601)** |

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

PGG WRIGHTSON LIMITED

# INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

| | NOTE | UNAUDITED DEC 2019 $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018* $000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash and cash equivalents | 4 | 682 | 210,491 | 3,884 |
| Short-term derivative assets | | 1,089 | 614 | 464 |
| Trade and other receivables | | 241,598 | 145,881 | 255,668 |
| *Go* livestock receivables | 4 | 38,584 | 47,754 | 30,958 |
| Income tax receivable | | – | – | 4,139 |
| Assets classified as held for sale | | 2,244 | 2,326 | 448,959 |
| Biological assets | | 12 | 35 | 264 |
| Inventories | | 107,750 | 85,969 | 114,313 |
| Other investments | | – | – | 30 |
| Short-term intangible assets | | 1,037 | 2,222 | 1,637 |
| **Total current assets** | | 392,996 | 495,292 | 860,316 |
| **Non-current** | | | | |
| Long-term derivative assets | | 454 | 387 | 400 |
| Biological assets | | 12 | 12 | 31 |
| Deferred tax asset | | 7,802 | 9,976 | 11,692 |
| Investments in equity accounted investees | | 66 | 71 | 59 |
| Other investments | | 471 | 470 | 465 |
| Long-term intangible assets | | 16,081 | 14,644 | 12,545 |
| Right-of-use assets | 1 | 110,796 | – | – |
| Property, plant and equipment | 5 | 43,768 | 44,702 | 45,523 |
| **Total non-current assets** | | 179,450 | 70,262 | 70,715 |
| **Total assets** | | **572,446** | **565,554** | **931,031** |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Debt due within one year | 4 | 40,000 | 2,680 | 79,635 |
| Short-term derivative liabilities | | 365 | 280 | 476 |
| Accounts payable and accruals | | 221,050 | 155,903 | 244,385 |
| Income tax payable | | 1,021 | 851 | – |
| Short-term lease liabilities | 1 | 15,681 | – | – |
| Liabilities classified as held for sale | | – | – | 189,562 |
| Defined benefit liability | | – | – | 969 |
| **Total current liabilities** | | 278,117 | 159,714 | 515,027 |
| **Non-current** | | | | |
| Long-term debt | 4 | 20,000 | – | 130,000 |
| Long-term derivative liabilities | | 56 | 62 | 492 |
| Long-term lease liabilities | 1 | 93,855 | – | – |
| Other long-term liabilities | | 4,067 | 1,631 | 200 |
| Defined benefit liability | | 2,895 | 5,883 | 11,566 |
| **Total non-current liabilities** | | 120,873 | 7,576 | 142,258 |
| **Total liabilities** | | **398,990** | **167,290** | **657,285** |
| **EQUITY** | | | | |
| Share capital | | 372,318 | 606,318 | 606,324 |
| Reserves | | 12,573 | 10,424 | 5,162 |
| Retained earnings | | (211,435) | (218,478) | (340,389) |
| Total equity attributable to shareholders of the Company | | 173,456 | 398,264 | 271,097 |
| Non-controlling interest | | – | – | 2,649 |
| **Total equity** | | **173,456** | **398,264** | **273,746** |
| **Total liabilities and equity** | | **572,446** | **565,554** | **931,031** |

* *The comparatives have been restated for NZ IFRS 9.*

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

PGG Wrightson Technical Field Representative Dayne Paton inspects a kale crop at Bunnings Farm in Fernside, Canterbury, in May 2019.

# ADDITIONAL FINANCIAL DISCLOSURES

INCLUDING NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

# NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2019

## 1 LEASES

The Group leases many assets, including:

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

**Transition to NZ IFRS 16**

The Group adopted NZ IFRS 16 *Leases* from 1 July 2019 using the modified retrospective approach. In accordance with the new standard, the Group recognised right-of-use assets of $109.17 million and lease liabilities of $106.63 million at the initial adoption date of 1 July 2019. The Group also recognised a provision for make good costs of $2.54 million as at 1 July 2019.

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

On transition, the Group applied the following practical expedients:

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

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

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

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

| | UNAUDITED DEC 2019 $000 |
|---|---|
| **Amounts in statement of profit or loss** | |
| Depreciation on right-of-use assets | (10,057) |
| Interest on lease liabilities | (2,106) |
| Short-term or low-value lease expenses | (97) |
| Variable lease payments not included in the measurement of lease liabilities | (85) |
| Income from sub-leasing right-of-use assets | 616 |
| **Amounts in statement of cash flows** | |
| Cash outflow for interest on lease liabilities (operating activities) | (2,106) |
| Cash outfllow for principal portion of lease liabilities (financing activities) | (8,757) |
| Total cash outflow for leases | (10,863) |

**Amounts in statement of financial position**

| | PROPERTY $000 | VEHICLES $000 | TOTAL $000 |
|---|---|---|---|
| **Right-of-use assets** | | | |
| Balance at 1 July 2019 | 97,084 | 12,082 | 109,166 |
| Net additions, terminations and reassessments | 9,221 | 2,466 | 11,687 |
| Depreciation charge for the period | (6,798) | (3,259) | (10,057) |
| **Balance at 31 December 2019** | **99,507** | **11,289** | **110,796** |

## 1 LEASES (CONTINUED)

| | UNAUDITED DEC 2019 $000 |
|---|---|
| **Amounts in statement of financial position (continued)** | |
| **Lease liabilities** | |
| Current lease liabilities | 15,681 |
| Non-current lease liabilities | 93,855 |
| **Total lease liabilities recognised in the statement of financial position** | **109,536** |
| | |
| **Maturity analysis - contractual undiscounted cash flows** | |
| Less than one year | 19,576 |
| One to five years | 57,635 |
| More than five years | 51,807 |
| **Total undiscounted lease liabilities at 31 December 2019** | **129,018** |
| | |
| **Reconciliation of recognised lease liabilities to operating lease commitments** | |
| Operating lease commitments at 30 June 2019 as disclosed in the Group's financial statements | 84,403 |
| | |
| Operating lease commitments at 30 June 2019 discounted at the incremental borrowing rate at 1 July 2019 | 74,905 |
| Value of operating leases not commenced as at 1 July 2019 | (9,560) |
| Recognition exemption for short-term leases | (402) |
| Value of additional leases and future lease renewal options reasonably certain to be exercised | 41,683 |
| **Lease liabilities recognised on initial adoption date of 1 July 2019** | **106,626** |

*Lease Accounting Policies*

**Right-of-use assets**

Under NZ IFRS 16, right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any prepaid lease payments, plus any initial direct costs incurred and any estimated restoration costs, and less any lease incentives received. These assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term or the asset's useful life. Right-of-use assets are adjusted for certain remeasurements of the lease liabilities.

**Lease liabilities**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2019

## 2 NET INTEREST AND FINANCE COSTS

| | UNAUDITED DEC 2019 $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|
| **Interest income** | 529 | 771 | 42 |
| **Interest funding expense** | | | |
| Bank interest on loans and overdraft | (381) | (4,928) | (2,827) |
| Other interest expense | (7) | (312) | (61) |
| Bank facility fees | (305) | (1,885) | (975) |
| | (693) | (7,125) | (3,863) |
| Net interest on interest rate derivatives | – | (761) | (182) |
| Fair value change on interest rate derivatives | – | 535 | 59 |
| Effective interest on expected defined benefit pension payments | – | (299) | (166) |
| **Net Interest** | (164) | (6,879) | (4,110) |
| **Interest on lease liabilities** | (2,106) | – | – |
| **Foreign exchange income/(expense)** | | | |
| Net gain/(loss) on foreign denominated items | (113) | (423) | (23) |
| Fair value change on foreign exchange derivatives | 462 | 1,235 | 947 |
| | 349 | 812 | 924 |
| **Net interest and finance income/(expense)** | **(1,921)** | **(6,067)** | **(3,186)** |

## 3 EARNINGS PER SHARE (EPS) AND NET TANGIBLE ASSETS (NTA)

| | UNAUDITED DEC 2019 000 | AUDITED JUN 2019 000 | UNAUDITED DEC 2018 000 |
|---|---|---|---|
| **Issued ordinary shares at the end of reporting period** | **75,484** | **754,839** | **754,849** |
| **Weighted average number of ordinary shares** | | | |
| Issued ordinary shares at the beginning of reporting period | 754,839 | 754,849 | 754,849 |
| Effect of ordinary shares issued due to 2:1 share split | 573,348 | – | – |
| Effect of ordinary shares repurchased and cancelled | (573,348) | (5) | – |
| Effect of ordinary shares reduced due to 1:10 share consolidation | (516,013) | – | – |
| **Weighted average number of ordinary shares outstanding during the reporting period** | **238,826** | **754,844** | **754,849** |

| | UNAUDITED DEC 2019 $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|
| Profit net of tax attributable to Shareholders of the Company | 12,756 | 131,123 | 140 |
| Profit from continuing operations (net of tax) attributable to Shareholders of the Company | 12,761 | 4,000 | 9,023 |
| **Net tangible assets** | | | |
| Total assets | 572,446 | 565,554 | 931,031 |
| Total liabilities | (398,990) | (167,290) | (657,285) |
| less intangible assets | (17,118) | (16,866) | (27,886) |
| less deferred tax | (7,802) | (9,976) | (22,901) |
| **Net tangible assets** | **148,536** | **371,422** | **222,959** |

## 3 EARNINGS PER SHARE (EPS) AND NET TANGIBLE ASSETS (NTA (CONTINUED)

| | UNAUDITED DEC 2019 $ | AUDITED JUN 2019 $ | UNAUDITED DEC 2018 $ |
|---|---|---|---|
| Basic EPS on issued ordinary shares at the end of period | 0.169 | 0.174 | 0.000 |
| Basic EPS on issued ordinary shares at the end of period - continuing operations | 0.169 | 0.005 | 0.012 |
| Basic EPS on a weighted average basis | 0.053 | 0.174 | 0.000 |
| Basic EPS on a weighted average basis - continuing operations | 0.053 | 0.005 | 0.012 |
| NTA per issued ordinary shares at the end of period | 1.968 | 0.492 | 0.295 |

## 4 CASH AND FINANCING FACILITIES

| | UNAUDITED DEC 2019 $000 | AUDITED JUN 2019 $000 | UNAUDITED DEC 2018 $000 |
|---|---|---|---|
| Cash and cash equivalents | 682 | 210,491 | 3,884 |
| Current financing facilities | (40,000) | (2,680) | (79,635) |
| Term financing facilities | (20,000) | – | (130,000) |
| **Net interest-bearing (debt)/cash and cash equivalents** | **(59,318)** | **207,811** | **(205,751)** |
| *Go* livestock receivables | 38,584 | 47,754 | 30,958 |
| **(Net interest-bearing debt less *Go* livestock receivables) / Cash and cash equivalents plus *Go* livestock receivables** | **(20,734)** | **255,565** | **(174,793)** |

**Financing facilities**

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

– Term debt facility of $50.00 million maturing on 1 August 2021

– Working capital facilities of up to $70.00 million maturing on 1 August 2021

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

The Company has granted a general security deed and mortgage over all its wholly-owned New Zealand assets to a security trust. Bank of New Zealand acts as facility agent and security trustee for the banking syndicate, which comprises Bank of New Zealand, Cooperatieve Rabobank U.A. (New Zealand branch) and Westpac New Zealand Limited.

The agreement contains various financial covenants and restrictions that are standard for facilities of this nature, including maximum permissible ratios for debt leverage and operating leverage, together with limits for *Go* receivables and capital expenditure.

The syndicated facility agreement allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company's syndicated facility. The additional facilities are guaranteed by the security trust. These facilities amounted to $9.08 million as at 31 December 2019.

– Overdraft facilities of $3.00 million

– Guarantee and trade finance facilities of $6.08 million

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2019

## 5 PROPERTY, PLANT AND EQUIPMENT

**Acquisitions**

During the period to 31 December 2019, the Group acquired assets with a cost of $2.29 million (30 June 2019: $5.72 million, 31 December 2018: $7.25 million).

**Disposals**

Assets with a net book value of $0.52 million were disposed during the period to 31 December 2019 (30 June 2019: $0.42 million, 31 December 2018: $0.19 million), resulting in a gain on disposal of $0.08 million (30 June 2019 Loss: $0.03 million, 31 December 2018 Gain: $0.27 million).

## 6 SEASONALITY OF OPERATIONS

The Group is subject to significant seasonal fluctuations. The Retail businesses' earnings are weighted towards the first half of the financial year as demand for New Zealand farming inputs are generally weighted towards the spring season. New Zealand generally has spring calving and lambing, so Livestock trading is weighted towards the second half of the financial year in order for farmers to maximise 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.

## 7 EVENTS SUBSEQUENT TO END OF INTERIM PERIOD

**Dividend**

On 25 February 2020, the Directors of PGG Wrightson Limited resolved to pay an interim dividend of 9.0 cents per share on 3 April 2020 to the shareholders on the Company's share register as at 5.00pm on 6 March 2020. This dividend will be fully imputed.

## 8 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 2019 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The interim 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.

## 9 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 *Interim Financial Reporting*. They also comply with the International Financial Reporting Standards 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. Unless otherwise specified, 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.

These interim financial statements were approved by the Board of Directors on 25 February 2020.

**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 2019 and have not been applied in preparing these interim financial statements. These include:

- A variety of minor improvements to standards have been made 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 2019

| | SHARE CAPITAL $000 | FOREIGN CURRENCY TRANSLATION RESERVE $000 | REALISED CAPITAL AND REVALUATION 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 2018 | 606,324 | (3,723) | 23,999 | (9,042) | (2,587) | (329,987) | 2,478 | 287,462 |
| Adjustment on adoption of NZ IFRS 9, net of tax | – | – | – | – | – | (324) | – | (324) |
| Adjusted balance at 1 July 2018 | 606,324 | (3,723) | 23,999 | (9,042) | (2,587) | (330,311) | 2,478 | 287,138 |
| **Total comprehensive income for the period** | | | | | | | | |
| Profit or loss | – | – | – | – | – | 140 | 180 | 320 |
| **Other comprehensive income:** | | | | | | | | |
| Foreign currency translation differences | – | (1,419) | – | – | – | – | 129 | (1,290) |
| Defined benefit plan actuarial gain/(loss), net of tax | – | – | – | (2,596) | – | – | – | (2,596) |
| Total other comprehensive income | – | (1,419) | – | (2,596) | – | – | 129 | (3,886) |
| **Total comprehensive income for the period** | – | (1,419) | – | (2,596) | – | 140 | 309 | (3,566) |
| **Transactions with shareholders recorded directly in equity** | | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | | |
| Dividends to shareholders | – | – | – | – | – | (9,688) | (138) | (9,826) |
| **Total contributions by and distributions to shareholders** | – | – | – | – | – | (9,688) | (138) | (9,826) |
| **Transfer to retained earnings** | – | – | – | 530 | – | (530) | – | – |
| **Balance at 31 December 2018** | **606,324** | **(5,142)** | **23,999** | **(11,108)** | **(2,587)** | **(340,389)** | **2,649** | **273,746** |
| | | | | | | | | |
| Balance at 1 January 2019 | 606,324 | (5,142) | 23,999 | (11,108) | (2,587) | (340,389) | 2,649 | 273,746 |
| **Total comprehensive income for the period** | | | | | | | | |
| Profit or loss | – | – | – | – | – | 130,983 | 503 | 131,486 |
| **Other comprehensive income:** | | | | | | | | |
| Foreign currency translation differences | – | 552 | – | – | – | – | (146) | 406 |
| Changes in asset revaluation reserve | – | – | 403 | – | – | – | – | 403 |
| Changes in fair value of equity instrument, net of tax | – | – | – | – | 21 | – | – | 21 |
| Defined benefit plan actuarial gain/(loss), net of tax | – | – | – | (2,802) | – | – | – | (2,802) |
| Total other comprehensive income | – | 552 | 403 | (2,802) | 21 | – | (146) | (1,972) |
| **Total comprehensive income for the period** | – | 552 | 403 | (2,802) | 21 | 130,983 | 357 | 129,514 |
| **Transactions with shareholders recorded directly in equity** | | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | | |
| Share repurchase and cancellation | (6) | – | – | – | – | – | – | (6) |
| Dividends to shareholders | – | – | – | – | – | (5,579) | (1,051) | (6,630) |
| **Total contributions by and distributions to shareholders** | (6) | – | – | – | – | (5,579) | (1,051) | (6,636) |
| **Sale of PGG Wrightson Seed Holdings Limited** | | | | | | | | |
| Reclassification of reserves to Profit & Loss | – | 3,741 | – | – | – | – | (2,101) | 1,640 |
| Reclassification of reserves to Retained Earnings | – | 849 | 260 | – | – | (1,255) | 146 | – |
| **Total reclassification to Profit & Loss** | – | 4,590 | 260 | – | – | (1,255) | (1,955) | 1,640 |
| **Transfer to retained earnings** | – | – | – | 2,238 | – | (2,238) | – | – |
| **Balance at 30 June 2019** | **606,318** | **–** | **24,662** | **(11,672)** | **(2,566)** | **(218,478)** | **–** | **398,264** |

PGG WRIGHTSON LIMITED

# INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 31 December 2019

| | SHARE CAPITAL $000 | FOREIGN CURRENCY TRANSLATION RESERVE $000 | REALISED CAPITAL AND REVALUATION 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 2019 | 606,318 | – | 24,662 | (11,672) | (2,566) | (218,478) | – | 398,264 |
| **Total comprehensive income for the period** | | | | | | | | |
| Profit or loss | – | – | – | – | – | 12,756 | – | 12,756 |
| **Other comprehensive income:** | | | | | | | | |
| Defined benefit plan actuarial gain/(loss), net of tax | – | – | – | 2,149 | – | – | – | 2,149 |
| Total other comprehensive income | – | – | – | 2,149 | – | – | – | 2,149 |
| **Total comprehensive income for the period** | – | – | – | 2,149 | – | 12,756 | – | 14,905 |
| **Transactions with shareholders recorded directly in equity** | | | | | | | | |
| **Contributions by and distributions to shareholders** | | | | | | | | |
| Share repurchase and cancellation | (234,000) | – | – | – | – | – | – | (234,000) |
| Dividends to shareholders | – | – | – | – | – | (5,713) | – | (5,713) |
| **Total contributions by and distributions to shareholders** | (234,000) | – | – | – | – | (5,713) | – | (239,713) |
| **Balance at 31 December 2019** | **372,318** | **–** | **24,662** | **(9,523)** | **(2,566)** | **(211,435)** | **–** | **173,456** |

# CORPORATE DIRECTORY

**Board of Directors for the six months ended 31 December 2019**

Rodger Finlay
*Chairman*

Joo Hai Lee
*Deputy Chairman*

David Cushing

Sarah Brown

U Kean Seng

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

**Executive Team for the six months ended 31 December 2019**

Stephen Guerin
*Chief Executive Officer*

Julian Daly
*General Manager Corporate Affairs/ Company Secretary*

Grant Edwards
*General Manager Wool*

Peter Moore
*General Manager Livestock*

Peter Newbold
*General Manager Real Estate*

Peter Scott
*Chief Financial Officer*

Natalie Thain (Acting)
*General Manager Human Resources*

Nick Berry
*General Manager Retail & Water*

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

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

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

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

enquiry@computershare.co.nz

Private Bag 92119, Auckland 1142, New Zealand

Telephone +64 9 488 8777

Facsimile +64 9 488 8787

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

Fruitfed Supplies Technical Horticultural Representative Rob Wards with Nick and Carey White of Mill Orchard in Loburn, Canterbury, in October 2019.

PGG Wrightson