PGG Wrightson Limited

Consolidated Financial Statements *Ngā Tauākī ā-Pūtea Tōpū*

For the year ended 30 June 2022 | Mō te tau i mutu i te 30 Hune 2022

Helping grow the country

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

The Directors are responsible for ensuring that the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2022 and the financial performance and cash flows for the year ended on that date.

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

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

The Directors are pleased to present the consolidated financial statements for PGG Wrightson Limited and its controlled entities (together the "Group") set out on pages 1 to 43 for the year ended 30 June 2022.

The consolidated financial statements contained on pages 1 to 43 have been authorised for issue on 15 August 2022.

For and on behalf of the Board.

Joo Hai Lee
Chairman

Sarah Brown
Director and Audit Committee Chair

Cover image: PGG Wrightson Technical Field Representative, Sarah Swinbourn, monitors the number of diamond back moth and white butterfly caterpillars in a kale crop on the Foote Family Farm in Lawrence, Otago, for the Shepherdess magazine autumn 2022 edition.

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	NOTE	2022 $000	2021 $000
Continuing operations			
Operating revenue	1	952,700	847,815
Cost of sales	2	(704,181)	(624,589)
Gross profit		248,519	223,226
Other income		334	366
Employee expenses		(132,874)	(119,828)
Other operating expenses	3	(48,826)	(47,735)
Operating EBITDA	27(E)	**67,153**	**56,029**
Non-operating gains/(losses)	4	699	4,456
Impairment and fair value gains/(losses)	5	(2,182)	1,832
Depreciation and amortisation expense		(28,024)	(27,283)
EBIT	27(E)	**37,646**	**35,034**
Net interest and finance costs	6	(5,089)	(5,621)
Profit from continuing operations before income tax		32,557	29,413
Income tax expense	7	(8,271)	(6,693)
Profit from continuing operations, net of income tax		24,286	22,720
Discontinued operations			
Results from discontinued operations, net of income tax		–	(7)
Profit/(loss) from discontinued operations, net of income tax		–	(7)
Net profit after tax attributable to Shareholders of the Company		**24,286**	**22,713**

Basic & diluted earnings per share (EPS)

	NOTE	2022 $	2021 $
Basic & diluted EPS	8	0.322	0.301
Basic & diluted EPS - continuing operations	8	0.322	0.301

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

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	NOTE	2022 $000	2021 $000
Net profit after tax attributable to Shareholders of the Company		**24,286**	**22,713**
Other comprehensive income/(loss)			
Continuing operations			
Items that will never be reclassified to profit or loss			
Changes in fair value of equity instruments		7	136
Remeasurements of defined benefit asset/liability	18	(2,522)	9,620
Tax on remeasurements of defined benefit asset/liability	7	706	(2,694)
Total other comprehensive income/(loss) for the period		(1,809)	7,062
Total comprehensive income for the period attributable to Shareholders of the Company		**22,477**	**29,775**

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

PGG WRIGHTSON LIMITED

SEGMENT REPORT

For the year ended / as at 30 June 2022

A. Operating segments

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

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

The Group's segments are described below:

- **Agency:** This segment derives its revenue primarily from commissions in respect of rural Livestock, Wool and Real Estate transactions. This segment also derives revenue from wool and velvet product sales, and interest revenue from its Go livestock receivables (refer to Note 12 *Go Livestock Receivables* for further explanation regarding this programme).
- **Retail & Water:** This segment includes the Rural Supplies and Fruitfed Supplies retail operations, Agritrade, PGG Wrightson Water, PGW Consulting, ancillary sales support and supply chain functions. This segment derives its revenue primarily from the sale of goods as well as the design, installation and servicing of irrigation solutions.
- **Other (non-operating segment):** Other relates to certain Group Corporate activities including Governance, Finance, Treasury, Risk and Assurance, and other support services (such as corporate property services and marketing). The Marketing function derives sales revenue from the Group's rewards and on-charging programmes.

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

Corporate costs allocation

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

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

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

PGG WRIGHTSON LIMITED

SEGMENT REPORT CONTINUED

For the year ended / as at 30 June 2022

C. Operating segment information

	AGENCY		RETAIL & WATER		OTHER (NON OPERATING SEGMENT)		TOTAL	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Sales revenue	75,061	74,022	746,093	638,622	1,327	2,250	822,481	714,894
Commission revenue	109,208	107,685	76	79	89	58	109,373	107,822
Construction contract revenue	–	–	14,235	18,950	–	–	14,235	18,950
Interest revenue on Go receivables	4,254	3,805	–	–	–	–	4,254	3,805
Debtor interest charges	438	615	556	848	(26)	(24)	968	1,439
Sublease income	410	356	348	118	631	431	1,389	905
Total external operating revenues	189,371	186,483	761,308	658,617	2,021	2,715	952,700	847,815
Operating EBITDA	**21,844**	**25,179**	**52,495**	**37,533**	**(7,186)**	**(6,683)**	**67,153**	**56,029**
Non-operating gains/(losses)	695	3,885	133	991	(129)	(420)	699	4,456
Impairment and fair value gains/(losses)	(2,970)	917	691	589	97	326	(2,182)	1,832
Depreciation and amortisation expense	(8,521)	(8,457)	(16,067)	(15,060)	(3,436)	(3,766)	(28,024)	(27,283)
EBIT	**11,048**	**21,524**	**37,252**	**24,053**	**(10,654)**	**(10,543)**	**37,646**	**35,034**
Net interest and finance costs	(2,843)	(2,418)	(1,665)	(2,073)	(581)	(1,130)	(5,089)	(5,621)
Profit/(loss) from continuing operations before income tax	8,205	19,106	35,587	21,980	(11,235)	(11,673)	32,557	29,413
Income tax benefit/(expense)	(2,197)	(3,976)	(10,194)	(6,360)	4,120	3,643	(8,271)	(6,693)
Profit/(loss) from continuing operations, net of income tax	6,008	15,130	25,393	15,620	(7,115)	(8,030)	24,286	22,720
Profit/(loss) from discontinued operations, net of income tax	–	–	–	–	–	(7)	–	(7)
Net profit/(loss) after tax	**6,008**	**15,130**	**25,393**	**15,620**	**(7,115)**	**(8,037)**	**24,286**	**22,713**
Segment assets	206,204	184,177	280,458	245,131	23,290	23,686	509,952	452,994
Assets held for sale	–	–	–	40	–	–	–	40
Total segment assets	**206,204**	**184,177**	**280,458**	**245,171**	**23,290**	**23,686**	**509,952**	**453,034**
Total segment liabilities	**(101,724)**	**(101,147)**	**(180,332)**	**(155,907)**	**(55,212)**	**(22,442)**	**(337,268)**	**(279,496)**
Capital expenditure (additions to non-current assets)	**5,653**	**6,940**	**7,430**	**12,468**	**3,571**	**1,677**	**16,654**	**21,085**

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

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	NOTE	2022 $000	2021 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		913,260	818,914
Receipt for the termination of partnering contract, net of costs		–	3,934
Dividends received		5	1
Interest received		5,321	5,307
		918,586	828,156
Cash was applied to:			
Payments to suppliers and employees		(884,560)	(765,212)
Interest paid		(957)	(646)
Interest paid on lease liabilities		(3,786)	(4,036)
Income tax paid		(5,623)	(28)
Lump sum contributions to defined benefit plan (ESCT inclusive)		–	(563)
		(894,926)	(770,485)
Net cash inflow/(outflow) from operating activities		**23,660**	**57,671**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment and assets held for sale		1,053	3,294
Proceeds from sale of investments		7	136
		1,060	3,430
Cash was applied to:			
Purchase of property, plant and equipment		(5,926)	(5,500)
Purchase of intangibles		(2,881)	(1,309)
Investment sale costs		–	(51)
		(8,807)	(6,860)
Net cash inflow/(outflow) from investing activities		**(7,747)**	**(3,430)**
Cash flows from financing activities			
Cash was provided from:			
Increase in external borrowings and bank overdraft		30,000	–
		30,000	–
Cash was applied to:			
Dividends paid to shareholders		(23,331)	(9,343)
Repayment of external borrowings and bank overdraft		(2,400)	(40,100)
Repayment of principal portion of lease liabilities		(18,873)	(18,299)
		(44,604)	(67,742)
Net cash inflow/(outflow) from financing activities		**(14,604)**	**(67,742)**
Net increase/(decrease) in cash held		1,309	(13,501)
Opening cash		3,367	16,868
Cash and cash equivalents	9	**4,676**	**3,367**

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

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

For the year ended 30 June 2022

	2022 $000	2021 $000
Net profit after tax	24,286	22,713
Add/(deduct) non-cash/non-operating items:		
Depreciation and amortisation	28,027	27,283
Impairment and fair value losses/(gains)	2,182	(1,832)
Reversal of software capital projects expensed in the current period	-	750
Bad debts written off (net)	(633)	67
Loss/(profit) on sale of assets and investments, and lease terminations	(763)	(909)
Foreign exchange loss/(gain)	(9)	333
Deferred tax expense/(benefit)	(1,797)	(258)
Defined benefit expense/(gain)	(85)	35
Pension contributions not expensed through profit or loss	-	(563)
Other non-cash/non-operating items	108	83
Add/(deduct) movement in working capital items:		
Change in inventories	(20,766)	759
Change in accounts receivable, Go livestock receivables and prepayments	(41,909)	(22,694)
Change in trade creditors, provisions and accruals	26,799	26,468
Change in income tax payable	4,444	6,917
Change in other current assets/liabilities	3,776	(1,481)
Net cash flow from operating activities	**23,660**	**57,671**

Cash Flows Accounting Policies

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

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

PGG Wrightson

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTE	2022 $000	2021 $000
ASSETS			
Current			
Cash and cash equivalents	9	4,676	3,367
Short-term derivative assets	10	1,547	843
Trade and other receivables	11	170,336	148,171
Go livestock receivables	12	65,405	45,869
Inventories	13	102,048	81,498
Assets classified as held for sale		–	40
Other current assets		3,130	2,842
Total current assets		347,142	282,630
Non-current			
Long-term derivative assets	10	17	–
Deferred tax asset	7	10,676	8,173
Investments in equity accounted investees		102	92
Go livestock receivables	12	704	–
Other investments		479	474
Intangible assets	14	12,101	15,663
Right-of-use assets	15	93,074	101,064
Property, plant and equipment	16	45,657	44,627
Defined benefit asset	18	–	311
Total non-current assets		162,810	170,404
Total assets		**509,952**	**453,034**
LIABILITIES			
Current			
Debt due within one year	9	7,500	9,900
Short-term derivative liabilities	10	1,009	242
Accounts payable and accruals	17	189,290	158,883
Short-term lease liabilities	15	18,229	17,631
Income tax payable		7,910	3,466
Total current liabilities		223,938	190,122
Non-current			
Long-term debt	9	30,000	–
Long-term derivative liabilities	10	152	143
Long-term lease liabilities	15	78,290	86,387
Long-term provisions	17	2,762	2,844
Defined benefit liability	18	2,126	–
Total non-current liabilities		113,330	89,374
Total liabilities		**337,268**	**279,496**
EQUITY			
Share capital	28	372,318	372,318
Reserves	28	12,973	14,782
Retained earnings/(deficit)	28	(212,607)	(213,562)
Total equity attributable to Shareholders of the Company		**172,684**	**173,538**
Total liabilities and equity		**509,952**	**453,034**

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

PGG Wrightson Limited

Additional Financial Disclosures *Ngā Whakapuakanga Pūtea Tāpiri*

Including Notes to the Consolidated Financial Statements for the year ended 30 June 2022

Tae atu ki Ngā Pitopito Kōrero ki Ngā Tauākī Pūtea Tōpū mō te tau i mutu i te 30 Hune 2022

PGG Wrightson Technical Field Representative, Simon Dodds, checks cob development and dry matter percentage to determine an estimated silage harvest date with Brad Payne at Payne Farm Limited, near Cambridge, Waikato.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2022

1 OPERATING REVENUE

	2022 $000	2021 $000
Revenue from contracts with customers		
Sales revenue	822,481	714,894
Commission revenue	109,373	107,822
Construction contract revenue	14,235	18,950
Other operating revenue		
Interest revenue on Go livestock receivables	4,254	3,805
Debtor interest charges	968	1,439
Sublease income	1,389	905
	952,700	**847,815**

Income Recognition Accounting Policies

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

Sales revenue

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

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

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

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

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

Commission revenue

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

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

Construction contract revenue

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

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

Interest and similar income and expense

The Group recognises the fixed fees charged to customers under its Go programme as interest revenue. Refer to Note 12 *Go Livestock Receivables* for further explanation regarding this programme. This interest revenue is recognised over the term of the Go contracts which can be for a term of up to 540 days.

The Group also recognises interest revenue on an accruals basis when the services are rendered using the effective interest method. Refer to the accounting policies under Note 6 *Net Interest and Finance Costs* for further explanation on the effective interest method.

Sublease income

The Group recognises lease payments received under subleases as income on a straight-line basis over the lease term. Refer to Note 15 *Right-of-Use Assets and Lease Liabilities* for further explanation.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

2 COST OF SALES

	NOTE	2022 $000	2021 $000
Depreciation and amortisation		189	187
Employee benefits (including commissions)		32,541	34,245
Inventories and consumables	13	632,250	553,473
Freight		12,438	9,814
Other		26,763	26,870
		704,181	**624,589**

3 OTHER OPERATING EXPENSES

	2022 $000	2021 $000
Audit of annual financial statements of the Company by EY	266	240
Other Advisory Services provided by EY:		
Facilitation of sustainability materiality assessment	21	–
Cloud computing project assistance	18	–
Directors' fees	565	552
Donations	7	8
Increase/(decrease) in provision for impaired trade receivables, Go livestock receivables and contract assets	(1,109)	(774)
Net bad debts written off / (recovered)	476	841
IT & telecommunication costs	13,372	12,981
Marketing	4,665	3,820
Motor vehicle costs	7,012	5,713
Travel costs	2,317	2,858
Rental and operating lease costs	901	460
Occupancy costs (excluding rental and operating lease)	5,672	5,110
Other staff costs	7,442	6,104
Other expenses	7,201	9,822
	48,826	**47,735**

4 NON-OPERATING GAINS/(LOSSES)

	2022 $000	2021 $000
Receipt for the termination of partnering contract, net of costs	–	3,934
Gain on sale of property, plant and equipment	763	960
Other non-operating gains/(losses)	(64)	(438)
	699	**4,456**

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

5 IMPAIRMENT AND FAIR VALUE GAINS/(LOSSES)

	NOTE	2022 $000	2021 $000
Net impairment reversal/(impairment) – Property, plant and equipment	5(A)	414	906
Net impairment reversal/(impairment) – Right-of-use assets	5(B)	695	910
Net impairment reversal/(impairment) – Software Assets	5(C)	(3,384)	–
Other fair value gains/(losses)		93	16
		(2,182)	**1,832**

A. Saleyards

At balance date, the Group reviewed its saleyard assets for indicators of impairment and for any indication that a previously recognised impairment loss may have reversed. The Group recognised a net reversal of $0.41 million of previously recognised impairment losses on two saleyards (2021: $0.91 million net reversal). This was based on indicative external market valuations for the saleyards.

B. Right-of-use assets

At balance date, the Group reviewed its right-of-use assets for indicators of impairment and for any indication that a previously recognised impairment loss may have reversed. As a result of this review, the Group reversed $0.7 million of previously recognised impairment losses relating to the Water business CGU (2021: $0.91 million reversal). The impairment reversal resulted from changes in key assumptions applied to the discounted cash flow model utilised to determine the value in use for impairment testing. The change in assumptions included improved current and estimated future earnings following the 2021 restructure of the business. The discount rate applicable for the Water business and used in the discounted cashflow model was 12.1%.

C. Software Assets

At balance date, certain intangible assets held within the Agency Segment were impaired following impairment review. Indicators of impairment were identified following analysis of the financial performance of the CGU including historic losses generated and completion of the CGU's future budgets. Impairment testing was performed using a discounted cash flow calculation to determine the value-in-use based on anticipated future earnings to be derived from the CGU. An impairment loss in the amount of $3.4 million has been recognised in the Statement of Profit or Loss (within impairment and fair value gains/(losses). The discount rate applied in the discounted cashflow calculation was 15%. All other assets held by the CGU have a recoverable amount that is higher than the carrying amount and consequently have not been impaired.

Impairment Accounting Policies

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

Non-financial assets

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

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

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

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

6 NET INTEREST AND FINANCE COSTS

	2022 $000	2021 $000
Interest income	99	63
Interest funding expense		
Bank interest on loans and overdrafts	(957)	(646)
Bank facility fees	(875)	(908)
	(1,832)	(1,554)
Net interest income/(expense) excluding interest on lease liabilities	(1,733)	(1,491)
Interest on lease liabilities	(3,786)	(4,036)
Foreign exchange gain/(loss)		
Net gain/(loss) on foreign denominated items	485	(217)
Fair value gain/(loss) on foreign exchange derivatives	(55)	123
	430	(94)
Net interest and finance income/(expense)	**(5,089)**	**(5,621)**

Interest and Finance Income/Expense Accounting Policies

Interest and similar income and expense

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

Fair value change on foreign exchange derivatives

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

7 INCOME TAXES

A. Income tax recognised in profit or loss

	2022 $000	2021 $000
Current tax benefit/(expense)		
Current year	(10,159)	(7,395)
Adjustments for prior years	91	443
	(10,068)	(6,952)
Deferred tax benefit/(expense)		
Origination and reversal of temporary differences	1,888	727
Adjustments for prior years	(91)	(468)
	1,797	259
Income tax benefit/(expense)	**(8,271)**	**(6,693)**
Reconciliation		
Profit from continuing operations before income tax	32,557	29,413
Income tax using the Company's tax rate (28%)	(9,116)	(8,236)
Non-deductible expenditure	(79)	(478)
Non-assessable income	211	1,784
Tax credits	686	285
Over/(under) provided in prior years	(3)	(25)
Other	30	(23)
Income tax benefit/(expense)	**(8,271)**	**(6,693)**

B. Income tax recognised directly in equity

	2022 $000	2021 $000
Deferred tax on movement of actuarial gains/losses on employee benefit plans	706	(2,746)
Current tax on movement of actuarial gains/losses on employee benefit plans	–	52
Income tax benefit/(expense) recognised directly in equity	**706**	**(2,694)**

C. Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS 2022 $000	ASSETS 2021 $000	LIABILITIES 2022 $000	LIABILITIES 2021 $000	NET 2022 $000	NET 2021 $000
Property, plant and equipment	706	565	–	–	706	565
Intangible assets	–	–	(1,541)	(2,277)	(1,541)	(2,277)
Right-of-use assets	–	–	(26,061)	(28,298)	(26,061)	(28,298)
Lease liabilities	27,026	29,125	–	–	27,026	29,125
Employee benefits	7,173	4,762	–	–	7,173	4,762
Provisions	3,373	4,296	–	–	3,373	4,296
Deferred tax asset/(liability)	**38,278**	**38,748**	**(27,602)**	**(30,575)**	**10,676**	**8,173**

Refer to Accounting Policies – page 15.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

7 INCOME TAXES (CONTINUED)

C. Recognised deferred tax assets and liabilities (continued)

	BALANCE 1 JUL 2020 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2021 $000	RECOGNISED IN PROFIT OR LOSS $000	RECOGNISED IN OTHER COMPREHENSIVE INCOME $000	BALANCE 30 JUN 2022 $000
Property, plant and equipment	616	(51)	–	565	141	–	706
Intangible assets	(1,181)	(1,096)	–	(2,277)	736	–	(1,541)
Right-of-use assets	(29,350)	1,052	–	(28,298)	2,237	–	(26,061)
Lease liabilities	29,987	(862)	–	29,125	(2,099)	–	27,026
Employee benefits	6,361	1,147	(2,746)	4,762	1,705	706	7,173
Provisions	4,227	69	–	4,296	(923)	–	3,373
	10,660	**259**	**(2,746)**	**8,173**	**1,797**	**706**	**10,676**

D. Unrecognised tax losses and temporary differences

At 30 June 2022, the Group has no unrecognised deferred tax assets relating to tax losses and temporary differences (2021: Nil).

E. Imputation credits

The Group has $8.1 million imputation credits as at 30 June 2022 (2021: $6.2 million).

Income Tax Accounting Policies

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

Current tax

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

Deferred tax

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

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

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

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

8 EARNINGS PER SHARE AND NET TANGIBLE ASSETS

A. Earnings per share (EPS)

The calculation of EPS is based on the following profit figures and number of authorised shares.

	ISSUED ORDINARY SHARES		WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES	
	2022 000	2021 000	2022 000	2021 000
Issued ordinary shares at 1 July	75,484	75,484	75,484	75,484
Balance at 30 June	**75,484**	**75,484**	**75,484**	**75,484**

There are no dilutive shares or options (2021: Nil).

	2022 $000	2021 $000
Profit (net of tax) attributable to Shareholders of the Company	**24,286**	**22,713**
Profit from continuing operations (net of tax) attributable to Shareholders of the Company	**24,286**	**22,720**

	2022 $	2021 $
Basic & diluted EPS	0.322	0.301
Basic & diluted EPS – continuing operations	0.322	0.301

B. Net tangible assets (NTA)

The calculation of NTA per share, which is a required NZX disclosure, is based on the following NTA figure and the Company's issued ordinary shares at the end of the period.

	2022 $000	2021 $000
Total assets	509,952	453,034
Total liabilities	(337,268)	(279,496)
less Intangible assets	(12,101)	(15,663)
less Deferred tax asset	(10,676)	(8,173)
Net tangible assets	**149,907**	**149,702**

	2022 $	2021 $
NTA per issued ordinary shares at the end of period	1.986	1.983

Earnings Per Share Accounting Policies

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

9 CASH AND FINANCING FACILITIES

	NOTE	2022 $000	2021 $000
Cash and cash equivalents		4,676	3,367
Current financing facilities	9(A)	(7,500)	(9,900)
Term financing facilities	9(A)	(30,000)	–
Net interest-bearing (debt)/cash and cash equivalents		**(32,824)**	**(6,533)**
Go livestock receivables	12	65,405	45,869
Net interest-bearing (debt)/cash and cash equivalents after adjusting for Go livestock receivables		**32,581**	**39,336**

A. Financing facilities

During the year, the Company amended and extended its syndicated bank facility. The amended facility, which commenced on 13 December 2021, provides the following:

- Term debt facility of $60.00 million maturing on 6 December 2024. This facility had $30.00 million drawn at 30 June 2022.
- Working capital facilities of up to $70.00 million maturing on 6 December 2024 (subject to an annual Clean Down).

The syndicated facilities fund the general corporate activities of the Group, the seasonal fluctuations in working capital and 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, including maximum permissible ratios for debt leverage and operating leverage, together with limits for Go livestock receivables, capital expenditure and asset disposals.

The syndicated facility agreement allows the Group, subject to certain conditions, to enter into additional facilities outside of the Company's syndicated facility. The additional facilities are guaranteed by the security trust. These facilities amounted to $6.58 million as at 30 June 2022 (2021: $6.53 million).

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

10 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses forward foreign exchange contracts to manage its exposure to foreign currency fluctuations. In accordance with the Group's treasury policy, the Group does not hold any of these derivative instruments for trading purposes.

	2022 $000	2021 $000
Derivative assets held for risk management		
Current	1,547	843
Non-current	17	–
	1,564	843
Derivative liabilities held for risk management		
Current	(1,009)	(242)
Non-current	(152)	(143)
	(1,161)	(385)
Net derivative asset/(liability) held for risk management	**403**	**458**

Derivative Financial Instruments Accounting Policies

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value, and changes therein are generally recognised in profit or loss. The fair value of forward exchange contracts is based on broker quotes.

Where the Group enters into derivative transactions, these agreements do not meet the criteria for offsetting in the consolidated statement of financial position. The fair value amounts recognised in the consolidated statement of financial position are recorded on a gross basis.

The Group does not currently apply hedge accounting.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

11 TRADE AND OTHER RECEIVABLES

	2022 $000	2021 $000
Accounts receivable due from unrelated parties	141,689	124,364
Accounts receivable due from related parties	–	3
Gross accounts receivable	141,689	124,367
less Provision for impaired debtors	(2,023)	(2,895)
Net accounts receivable	139,666	121,472
Contract assets	3,132	2,083
less Provision for impaired contract assets	(119)	(356)
Other receivables	22,217	22,631
Prepayments	5,440	2,341
Trade and other receivables	**170,336**	**148,171**
Analysis of movements in provisions for impaired debtors & contract assets		
Balance at beginning of year	(3,251)	(4,025)
Movement in provision	1,109	774
Balance at end of year	**(2,142)**	**(3,251)**

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

	TOTAL DEBTORS 2022 $000	PROVISION 2022 $000	TOTAL DEBTORS 2021 $000	PROVISION 2021 $000
Not past due	133,914	(205)	114,336	(824)
Past due 1– 30 days	5,450	(5)	5,636	(14)
Past due 31– 60 days	370	(22)	894	(27)
Past due 61– 90 days	182	(18)	717	(59)
Past due 90 plus days	1,773	(1,773)	2,784	(1,971)
	141,689	**(2,023)**	**124,367**	**(2,895)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

12 GO LIVESTOCK RECEIVABLES

The Group holds receivables in respect of its Go range of livestock products. The Go range allows farmers to defer payment for the purchase of livestock. The counterparty farmer to the Go product is fully exposed to the risks and rewards of ownership of the livestock. To mitigate credit risk, the Group retains legal title to the livestock until its sale. Fee income received in respect of the Go livestock receivables is recognised by the Group as interest income over the respective contract period and is included within operating revenue (refer to Note 1 *Operating Revenue*). Accrued interest income in respect of the Go livestock receivables is included within Other Receivables (refer to Note 11 *Trade and Other Receivables*) and amounts to $1.75 million as at the balance date (2021: $1.20 million).

	2022 $000	2021 $000
Go livestock receivables – Current	65,921	46,011
Go livestock receivables – Non Current	704	–
	66,625	46,011
less Provision for impairment – Go livestock receivables	(516)	(142)
	66,109	**45,869**
Analysis of movements in provisions for impaired Go livestock receivables		
Balance at beginning of year	(142)	–
Movement in provision	(374)	(142)
Balance at end of year	**(516)**	**(142)**

The ageing status of the Go livestock receivables at the reporting date is as follows:

	GO LIVESTOCK RECEIVABLES 2022 $000	PROVISION 2022 $000	GO LIVESTOCK RECEIVABLES 2021 $000	PROVISION 2021 $000
Not past due	66,304	(195)	45,884	(15)
Past due 1 – 30 days	16	(16)	17	(17)
Past due 31 – 60 days	9	(9)	–	–
Past due 61 – 90 days	3	(3)	2	(2)
Past due 90 plus days	293	(293)	108	(108)
	66,625	**(516)**	**46,011**	**(142)**

Trade and Other Receivables and Go Livestock Receivables Accounting Policies

Recognition and measurement

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

Impairment

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

The Group recognises loss allowances for the expected credit loss (ECL) on Trade and Go livestock receivables. The Group measures loss allowances for trade and Go livestock receivables at an amount equal to lifetime ECL.

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

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

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

13 INVENTORY

	2022 $000	2021 $000
Merchandise	83,421	64,935
Wool & velvet inventory	20,188	18,199
less Provision for inventory write down	(1,561)	(1,636)
	102,048	**81,498**

During the year, inventories of $632.25 million (2021: $553.47 million) are included in cost of sales in the profit or loss (refer to Note 2 *Cost of Sales*). Included within this amount are write-down of inventories of $1.02 million (2021: $0.55 million) to net realisable value and reversals of write-down of $0.16 million (2021: $0.10 million).

Inventories Accounting Policies

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

14 INTANGIBLE ASSETS

	SOFTWARE $000	RIGHTS & TRADEMARKS $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost				
Balance at 1 July 2020	26,775	1,916	1,498	30,189
Additions	–	–	3,278	3,278
Transfers	429	–	(429)	–
Disposals	(310)	–	(1,095)	(1,405)
Balance at 30 June 2021	**26,894**	**1,916**	**3,252**	**32,062**
Balance at 1 July 2021	26,894	1,916	3,252	32,062
Additions	–	477	3,234	3,711
Transfers	2,382	528	(2,910)	–
Disposals	(1,804)	–	–	(1,804)
Balance at 30 June 2022	**27,472**	**2,921**	**3,576**	**33,969**
Amortisation and impairment losses				
Balance at 1 July 2020	12,932	1,391	–	14,323
Amortisation for the year	2,156	60	–	2,216
Disposals	(140)	–	–	(140)
Balance at 30 June 2021	**14,948**	**1,451**	**–**	**16,399**
Balance at 1 July 2021	14,948	1,451	–	16,399
Amortisation for the year	2,843	496	–	3,339
Disposals	(1,254)	–	–	(1,254)
Impairment / (Impairment Reversal)	3,384	–	–	3,384
Balance at 30 June 2022	**19,921**	**1,947**	**–**	**21,868**
Carrying amounts				
At 30 June 2021	11,946	465	3,252	15,663
At 30 June 2022	7,551	974	3,576	12,101

Intangible Assets Accounting Policies

Software

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

Rights

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

Impairment

The carrying amounts of the Group's intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. For intangible assets that have indefinite lives, the recoverable amount is estimated at each reporting date. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds the recoverable amount. Refer to the accounting policy under Note 5 *Impairment and Fair Value Gains/(Losses)* for further explanation.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

15 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Group as a lessee

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 motor vehicles and forklifts for use by employees, agents and representatives. These leases range for a period of between three and seven years.
- leases of office and IT equipment. These leases are typically for a period of up to four years.

The Group elects 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.

A. Right-of-use assets

	NOTE	PROPERTY $000	VEHICLES $000	TOTAL $000
Balance at 1 July 2020		93,226	11,399	104,625
Additions		7,755	5,705	13,460
Depreciation charge for the period		(13,391)	(6,288)	(19,679)
Reassessments, modifications and terminations		1,590	158	1,748
Net impairment reversal / (impairment)	5(B)	910	–	910
Balance at 30 June 2021		**90,090**	**10,974**	**101,064**
Balance at 1 July 2021		90,090	10,974	101,064
Additions		648	6,733	7,381
Depreciation charge for the period		(14,083)	(5,924)	(20,007)
Reassessments, modifications and terminations		3,253	688	3,941
Net impairment reversal / (impairment)	5(B)	695	–	695
Balance at 30 June 2022		**80,603**	**12,471**	**93,074**

B. Lease liabilities

	PROPERTY $000	VEHICLES $000	TOTAL $000
Balance at 1 July 2020	95,347	11,557	106,904
Additions, reassessments, modifications and terminations	9,553	5,860	15,413
Interest on lease liabilities	3,633	403	4,036
Lease payments	(15,719)	(6,616)	(22,335)
Balance at 30 June 2021	**92,814**	**11,204**	**104,018**
Balance at 1 July 2021	92,814	11,204	104,018
Additions, reassessments, modifications and terminations	3,963	7,412	11,375
Interest on lease liabilities	3,356	429	3,785
Lease payments	(16,358)	(6,301)	(22,659)
Balance at 30 June 2022	**83,775**	**12,744**	**96,519**

A maturity analysis of lease liabilities is included in Note 19 Financial Instruments – Fair Values and Risk Management.

Refer to Accounting Policies – page 24.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

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

B. Lease liabilities (Continued)

Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. Some of the Group's property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The extension options are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. A reassessment is made subsequently if there is any significant event or significant changes in circumstances within the Group's control. The Group estimates that the potential future lease payments, should it exercise all the extension options, would result in an increase in lease liability of $93.2 million (2021: $85.2 million).

C. Other disclosures

	NOTE	2022 $000	2021 $000
Amount in the consolidated statement of profit or loss			
Depreciation on right-of-use assets – continuing operations		(20,007)	(19,679)
Interest on lease liabilities	6	(3,786)	(4,036)
Short-term or low-value lease expenses		(1,081)	(860)
Variable lease payments not included in the measurement of lease liabilities		(168)	(153)
Income from sub-leasing right-of-use assets		1,389	905
Gain/(loss) arising from sale and leaseback transactions		82	339
Amounts in the consolidated statement of cashflows			
Total cash outflow for leases		(22,659)	(22,335)

Lease Accounting Policies

The Group adopted NZ IFRS 16 Leases from 1 July 2019. The Group assesses at the inception of a contract as to whether the contract is, or contains, a lease as defined in NZ IFRS 16 Leases.

(i) As a lessee

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

A number of judgements and estimates are made in calculating the right-of-use asset and lease liability amounts. The judgements and estimates include the applicable lease terms (including any rights of renewal expected to be exercised) and the Group's incremental borrowing rate.

Right-of-use assets

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

Lease liabilities

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

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

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

(ii) As a lessor

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

16 PROPERTY, PLANT AND EQUIPMENT

	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
Cost					
Balance at 1 July 2020	13,502	15,343	51,995	2,742	83,582
Additions	–	279	4,013	746	5,038
Transfers	–	–	834	(834)	–
Disposals	(772)	(1,293)	(763)	–	(2,828)
Balance at 30 June 2021	**12,730**	**14,329**	**56,079**	**2,654**	**85,792**
Balance at 1 July 2021	12,730	14,329	56,079	2,654	85,792
Additions	5	510	3,752	1,698	5,965
Transfers	–	–	343	(343)	–
Disposals	(6)	(104)	(582)	–	(692)
Balance at 30 June 2022	**12,729**	**14,735**	**59,592**	**4,009**	**91,065**
Depreciation and impairment losses					
Balance at 1 July 2020	–	5,610	31,642	–	37,252
Depreciation for the year	–	312	5,037	–	5,349
Depreciation recovered to COGS	–	–	187	–	187
Disposals and transfers	–	(141)	(443)	–	(584)
Impairment / (impairment reversal)	–	(906)	(133)	–	(1,039)
Balance at 30 June 2021	**–**	**4,875**	**36,290**	**–**	**41,165**
Balance at 1 July 2021	–	4,875	36,290	–	41,165
Depreciation for the year	–	309	4,682	–	4,991
Depreciation recovered to COGS	–	–	189	–	189
Disposals and transfers	–	(4)	(519)	–	(523)
Impairment / (impairment reversal)	–	(414)	–	–	(414)
Balance at 30 June 2022	**–**	**4,766**	**40,642**	**–**	**45,408**
Carrying amounts					
At 30 June 2021	12,730	9,454	19,789	2,654	44,627
At 30 June 2022	12,729	9,969	18,950	4,009	45,657

Capital gains on the sale of property, plant and equipment of $0.76 million were recognised in non-operating items in the current year (2021: $0.96 million gain).

Refer to Accounting Policies – page 26.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, Plant & Equipment Accounting Policies

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Subsequent expenditure

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

Depreciation

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

Impairment

The carrying amounts of the Group's property, plant & equipment assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated. An impairment loss is recognised in the profit or loss if the carrying amount of an asset exceeds the recoverable amount. Refer the accounting policy under Note 5 *Impairment and Fair Value Gains/(Losses)* for further explanation.

17 TRADE AND OTHER PAYABLES

	NOTE	2022 $000	2021 $000
Trade creditors		123,444	109,162
Goods received but not invoiced		4,891	5,249
Deposits received in advance		4,752	960
Employee entitlements		24,643	18,015
Accruals and other liabilities		28,610	21,161
Loyalty reward programme	21	1,190	1,073
Other provisions (including product warranty, client claim and make good provisions)	17(A), 17(B)	4,522	6,107
		192,052	**161,727**
Payable within 12 months		189,290	158,883
Payable beyond 12 months		2,762	2,844
		192,052	**161,727**

A. Make good provision on leased properties

During the year, the Group recognised an additional provision of $0.07 million (2021: $0.19 million) in respect of new leased properties which it signed up to. These costs have been capitalised to the right-of-use assets and are amortised over the life of the right-of-use assets. The Group also released $0.14 million (2021: $0.15 million) of provision in respect to leased properties which it exited. At balance date, the balance of the make good provision is $2.64 million (2021: $2.71 million). The Group expects to settle this liability over the next 10-15 years as the leases expire.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

17 TRADE AND OTHER PAYABLES (CONTINUED)

B. Client claims provision

The Group receives client claims from time to time as part of the ordinary course of business and these claims are reviewed on a case by case basis to determine validity. As at balance date, the Group was in the process of reviewing certain claims for the supply of goods which are typically the responsibility of suppliers under terms of trade. The Group recognises a provision for its best estimate of any obligation. The information usually required by NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* is not disclosed on the grounds of commercial sensitivity, i.e. disclosure may impact the commercial position of the Group.

18 DEFINED BENEFIT ASSET/LIABILITY

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

The actuarial calculations for the Plan are undertaken by Michael Chamberlain, a fellow of the New Zealand Society of Actuaries, for MCA NZ Limited.

	2022 $000	2021 $000	2020 $000	2019 $000	2018 $000
Present value of funded obligations	(49,165)	(56,172)	(62,563)	(61,624)	(66,814)
Fair value of plan assets	47,039	56,483	52,725	55,741	59,092
Total defined benefit asset/(liability)	**(2,126)**	**311**	**(9,838)**	**(5,883)**	**(7,722)**

A. Movement in net defined benefit asset/(liability)

	DEFINED BENEFIT OBLIGATION		FAIR VALUE OF PLAN ASSETS		NET DEFINED BENEFIT ASSET/(LIABILITY)	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Balance at 1 July	(56,172)	(62,563)	56,483	52,725	311	(9,838)
Included in profit or loss:						
Current service costs	(489)	(529)	–	–	(489)	(529)
Interest costs	(1,098)	(558)	1,105	470	7	(88)
Included in other comprehensive income:						
Gains/(losses) from change in demographic assumptions	(1,418)	–	–	–	(1,418)	–
Gains/(losses) from change in financial assumptions	5,324	3,323	–	–	5,324	3,323
Experience gains/(losses)	2,239	1,130	–	–	2,239	1,130
Expected return on plan assets	–	–	(8,667)	5,353	(8,667)	5,353
Other:						
Employer contributions	–	–	567	960	567	960
Member contributions	(816)	(782)	816	782	–	–
Benefits paid by the plan	3,265	3,807	(3,265)	(3,807)	–	–
Balance at 30 June	**(49,165)**	**(56,172)**	**47,039**	**56,483**	**(2,126)**	**311**

The Group expects to pay $0.47 million in contributions to the Plan in 2023 (2022: expected $0.78 million and paid $0.57 million). Member contributions are expected to be $0.56 million in 2023 (2022: expected $0.56 million and paid $0.82 million).

As at 30 June 2022, the weighted average duration of the defined benefit obligation (DBO) is 12.0 years for the Plan (2021: 12.2 years).

Refer to Accounting Policies – page 29.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

18 DEFINED BENEFIT ASSET/LIABILITY (CONTINUED)

B. Plan assets

	2022 %	2021 %
Consist of:		
Equities	63	63
Fixed interest	29	28
Cash	8	9
	100	**100**

Plan assets do not include any exposure to the Company's ordinary shares (2021: Nil).

C. Actuarial assumptions at the reporting date

	2022 %	2021 %
Discount rate used – Implied 12.0 year New Zealand Government Bond rate (2021: Implied 12.2 year New Zealand Government Bond rate)	3.97	1.99
Inflation	2.00	1.50
Future salary increases	2.50	2.00
Future pension increases	1.65	1.50

	2022 MALE YEARS	2022 FEMALE YEARS	2021 MALE YEARS	2021 FEMALE YEARS
Assumptions regarding future mortality rates based on published statistics and experience:				
Longevity at age 65 for current pensioners	21	24	21	24
Longevity at age 65 for current members aged 45	23	25	24	28

D. Sensitivity analysis

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

	2022 DBO (INCREASE) / DECREASE WITH INCREASE IN ASSUMPTION $000	2022 DBO (INCREASE) / DECREASE WITH DECREASE IN ASSUMPTION $000	2021 DBO (INCREASE) / DECREASE WITH INCREASE IN ASSUMPTION $000	2021 DBO (INCREASE) / DECREASE WITH DECREASE IN ASSUMPTION $000
Discount rate (0.50% movement)	1,082	(1,180)	1,348	(1,460)
Salary growth rate (0.50% movement)	(49)	49	(112)	112
Pension growth rate (0.25% movement)	(541)	492	(674)	337
Life expectancy (1 year movement)	(1,475)	1,524	(1,741)	1,798

Refer to Accounting Policies – page 29.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

18 DEFINED BENEFIT ASSET/LIABILITY (CONTINUED)

Employee Benefits Accounting Policies

Defined benefit plans

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

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

Short-term employee benefits

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

Long-term employee benefits

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

19 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Accounting classifications and fair values

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

	FAIR VALUE THROUGH PROFIT OR LOSS $000	AT AMORTISED COST $000	TOTAL CARRYING AMOUNT $000	FAIR VALUE $000
2022				
Financial assets				
Cash and cash equivalents	–	4,676	4,676	4,676
Derivative assets	1,564	–	1,564	1,564
Trade receivables	–	139,666	139,666	139,666
Go livestock receivables	–	66,109	66,109	66,109
Other investments	–	479	479	479
	1,564	**210,930**	**212,494**	
Financial liabilities				
Debt	–	(37,500)	(37,500)	(37,500)
Derivative liabilities	(1,161)	–	(1,161)	(1,161)
Trade creditors	–	(123,444)	(123,444)	(123,444)
Lease liabilities	–	(96,519)	(96,519)	
	(1,161)	**(257,463)**	**(258,624)**	
2021				
Financial assets				
Cash and cash equivalents	–	3,367	3,367	3,367
Derivative assets	843	–	843	843
Trade receivables	–	121,472	121,472	121,472
Go livestock receivables	–	45,869	45,869	45,869
Other investments	–	474	474	474
	843	**171,182**	**172,025**	
Financial liabilities				
Debt	–	(9,900)	(9,900)	(9,900)
Derivative liabilities	(385)	–	(385)	(385)
Trade creditors	–	(109,162)	(109,162)	(109,162)
Lease liabilities	–	(104,018)	(104,018)	
	(385)	**(223,080)**	**(223,465)**	

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

Refer to Accounting Policies – page 35.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

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

A. Accounting classifications and fair values (continued)

Fair value hierarchy

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

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

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
2022				
Derivative assets	–	1,564	–	1,564
Derivative liabilities	–	(1,161)	–	(1,161)
2021				
Derivative assets	–	843	–	843
Derivative liabilities	–	(385)	–	(385)

B. Financial management risk

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

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

The following management committees review and manage key risks:

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

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

(i) Liquidity and funding risks

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

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

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

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

Refer to Accounting Policies – page 35.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

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

B. Financial management risk (continued)

(i) Liquidity and funding risks (continued)

Contractual maturity analysis

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

	CONTRACTUAL CASH FLOW				
	WITHIN 12 MONTHS $000	1 TO 5 YEARS $000	BEYOND 5 YEARS $000	TOTAL $000	AMOUNT IN BALANCE SHEET $000
2022					
Debt	7,942	30,037	–	37,979	37,500
Derivative liabilities	1,009	152	–	1,161	1,161
Trade creditors	123,444	–	–	123,444	123,444
Lease liabilities	21,655	58,210	32,396	112,261	96,519
	154,050	**88,399**	**32,396**	**274,845**	**258,624**
2021					
Debt	11,068	–	–	11,068	9,900
Derivative liabilities	242	143	–	385	385
Trade creditors	109,162	–	–	109,162	109,162
Lease liabilities	21,164	57,399	41,094	119,657	104,018
	141,636	**57,542**	**41,094**	**240,272**	**223,465**

Changes in liabilities arising from financing activities

	1 JUL 2021 $000	CASHFLOW $000	CHANGES IN FAIR VALUE $000	LEASE MODIFICATIONS $000	30 JUN 2022 $000
Debt	9,900	27,600	–	–	37,500
Lease liabilities	104,018	(18,873)	–	11,374	96,519
Total liabilities from financing activities	**113,918**	**8,727**	**–**	**11,374**	**134,019**

	1 JUL 2020 $000	CASHFLOW $000	CHANGES IN FAIR VALUE $000	LEASE MODIFICATIONS $000	30 JUN 2021 $000
Debt	50,000	(40,100)	–	–	9,900
Lease liabilities	106,904	(18,299)	–	15,413	104,018
Total liabilities from financing activities	**156,904**	**(58,399)**	**–**	**15,413**	**113,918**

(ii) Credit risk

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

Concentrations of credit risk

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

Refer to Accounting Policies – page 35.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

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

B. Financial management risk (continued)

(iii) Market risk

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

Concentrations of market risk

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

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. The Group manages this risk by using forward foreign exchange contracts to hedge foreign currency risks as they arise

Foreign currency exposure risk

The Group's exposure to foreign currency risk is summarised below. The notional forward exchange cover includes forward foreign exchange contracts entered into to economically hedge forward sale and purchase commitments.

	GBP NZ$000	USD NZ$000	AUD NZ$000	EURO NZ$000
2022				
Cash and cash equivalents	–	2	–	–
Trade receivables	938	2,008	899	4,175
Trade creditors	(1,198)	(17,018)	(1,561)	(2,091)
Net balance sheet position	**(259)**	**(15,008)**	**(662)**	**2,084**
Forward exchange contracts on balance sheet items and forward sale and purchase commitments				
Notional forward exchange cover	(5,239)	8,591	(547)	(14,006)
Net unhedged position	**4,980**	**(23,599)**	**(115)**	**16,090**
2021				
Cash and cash equivalents	–	61	–	127
Trade receivables	12	1,104	155	3,842
Trade creditors	(1,141)	(14,780)	(1,664)	(3,855)
Net balance sheet position	**(1,129)**	**(13,614)**	**(1,509)**	**113**
Forward exchange contracts on balance sheet items and forward sale and purchase commitments				
Notional forward exchange cover	(5,708)	7,783	1,491	(14,655)
Net unhedged position	**4,579**	**(21,398)**	**(3,001)**	**14,768**

Refer to Accounting Policies – page 35.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

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

B. Financial management risk (continued)

(iii) Market risk (continued)

Interest rate risk

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

This risk is managed by operating within approved policy limits using an interest rate duration approach. Interest rate swaps, interest rate options and forward rate agreements may be used to hedge the floating rate exposure as deemed appropriate. The Group had no interest rate derivatives at balance date (2021: Nil)

Interest rate repricing schedule

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

	WITHIN 12 MONTHS $000	1 TO 2 YEARS $000	OVER 2 YEARS $000	NON INTEREST BEARING $000	TOTAL $000
2022					
Debt	7,500	30,000	–	–	37,500
Derivative liabilities	–	–	–	1,161	1,161
Trade creditors	–	–	–	123,444	123,444
	7,500	**30,000**	**–**	**124,605**	**162,105**
2021					
Debt	9,900	–	–	–	9,900
Derivative liabilities	–	–	–	385	385
Trade creditors	–	–	–	109,162	109,162
	9,900	**–**	**–**	**109,547**	**119,447**

Sensitivity analysis

The Group's treasury policy effectively insulates earnings from the effect of short-term fluctuations in either foreign exchange or interest rates. Over the longer term however, permanent changes in foreign exchange rates and interest rates will have an impact on profit. A 2% change in interest rate has been applied as it is considered a reasonably possible change (2021: 1%). The sensitivity of net profit after tax for the period to 30 June 2022 and 30 June 2021, and shareholders equity at that date, to reasonably possible changes in conditions is shown below.

	INTEREST RATES INCREASE BY 2% 2022 $000	INTEREST RATES INCREASE BY 1% 2021 $000	INTEREST RATES DECREASE BY 2% 2022 $000	INTEREST RATES DECREASE BY 1% 2021 $000
Increase/(decrease) in net profit after tax and shareholders' equity	(608)	(235)	494	321

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

C. Capital management

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

Refer to Accounting Policies – page 35.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

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

Non-Derivative Financial Instruments Accounting Policies

(i) Non-derivative financial assets

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

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

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

Financial assets measured at amortised cost

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

– the asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Financial assets measured at fair value

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

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

Cash and cash equivalents

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

Trade and other receivables and Go livestock receivables

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

(ii) Non-derivative financial liabilities

Interest-bearing borrowings

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

Trade and other payables

Trade and other payables are stated at cost.

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

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

20 COMMITMENTS

A. Capital expenditure not provided for

The Group does not have any capital commitments as at 30 June 2022 (2021: $Nil).

B. Forward purchase commitments

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

C. Forward sales commitments

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

21 CONTINGENT LIABILITIES

A. PGG Wrightson Loyalty Reward Programme

The Group recognises a provision for the expected level of points redemption from the PGG Wrightson Loyalty Reward Programme. As at balance date, the balance of live points which does not form part of the recognised provision total $0.10 million (2021: $0.09 million). Losses are not expected to arise from this contingent liability. Revenue is deferred until such time as the reward is claimed by the customer.

B. Contingent liabilities

The Group receives client claims as part of the ordinary course of business in the supply of goods and services. The Group will pursue recovery of claims with suppliers where appropriate under terms of trade. Accordingly, the amount of any potential obligation in respect of these claims cannot be estimated with sufficient reliability.

22 SEASONALITY OF OPERATIONS

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

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

23 SUBSEQUENT EVENTS

Dividend

On 15 August 2022, the Directors of PGG Wrightson Limited resolved to pay a final dividend of 16 cents per share on 3 October 2022 to shareholders on the Company's share register as at 5.00pm on 9 September 2022. This dividend will be fully imputed.

24 RELATED PARTIES

A. Key management personnel compensation

	2022 $000	2021 $000
Key management personnel compensation comprised:		
Short-term employee benefits	4,647	4,234
Post-employment benefits	126	87
	4,773	**4,321**

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

B. Other transactions with key management personnel

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

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

Key management personnel / Director	Transaction	TRANSACTION VALUE 2022 $000	BALANCE OUTSTANDING 2022 $000	TRANSACTION VALUE 2021 $000	BALANCE OUTSTANDING 2021 $000
Nick Berry	Purchase of retail goods and fuel on-charge transactions	2	–	1	–
David Cushing (retired 30 April 2021)	Purchase of retail goods, livestock and wool transactions. Includes real estate commission on a property sale	–	–	1,640	–
Julian Daly	Purchase of retail goods	1	–	–	–
Stephen Guerin	Purchase of retail goods and livestock transactions	21	–	26	–
Peter Moore	Purchase of retail goods and fuel on-charge transactions	3	–	5	–
Peter Newbold	Purchase of retail goods and fuel on-charge transactions	22	–	22	2
Peter Scott	Purchase of retail goods and fuel on-charge transactions	5	–	5	1

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

25 REPORTING ENTITY

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

The consolidated financial statements of PGG Wrightson for the year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the provision of goods and services within the agricultural and horticultural sectors.

SIGNIFICANT SUBSIDIARIES	COUNTRY OF INCORPORATION	DIRECT PARENT	OWNERSHIP INTEREST 2022 %	2021 %
Bidr Limited	New Zealand	PGG Wrightson Limited	100%	100%
Bloch & Behrens Wool (NZ) Limited	New Zealand	PGG Wrightson Limited	100%	100%
NZ Agritrade Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Investments Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Real Estate Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%
PGG Wrightson Employee Benefits Plan Trustee Limited	New Zealand	PGG Wrightson Limited	100%	100%

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

26 BASIS OF PREPARATION

A. Statement of compliance

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

B. Basis of measurement

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

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

C. Functional and presentation currency

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

D. Use of estimates and judgements

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

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

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

Note

5 Impairment and Impairment reversals

11 Carrying value of trade and other receivables

12 Carrying value of Go livestock receivables

13 Carrying value of inventories

18 Measurement of defined benefit asset/liability – Key actuarial assumptions

Management has determined that the COVID-19 pandemic has not significantly impacted the estimates and judgements used on the consolidated statement of financial position as at 30 June 2022. Management will continue to monitor and assess the impacts of future developments of COVID-19, which are highly uncertain and cannot be predicted, on its judgements and estimates.

E. Comparative information:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

27 OTHER SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of consolidation

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

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

B. Foreign currency

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

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

C. Discontinued operations

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

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

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

D. Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer amortised or depreciated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

27 OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Disclosure of non-GAAP financial information

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

- Operating EBITDA represents earnings before net interest and finance costs, income tax, depreciation, amortisation, the results from discontinued operations, impairment and fair value adjustments and non-operating items.
- EBIT represents earnings before net interest and finance costs, income tax expense and the results from discontinued operations.

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

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

F. Standards issued but not yet effective

There are a number of new standards and interpretations that are issued, but not yet effective, for the year ended 30 June 2022 and have not been applied in preparing these consolidated financial statements. The Group expects to adopt these when they become mandatory. While the impact of these new standards and interpretations have not yet been fully quantified, none are expected to materially impact the Group's consolidated financial statements.

PGG WRIGHTSON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2022

28 CAPITAL AND RESERVES

Share capital

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

Realised capital and revaluation reserve

The realised capital reserve comprises the cumulative net capital gains that have been realised. The revaluation reserve relates to historic revaluations of property, plant and equipment.

Defined benefit plan reserve

The defined benefit plan reserve contains actuarial gains and losses on plan assets and defined benefit obligations.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments elected at fair value through other comprehensive income until the investments are derecognised or impaired.

Retained earnings/deficit

The retained earnings deficit equals accumulated undistributed profits/losses.

Dividends

The following dividends were declared and paid by the Company.

	PAYMENT DATE	$ PER SHARE
2022 interim dividend – fully imputed	1 April 2022	0.140
2021 final dividend – fully imputed	4 October 2021	0.160
2021 interim dividend – fully imputed	24 March 2021	0.120

Share Capital Accounting Policies

Ordinary shares

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

Repurchase of ordinary shares

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

PGG WRIGHTSON LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	SHARE CAPITAL $000	REALISED CAPITAL AND REVALUATION RESERVES $000	DEFINED BENEFIT PLAN RESERVE $000	FAIR VALUE RESERVE $000	RETAINED EARNINGS/ (DEFICIT) $000	TOTAL EQUITY $000
Balance at 1 July 2020	372,318	24,662	(14,510)	(2,566)	(226,798)	153,106
Total comprehensive income for the period						
Profit or loss	–	–	–	–	22,713	22,713
Other comprehensive income						
Changes in fair value of equity instruments, net of tax	–	–	–	136	–	136
Defined benefit plan actuarial gain/(loss), net of tax	–	–	6,926	–	–	6,926
Total other comprehensive income	–	–	6,926	136	–	7,062
Total comprehensive income for the period	–	–	6,926	136	22,713	29,775
Transactions with shareholders recorded directly in equity						
Contributions by and distributions to shareholders						
Dividends to shareholders	–	–	–	–	(9,343)	(9,343)
Total contributions by and distributions to shareholders	–	–	–	–	(9,343)	(9,343)
Transfer to retained earnings	–	–	134	–	(134)	–
Balance at 30 June 2021	**372,318**	**24,662**	**(7,450)**	**(2,430)**	**(213,562)**	**173,538**
Balance at 1 July 2021	372,318	24,662	(7,450)	(2,430)	(213,562)	173,538
Total comprehensive income for the period						
Profit or loss	–	–	–	–	24,286	24,286
Other comprehensive income						
Changes in fair value of equity instruments, net of tax	–	–	–	7	–	7
Defined benefit plan actuarial gain/(loss), net of tax	–	–	(1,816)	–	–	(1,816)
Total other comprehensive income	–	–	(1,816)	7	–	(1,809)
Total comprehensive income for the period	–	–	(1,816)	7	24,286	22,477
Transactions with shareholders recorded directly in equity						
Contributions by and distributions to shareholders						
Dividends to shareholders	–	–	–	–	(23,331)	(23,331)
Total contributions by and distributions to shareholders	–	–	–	–	(23,331)	(23,331)
Balance at 30 June 2022	**372,318**	**24,662**	**(9,266)**	**(2,423)**	**(212,607)**	**172,684**

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

Building a better working world

Independent auditor's report to the Shareholders of PGG Wrightson Limited

Opinion

We have audited the financial statements of PGG Wrightson Limited ("the Company") and its subsidiaries (together "the Group") on pages 1 to 43 which comprise the consolidated statement of financial position of the Group as at 30 June 2022, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 1 to 43 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2022 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Ernst & Young provides environmental, social, and governance reporting services and accounting advisory services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Collectability of trade and *Go* receivables

Why significant	How our audit addressed the key audit matter
At 30 June 2022 trade and *Go* receivables totalled $205.8m, representing 40% of Group total assets. This amount is net of the provision for impaired trade and *Go* receivables of $2.54m. We consider this to be a key audit matter because trade and *Go* receivables are a significant component of Group assets and the provision for impaired receivables involves significant judgement. Disclosures in relation to trade and *Go* receivables and their provisions for impairment are included in notes 11 and 12 to the Group financial statements.	Our audit procedures included the following: • obtained an understanding of management's receivables provisioning process; • assessed management's provisioning methods and whether they comply with NZ IFRS 9; • considered the inputs, assumptions and estimates used or made by management; • tested the ageing of receivables by agreeing the recorded ageing of a sample of trade receivables to sales documentation; • considered beef and sheep meat commodity price movements up to and after balance date to assess whether these changes, which are indicative of changes in the value of livestock security held for *Go* receivables, indicated any material increase in the credit risk of *Go* receivables; • considered the appropriateness and sufficiency of the disclosures related to trade and *Go* receivables and the related provisioning.

Inventory valuation

Why significant	How our audit addressed the key audit matter
Inventory is carried at the lower of cost and net realisable value. At 30 June 2022 inventory totalled $102m, representing 20% of the Group's total assets. This amount is net of a provision for inventory write down of $1.56m. We consider this to be a key audit matter because inventory is a significant component of Group total assets and the assessment of the net realisable value of slow moving, excess	Our audit procedures included the following: • compared a sample of recorded inventory cost to supplier invoices; • assessed the inputs into, and calculation of, adjustments to inventory value to take account of variable pricing arrangements with suppliers; • considered the methods, models, and assumptions used by management in estimating the net realisable value of slow moving, excess, and obsolete inventory;

Why significant	How our audit addressed the key audit matter

and obsolete inventory involves significant judgement.
 	
Disclosures in relation to inventory and inventory provisions are included in note 13 to the Group financial statements.
	• considered the key inputs into the provision calculation including last purchase date, last sale date and volume of sales in the year for selected product lines. We tested these inputs into the provision calculation, including for a sample of inventory items:
	    • agreeing the last purchase date and last sale date to supporting invoices;
	    • recalculating the annual sales volumes recorded in the inventory system;
	• compared the cost of a sample of inventory items to their most recent selling price;
	• considered the extent of inventory items sold at negative margins in the year;
	• considered the appropriateness and sufficiency of disclosures related to the valuation of inventory.

Information other than the financial statements and auditor's report

The Directors of the Company are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Directors' responsibilities for the financial statements

The Directors are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing on behalf of the entity the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the External Reporting Board's website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/. This description forms part of our auditor's report.

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

Ernst + Young

Chartered Accountants
Christchurch
15 August 2022