PGG Wrightson Limited

Segment Report

Five year summary (Historic) for the six months ended / as at 31 December

(a) Operating Segments

The Group has three primary operating segments: Agency, Retail and Water and Seed & Grain that are the Group's strategic divisions. Agency and Retail and Water operate within New Zealand. Seed & Grain primarily operates within New Zealand with additional operations in Australia and South America.

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

- ***Agency.*** Includes rural Livestock trading activities, Export Livestock, Wool, Insurance, Real Estate and Finance Commission.
- ***Retail and Water*.** Includes the Rural Supplies and Fruitfed retail operations, PGG Wrightson Water, AgNZ (Consulting), Agritrade and ancillary sales support, supply chain and marketing functions.
- ***Seed and Grain*.** Includes Australasia Seed (New Zealand and Australian manufacturing and distribution of forage seed and turf), Grain (sale of cereal seed and grain trading), South America (various related activities in the developing seeds markets including the sale of pasture and crop seed and farm inputs, together with operations in the areas of livestock, real estate and irrigation), and other Seed & Grain (research and development, international, production and corporate seeds). Also included 4Seasons Feed until its sale in May 2014.

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

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

"Other" cost allocation

The group allocates certain corporate costs where they can be directly attributed to the operating segment or attributed based on the use of the following methods:

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

In addition, various Finance and HR costs are either directly bourne by each operating segment or allocated based on FTE usage. The Group Finance, Risk and Assurance, Treasury, HR, Credit and the Executive Team functions continue to be reported outside of the operating segments, as did AgNZ (training) until its closure in December 2016.

Other costs including non-operating items, fair value adjustments, net interest and finance costs, income tax expense as well as the reporting of discontinued operations are not fully allocated by the group. Accordingly, these items have not been fully allocated across the operating segments.

	Agency					Retail and Water				
	Unaudited Dec 2016 $000	Unaudited Dec 2015 $000	Unaudited Dec 2014 $000	Unaudited Dec 2013 $000	Unaudited Dec 2012 $000	Unaudited Dec 2016 $000	Unaudited Dec 2015 $000	Unaudited Dec 2014 $000	Unaudited Dec 2013 $000	Unaudited Dec 2012 $000
Total segment revenue	91,415	101,496	102,419	92,970	101,053	348,569	351,150	365,963	330,778	289,900
Intersegment revenue	-	-	-	-	-	-	-	-	-	-
Total external operating revenues	91,415	101,496	102,419	92,970	101,053	348,569	351,150	365,963	330,778	289,900
Operating EBITDA	**2,012**	**3,649**	**2,942**	**1,485**	**349**	**18,922**	**21,460**	**23,371**	**18,613**	**15,811**
Non-operating items	745	(3,245)	(39)	(5)	(36)	67	(3)	5	(206)	(3)
Fair value adjustments	17	400	282	1,641	203	-	-	-	(251)	(81)
Depreciation and amortisation expense	(561)	(644)	(638)	(547)	(605)	(863)	(736)	(697)	(601)	(612)
EBIT	2,213	161	2,547	2,574	(88)	18,126	20,720	22,678	17,555	15,115
Net interest and finance costs	1,133	(172)	(233)	(215)	(99)	592	(1,017)	468	-	-
Profit/(loss) from continuing operations	3,346	(11)	2,314	2,358	(187)	18,719	19,704	23,146	17,555	15,115
Income tax (expense) / income	(1,925)	(917)	(1,965)	(1,280)	(1,074)	(7,411)	(7,105)	(7,955)	(5,450)	(6,134)
Profit/(loss) from continuing operations	1,421	(928)	349	1,078	(1,261)	11,307	12,598	15,191	12,105	8,980
Discontinued operations	-	-	-	-	-	-	-	-	-	-
Net profit after tax	**1,421**	**(928)**	**349**	**1,078**	**(1,261)**	**11,307**	**12,598**	**15,191**	**12,105**	**8,980**
Segment assets	114,302	101,209	99,946	92,683	187,731	241,042	254,955	276,248	239,592	198,713
Investment in equity accounted investees	-	-	-	-	30	-	-	-	-	-
Assets held for sale	88	-	-	-	-	264	-	-	-	-
Total segment assets	114,391	101,209	99,946	92,683	187,761	241,306	254,955	276,248	239,592	198,713
Segment liabilities	(43,903)	(47,612)	(62,616)	(58,606)	(59,784)	(150,193)	(154,112)	(161,545)	(138,451)	(137,706)

	Seed & Grain					Other				
	Unaudited Dec 2016 $000	Unaudited Dec 2015 $000	Unaudited Dec 2014 $000	Unaudited Dec 2013 $000	Unaudited Dec 2012 $000	Unaudited Dec 2016 $000	Unaudited Dec 2015 $000	Unaudited Dec 2014 $000	Unaudited Dec 2013 $000	Unaudited Dec 2012 $000
Total segment revenue	203,521	201,419	215,240	233,362	216,127	685	2,930	2,733	2,712	4,007
Intersegment revenue	(36,419)	(33,929)	(31,656)	(24,930)	(21,967)	-	-	-	-	-
Total external operating revenues	167,102	167,490	183,584	208,433	194,159	685	2,930	2,732	2,712	4,007
Operating EBITDA	**8,613**	**10,317**	**12,266**	**9,694**	**7,343**	**(3,565)**	**(4,490)**	**(4,779)**	**(6,231)**	**(4,810)**
Non-operating items	(117)	(397)	(159)	(974)	(1,867)	(166)	5,649	(60)	(2,599)	(1,025)
Fair value adjustments	(300)	-	-	1,747	(666)	-	-	-	-	(33)
Depreciation and amortisation expense	(2,658)	(1,735)	(1,640)	(1,645)	(1,833)	(1,106)	(996)	(732)	(905)	(896)
EBIT	5,537	8,185	10,467	8,821	2,978	(4,837)	162	(5,571)	(9,735)	(6,764)
Net interest and finance costs	(1,437)	(218)	(700)	(4,143)	(843)	(1,799)	(2,113)	(2,798)	(3,196)	(4,525)
Profit/(loss) from continuing operations	4,100	7,967	9,766	4,678	2,134	(6,636)	(1,951)	(8,369)	(12,931)	(11,289)
Income tax (expense) / income	(2,831)	(5,650)	(5,780)	(1,531)	(2,204)	7,605	6,229	7,506	6,712	8,468
Profit/(loss) from continuing operations	1,269	2,318	3,986	3,147	(69)	969	4,278	(863)	(6,218)	(2,821)
Discontinued operations	-	-	-	-	-	12	76	162	1,353	-
Net profit after tax	**1,269**	**2,318**	**3,986**	**3,147**	**(69)**	**981**	**4,354**	**(701)**	**(4,865)**	**(2,821)**
Segment assets	324,871	323,815	299,671	315,863	523,539	38,588	55,555	50,921	46,858	70,506
Investment in equity accounted investees	19,862	16,947	1,603	5,295	1,816	1,323	90	59	68	136
Assets held for sale	5,497	-	11	-	-	2,310	1,557	-	21	4,801
Total segment assets	350,230	340,762	301,285	321,157	525,355	42,222	57,203	50,980	46,948	75,443
Segment liabilities	(161,806)	(156,230)	(146,064)	(146,527)	(115,395)	(116,362)	(124,213)	(97,264)	(95,243)	(90,002)

	Total				
	Unaudited Dec 2016 $000	Unaudited Dec 2015 $000	Unaudited Dec 2014 $000	Unaudited Dec 2013 $000	Unaudited Dec 2012 $000
Total segment revenue	644,190	656,994	686,355	659,822	611,087
Intersegment revenue	(36,419)	(33,929)	(31,656)	(24,930)	(21,967)
Total external operating revenues	607,771	623,066	654,699	634,892	589,120
Operating EBITDA	**25,982**	**30,936**	**33,799**	**23,560**	**18,693**
Non-operating items	529	2,004	(253)	(3,785)	(2,931)
Fair value adjustments	(283)	400	282	3,136	(577)
Depreciation and amortisation expense	(5,188)	(4,111)	(3,708)	(3,698)	(3,945)
EBIT	21,040	29,229	30,120	19,214	11,240
Net interest and finance costs	(1,511)	(3,520)	(3,263)	(7,554)	(5,467)
Profit/(loss) from continuing operations	19,529	25,709	26,858	11,660	5,773
Income tax (expense) / income	(4,562)	(7,443)	(8,194)	(1,549)	(944)
Profit/(loss) from continuing operations	14,966	18,266	18,664	10,111	4,829
Discontinued operations	12	76	162	1,353	-
Net profit after tax	**14,979**	**18,342**	**18,825**	**11,464**	**4,829**
Segment assets	718,803	735,533	726,787	694,996	980,489
Investment in equity accounted investees	21,185	17,038	1,663	5,363	1,982
Assets held for sale	8,160	1,557	11	21	4,801
Total segment assets	748,148	754,128	728,460	700,380	987,272
Segment liabilities	(472,263)	(482,166)	(467,489)	(438,826)	(402,887)

Reclassification

Due to the reclassificaton of the return on plan assets portion of the defined benefit pension expense from non operating items to reserves, the non operating items , income tax expense and net profit after tax for the 2014, 2015 and 2016 years differs from those previously reported. The cumulative impact of the reclassifications for these years was $0.07 million.