

## Wrightson Limited and Subsidiaries

### Statement of Financial Performance

For the year ended 30 June 2005

	Note	Group		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Operating revenue</b>					
Operating revenue from Wrightson activities	2	692,090	638,015	527,317	508,892
Equity accounted earnings/(deficit) of associates	3	264	(1,535)	-	-
		<u>692,354</u>	<u>636,480</u>	<u>527,317</u>	<u>508,892</u>
Operating surplus before interest and taxation	4	29,072	16,545	20,579	2,336
Net funding benefit/(cost)	5	(5,568)	(1,094)	(3,789)	242
		<u>23,504</u>	<u>15,451</u>	<u>16,790</u>	<u>2,578</u>
<b>Operating surplus before taxation</b>		<b>23,504</b>	<b>15,451</b>	<b>16,790</b>	<b>2,578</b>
Taxation (expense)/refund	6	(3,021)	(5,193)	1,896	(1,177)
<b>Net surplus</b>		<b><u>20,483</u></b>	<b><u>10,258</u></b>	<b><u>18,686</u></b>	<b><u>1,401</u></b>
<b>Net surplus comprises</b>					
Parent interest		20,399	10,018	18,686	1,401
Minority interest		84	240	-	-
		<u>20,483</u>	<u>10,258</u>	<u>18,686</u>	<u>1,401</u>
<b>Net surplus attributable to parent company shareholders</b>		<b>20,399</b>	<b>10,018</b>	<b>18,686</b>	<b>1,401</b>

Basic earnings per share were 14.0 cents for 2005, compared with 7.1 cents for 2004.

## Wrightson Limited and Subsidiaries

### Statement of Movements in Equity

For the year ended 30 June 2005

	Note	Group		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Total recognised revenues and expenses</b>					
Net surplus					
Parent interest		20,399	10,018	18,686	1,401
Minority interest		84	240	-	-
		<u>20,483</u>	<u>10,258</u>	<u>18,686</u>	<u>1,401</u>
Movement in foreign currency translation reserve					
Parent interest	9 (a)	(207)	(647)	-	-
Minority interest		(26)	(42)	-	-
		<u>(233)</u>	<u>(689)</u>	<u>-</u>	<u>-</u>
Revaluation of investments in subsidiary companies					
Parent interest	9 (b)	-	-	1,629	7,095
Revaluation of land and buildings	9 (c)	15,400	-	15,400	-
Revaluation of investments in associate companies	9 (e)	-	-	179	(1,535)
Reclassification of investment in associate company	9 (e)	-	-	-	2,343
		<u>15,400</u>	<u>-</u>	<u>17,208</u>	<u>7,903</u>
Change in minority interest holding					
Minority interest		(572)	(76)	-	-
		<u>35,078</u>	<u>9,493</u>	<u>35,894</u>	<u>9,304</u>
<b>Contribution from owners</b>					
8					
Shares issued		10,967	2,558	10,967	2,558
Share options issued		-	30	-	30
		<u>10,967</u>	<u>2,588</u>	<u>10,967</u>	<u>2,588</u>
<b>Total distributions to shareholders</b>					
Interim 2005 dividend of 3.5 cents per share (2004: 2.5 cents)		(5,110)	(3,477)	(5,110)	(3,477)
Final 2003 dividend of 8.0 cents per share		-	(11,032)	-	(11,032)
Final 2004 dividend of 9.0 cents per share		-	(12,622)	-	(12,622)
		<u>(5,110)</u>	<u>(27,131)</u>	<u>(5,110)</u>	<u>(27,131)</u>
<b>Movements in equity for the period</b>					
		<u>40,935</u>	<u>(15,050)</u>	<u>41,751</u>	<u>(15,239)</u>
Represented by:					
<b>Equity at beginning of period</b>					
Parent interest		109,200	124,372	109,200	124,439
Minority interest		868	746	-	-
		<u>110,068</u>	<u>125,118</u>	<u>109,200</u>	<u>124,439</u>
<b>Equity at end of period</b>					
Parent interest		150,649	109,200	150,951	109,200
Minority interest		354	868	-	-
		<u>151,003</u>	<u>110,068</u>	<u>150,951</u>	<u>109,200</u>
<b>Movements in equity for the period</b>					
		<u>40,935</u>	<u>(15,050)</u>	<u>41,751</u>	<u>(15,239)</u>

## Wrightson Limited and Subsidiaries

### Statement of Financial Position

As at 30 June 2005

	Note	Group		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>EQUITY</b>					
Capital	8	48,502	37,535	48,502	37,535
Retained surplus		86,383	71,094	54,457	40,881
Other reserves	9	15,764	571	47,992	30,784
Minority interest		354	868	-	-
<b>Total equity</b>		<b>151,003</b>	<b>110,068</b>	<b>150,951</b>	<b>109,200</b>
<b>LIABILITIES</b>					
Current	10	271,254	144,752	244,755	120,903
Non-current	11	46,566	292	27,173	21,678
<b>Total liabilities</b>		<b>317,820</b>	<b>145,044</b>	<b>271,928</b>	<b>142,581</b>
<b>Total liabilities and equity</b>		<b>468,823</b>	<b>255,112</b>	<b>422,879</b>	<b>251,781</b>
<b>ASSETS</b>					
Current	14	285,970	213,205	185,105	143,454
Non-current	15	182,853	41,907	237,774	108,327
<b>Total assets</b>		<b>468,823</b>	<b>255,112</b>	<b>422,879</b>	<b>251,781</b>

On behalf of the Board, 29 July 2005

**Keith Smith**  
Chairman

**Craig Norgate**  
Deputy Chairman

## Wrightson Limited and Subsidiaries

### Statement of Cash Flows

For the year ended 30 June 2005

	Note	Group		Parent	
		2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Cash flows from operating activities</b>					
Cash was provided from:					
Receipts from customers		665,710	657,891	466,985	504,118
Dividends		1,534	159	13,748	159
Interest		1,187	1,091	867	866
Cash was applied to:					
Payments to suppliers and employees		(637,625)	(645,416)	(460,347)	(506,612)
Interest		(5,888)	(1,567)	(3,789)	-
Income tax		(7,868)	(3,087)	(2,727)	(1,195)
Net cash flow from operating activities	21	<u>17,050</u>	<u>9,071</u>	<u>14,737</u>	<u>(2,664)</u>
<b>Cash flows from investing activities</b>					
Cash was provided from:					
Sale of fixed assets		537	11,387	273	11,365
Sale of investments		14,274	110	9,784	110
Net increase/(decrease) in finance deposits		263	-	(7,337)	-
Cash was applied to:					
Net (increase)/decrease in finance receivables		(22,122)	(8,010)	18,670	-
Purchase of fixed assets		(8,233)	(8,210)	(6,912)	(6,294)
Purchase of investments		(125,364)	(7,753)	(125,000)	(7,203)
Increase in subsidiary capital		-	-	(11,000)	-
Net cash flow from investing activities		<u>(140,645)</u>	<u>(12,476)</u>	<u>(121,522)</u>	<u>(2,022)</u>
<b>Cash flows from financing activities</b>					
Cash was provided from:					
Shares/options issued		10,967	2,558	10,967	2,558
Advances from subsidiaries		-	-	14,905	4,024
Bond funding		45,216	-	-	-
Cash was applied to:					
Dividends paid		(17,732)	(14,509)	(17,732)	(14,509)
Net cash flow from financing activities		<u>38,451</u>	<u>(11,951)</u>	<u>8,140</u>	<u>(7,927)</u>
Net (decrease)/increase in cash held		(85,144)	(15,356)	(98,645)	(12,613)
Opening cash/(bank overdraft)		(7,372)	8,024	(6,499)	6,114
Net cash acquired		(21,535)	-	(21,535)	-
Effect of exchange rate change on cash		(62)	(40)	-	-
<b>Closing bank</b>		<u><b>(114,113)</b></u>	<u><b>(7,372)</b></u>	<u><b>(126,679)</b></u>	<u><b>(6,499)</b></u>
Comprises:					
Bank overdrafts - secured	10	<u>(114,113)</u>	<u>(7,372)</u>	<u>(126,679)</u>	<u>(6,499)</u>
<b>Closing bank</b>		<u><b>(114,113)</b></u>	<u><b>(7,372)</b></u>	<u><b>(126,679)</b></u>	<u><b>(6,499)</b></u>

# Wrightson Limited and Subsidiaries

## Notes to the Financial Statements

For the year ended 30 June 2005

### 1 Statement of Accounting Policies

#### Basis of Preparation

These financial statements are presented in accordance with the Companies Act 1993 and have been prepared in accordance with the Financial Reporting Act 1993. The Parent Company's financial statements are for Wrightson Limited ('Wrightson') as a separate entity and the consolidated financial statements are for the Wrightson Group ('Group'), which includes all its subsidiaries and associate entities as disclosed in note 15(B).

The financial statements are based on the general principles of historical cost accounting, modified for the valuation of investments as noted below.

The following accounting policies, which affect the measurement of Financial Performance, Financial Position and Cash Flows, have been applied.

#### Principles of Consolidation

The consolidated financial statements are prepared from the financial statements of Wrightson and its subsidiaries using the purchase method.

The results of subsidiaries acquired or disposed of during the year are included in the Group Statement of Financial Performance from the date of acquisition or up to the date of disposal.

All material transactions between Group companies are eliminated on consolidation.

#### Operating Revenue

##### (i) Sales Revenue

Sales revenue comprises the sale value of transactions where the Group acts as a principal and the commission for transactions where the Group acts as an agent.

##### (ii) Investment Income

Investment income is recognised when earned. Dividends are recognised when received, or accrued when declared and approved for distribution prior to balance date.

For significant investments in associates, the Group's share of the net surplus or loss is recognised in the surplus before interest and taxation. Dividends received are credited to the carrying amount of the investment.

#### Foreign Currencies

Foreign currency transactions are recorded at the exchange rate in effect at the date of the transaction.

Transactions covered by short-term forward exchange contracts are translated at the exchange rate specified in those contracts. Monetary assets and liabilities arising from trading transactions are translated at closing rates or the appropriate forward contract rates where contracts are in place.

The Statements of Financial Position of foreign subsidiaries are converted to New Zealand dollars at the rate of exchange ruling at balance date. The Statements of Financial Performance of foreign subsidiaries are translated at rates approximating the exchange rate ruling at the dates of the transactions. Translation gains and losses are taken to the foreign currency translation reserve. The costs of forward exchange hedge contracts are amortised to earnings over the life of the contract. Unamortised hedging costs are held against the related asset or liability.

#### Investments

Investments in subsidiaries and associate entities are stated at their net asset values. Other investments are stated at the lower of cost or net realisable value.

#### Fixed Assets

Fixed assets, except for land and buildings, are stated at cost less accumulated depreciation and any impairment in value. The cost of fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended service. Impairment in the value of a fixed asset is deemed to occur when the amount recoverable falls below its book value. The recoverable amount is calculated as the higher of net market value and 'value in use' (present value of future cash flows from the continuing use and final disposal of the asset).

Land and buildings will be stated at valuation as determined by independent registered valuers. Any increase in the value is credited to the asset revaluation reserve in the equity section of the balance sheet. Any decrease in the value is recognised in the statement of financial performance where it exceeds the increase previously recognised in the asset revaluation reserve.

### Depreciation

Depreciation is calculated on a straight line basis to write off the cost or valuation of fixed assets to their estimated residual value over their expected useful lives. Expected useful lives, which are regularly reviewed, are (on a weighted average basis across the Group):

Buildings	40 to 50 years
Plant and equipment (includes computer hardware/software)	3 to 20 years
Land is not depreciated	

### Inventories

Merchandise inventory, raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Merchandise inventory is valued on a weighted average cost basis.

Cost of wholesale seeds inventory comprises costs of purchase and other direct costs incurred to bring the inventory to its present location and condition. Inventories include partially completed services rendered but not yet recognised as service revenue.

Cost of livestock inventory being raised for the export market comprises costs of purchase and other direct costs incurred during their rearing.

### Receivables

Accounts receivable and finance receivables include accrued interest and are stated at estimated net realisable value after allowing for a provision for doubtful debts. Specific provisions are maintained to cover identified doubtful debts. A general provision is maintained for unidentified future losses which are inherent in any receivables portfolio. The level of the general provision is determined having regard to economic conditions, the level of net receivable assets and other general risk factors.

All known losses are written off to earnings in the period in which it becomes apparent that the debts are not collectable.

### Past due and impaired assets

Past due assets are loans and advances that have not been operated by the counterparty within its key terms for at least 90 days.

Impaired assets include:

- i) Assets acquired through the enforcement of security being those assets held that have been acquired in satisfaction of loans.
- ii) Non-accrual loans where the Company does not expect to collect all amounts outstanding in accordance with the terms of the loan agreements.

### Taxation

The taxation expense charged to the Statement of Financial Performance is the estimated liability in respect of the net surplus after allowing for permanent differences. This is the comprehensive basis for the calculation of deferred taxation. Future taxation benefits attributable to losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised by the Group.

The provision for current taxation is the estimated amount owing at balance date. Future taxation benefits attributable to timing differences are recognised in the financial statements only where there is virtual certainty that the benefits of the timing differences will be utilised by the Group. Where available, Group tax offsets are utilised.

### Intangible Assets

#### (i) Goodwill

The excess of cost over the fair value of the net tangible and identified intangible assets of subsidiaries and associated entities is capitalised as goodwill on acquisition and amortised to the Statement of Financial Performance over the period during which benefits are expected to be derived but not exceeding 20 years. Discounts on acquisition arise to the extent that the fair value exceeds the purchase cost of subsidiaries and associate entities. This discount is applied proportionately against the fair value of non-monetary assets acquired. Where there are insufficient non-monetary assets, the discount is taken to earnings.

#### (ii) Research and Development

The principal research and development activities are in the development of systems, processes and new seed cultivars.

Research expenditure on the development of new systems and processes is recognised in the Statement of Financial Performance as incurred. Development expenditure is recognised as an asset and is stated at cost and amortised on a straight line basis over the period of expected benefits, not exceeding 5 years.

Research and development expenditure on the development of new seed cultivars is recognised in the Statement of Financial Performance as incurred. Development costs of seed cultivars are in the main indistinguishable from the cultivar research costs.

### (iii) Patents and Trademarks

Patents and trademarks are stated at cost and amortised to the Statement of Financial Performance on a straight line basis over their estimated useful lives.

### (iv) Brands

Brands are stated at cost, or the fair value at the date of acquisition if acquired as part of a business combination. Where such intangible assets are regarded as having indefinite useful lives, they are not amortised. However, impairment reviews are carried out on an annual basis to ensure that such intangible assets are not carried above their recoverable amounts. Any impairment write downs are recognised in the Statement of Financial Performance.

### Share Capital

Share options are granted to senior executives as part of performance incentive schemes. The fair value of share options issued is recognised as a remuneration expense and a corresponding amount is recognised in equity. When options are exercised, the exercise price is recognised as equity. No financial assistance is given by the company under the share option schemes.

### Leasing Commitments

Expenditure arising from operating lease commitments is expensed to earnings in the period incurred. Where the benefits expected to be derived are lower than the unavoidable costs of the lease, a provision is recognised.

### Statement of Cash Flows

Certain cash flows have been netted in order to provide more meaningful disclosure. Many of the cash flows are received and disbursed on behalf of clients and reflect the activities of the client rather than those of the Group. These include livestock, real estate and wool transactions where the Group acts as agent.

### Financial Instruments

The Group has entered into off-balance sheet interest rate hedging transactions and foreign exchange contracts for the purpose of reducing exposure to fluctuations in interest rates and foreign currencies. All off-balance sheet transactions are accounted for on a settlement basis. In respect of interest rate hedging transactions, the differential to be paid or received is accrued on a daily basis over the life of the transaction and is recognised as a component of interest expense over the same period as the underlying exposure. Financial instruments entered into with no underlying exposure are accounted for on a mark-to-market basis.

### Changes in Accounting Policies

#### (i) Fixed Assets

The accounting policy for fixed assets was changed in the current year to permit the revaluation of land and buildings. The implementation of this new accounting policy had the effect of increasing the value of land and buildings by \$15.4 million in the Group's Statement of Financial Position.

#### (ii) Other

With the exception of the above change in accounting policy, all other policies have been applied on a basis consistent with those of the previous year.

## 2 Operating Revenue from Wrightson Activities

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Sales revenue				
Trading sales to external customers	582,244	552,474	444,520	434,611
Commissions, rentals and fees	107,441	84,755	65,688	70,344
Inter Group sales	-	-	2,490	3,151
	<u>689,685</u>	<u>637,229</u>	<u>512,698</u>	<u>508,106</u>
Interest revenue	867	624	867	624
Dividend income				
Dividends - subsidiary companies	-	-	12,215	-
Dividends - associate companies	1	158	-	158
Dividends - other	<u>1,533</u>	<u>1</u>	<u>1,533</u>	<u>1</u>
	1,534	159	13,748	159
Gain on liquidation - associate company	4	3	4	3
<b>Total operating revenue from Wrightson activities</b>	<u><b>692,090</b></u>	<u><b>638,015</b></u>	<u><b>527,317</b></u>	<u><b>508,892</b></u>

**Included within the Statement of Financial Performance are the following significant business discontinuation transactions:**

**(i) Sale of the Insurance Business**

In December 2004, the Group entered into an agreement for the sale of its insurance broking business. The sale was completed in February 2005.

**(ii) Sale of the Potato Business**

In February 2005, the Group entered into an agreement for the sale of its potato business. The sale was completed in March 2005.

**(iii) Sale of investment in Genesis Research and Development Corporation Limited**

In March 2005, the Group entered into an agreement for the sale of its 15.4% stake in the biotechnology company Genesis Research and Development Corporation Limited.

**(iv) Sale of Forestry Business**

In May 2005, the Group entered into an agreement for the sale of its forestry business. The sale was completed in June 2005.

A total net profit of \$10.0 million has been recognised in the current year to reflect the sale of these business operations. The sale of the business operations above do not have a material impact on the ongoing financial performance and financial position of the Group.

**3 Equity Accounted (Deficit)/Earnings of Associates**

	<b>Group</b>	
	2005	2004
	\$000	\$000
Genesis Research and Development Corporation Limited	-	(1,654)
The New Zealand Merino Company Limited	138	111
Kelso Wrightson (2004) Limited	(5)	-
Grain Dryers Limited (i)	85	-
New Zealand Wool Handlers Limited	46	8
	<u>264</u>	<u>(1,535)</u>

(i) Grain Dryers Limited became a wholly owned subsidiary on 28 February 2005 upon the acquisition of Williams and Kettle Limited.

**4 Operating Expenses**

	<b>Group</b>		<b>Parent</b>	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
Operating expenses include:				
Rental and operating lease costs	7,691	8,743	6,190	7,683
Research and development costs (note 4(a))	4,340	4,116	-	-
Depreciation				
Buildings	257	270	257	270
Plant and equipment	5,353	5,020	4,104	3,412
	<u>5,610</u>	<u>5,290</u>	<u>4,361</u>	<u>3,682</u>
Amortisation of intangible assets (note 4(b))				
Goodwill	803	600	185	199
Other	564	576	518	536
	<u>1,367</u>	<u>1,176</u>	<u>703</u>	<u>735</u>
Impairment of intangible assets (note 4(c))	710	370	710	370
Other restructuring costs (note 4(d))	3,491	-	3,491	-
Doubtful debts				
(Decrease)/increase in provision for doubtful debts (note 4(e))	204	(17)	978	140
Bad debts written off	96	191	44	152
	<u>300</u>	<u>174</u>	<u>1,022</u>	<u>292</u>
(Profit)/loss on sale and write-down of fixed assets	926	(2,616)	932	(2,829)
Foreign currency (profits)/losses	(613)	(874)	(833)	(385)
Auditors' remuneration				
Audit fees KPMG	277	242	221	181
Other services provided by the auditors	30	1	30	-
	<u>307</u>	<u>243</u>	<u>251</u>	<u>181</u>
Directors' fees	333	240	333	240
Donations	1	158	1	158
Write-back of reserve on reclassification of associate	-	-	-	2,343

**(a) Research and development**

In 2004, Wrightson was involved in a research alliance arrangement with Genesis Research and Development Corporation Limited to undertake discovery based biotechnology testing on Wrightson-bred ryegrasses. This arrangement ended when Wrightson sold its investment in the company in 2005. Wrightson continues its biotechnology research projects through its recent investment in Gramina Pty Limited.

**(b) Goodwill amortisation**

The amortisation of goodwill created from the acquisition of Williams and Kettle Limited was \$403,333 (2004: Nil). In accordance with Group accounting policies, the goodwill is amortised on a straight line basis over 20 years.

**(c) Impairment of intangible assets**

Development assets related to the logistics and telecommunication systems were impaired as a result of the restructuring of operations following the acquisition and amalgamation of Williams and Kettle Limited.

**(d) Other restructuring costs**

In February 2005, Wrightson acquired Williams and Kettle Limited. These costs relate to the subsequent restructuring and integration of business operations in New Zealand.

**(e) (Decrease)/increase in provision for doubtful debts**

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Specific provision	(103)	(13)	674	107
General provision	307	(4)	304	33
	<u>204</u>	<u>(17)</u>	<u>978</u>	<u>140</u>

**5 Net Funding (Cost)/Benefit**

Net interest paid and payable

Bank loans	6,040	1,181	5,819	1,080
Short term loans and bank overdrafts	14	66	583	84
Hedging costs	65	46	-	42
	<u>6,119</u>	<u>1,293</u>	<u>6,402</u>	<u>1,206</u>

Net interest received and receivable

Money market deposits	551	199	551	199
Amounts received from Group companies	-	-	2,062	1,249
	<u>551</u>	<u>199</u>	<u>2,613</u>	<u>1,448</u>

**Net funding (cost)/benefit**

<b>(5,568)</b>	<b>(1,094)</b>	<b>(3,789)</b>	<b>242</b>
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**6 Taxation Expense**

Surplus before taxation	23,504	15,451	16,790	2,578
Taxation at 33 percent	7,756	5,099	5,541	851

Adjusted for:

Non-deductible expenses	1,596	947	756	1,527
Non-assessable income	(5,892)	(51)	(7,958)	(362)
Other net adjustments	(330)	(617)	31	(504)
	<u>3,130</u>	<u>5,378</u>	<u>(1,630)</u>	<u>1,512</u>
Net (over)/under provision in respect of prior years	(109)	(185)	(266)	(335)

**Taxation expense**

<b>3,021</b>	<b>5,193</b>	<b>(1,896)</b>	<b>1,177</b>
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The taxation expense consists of:

Current taxation	5,977	3,563	1,495	238
Deferred taxation	(2,956)	1,630	(3,391)	939
	<u>3,021</u>	<u>5,193</u>	<u>(1,896)</u>	<u>1,177</u>

**7 Imputation Credit Account**

	Group	
	2005 \$000	2004 \$000
Balance as at 1 July	-	12,385
Taxation paid	6,479	2,404
Imputation credits attached to dividends received	790	134
Transfers, refunds and adjustments	-	710
Imputation credits attached to dividends paid	(2,432)	(12,535)
Imputation credits lost due to change in shareholder continuity	-	(3,098)
<b>Balance as at 30 June</b>	<b>4,837</b>	<b>-</b>

Wrightson Limited and all its 100% owned subsidiaries form a Consolidated Group for income tax purposes, with the exception of Onewool Limited, Computer Aided Livestock Marketing (NZ) Limited, Associated Auction Fordell Limited, Grain Dryers Limited, Williams & Kettle Livestock Limited, Blue Ocean Holdings Limited, Fruited Export Limited and W & K Finance Limited.

**8 Capital**

	Group/Parent		Group/Parent	
	2005 \$000	2004 \$000	2005 No. shares	2004 No. shares
Paid in share capital (ordinary shares)	37,535	34,947	140,244,467	136,181,393
Shares issued	10,967	2,558	5,768,122	4,063,074
Share options issued	-	30	-	-
<b>Capital</b>	<b>48,502</b>	<b>37,535</b>	<b>146,012,589</b>	<b>140,244,467</b>

All shares carry equal voting rights and share equally in any surplus on the winding up of the Company.

## Wrightson Executive Share Option Plans

### (a) Wrightson EVA Option Plan

Senior Executive remuneration previously included a bonus scheme based on Economic Value Added (EVA) performance measures with a portion of any bonus to be applied to the purchase of share options by the executive. The price for the options was calculated based on the Black Scholes pricing methodology at a fair market price taking into account the characteristics of the options. Options issued cannot be exercised for three years and expire ten years after they are issued. The price which is payable to exercise these options is set, initially, at 90% of the market price of a Wrightson share and escalates each year by 70% of the Group's cost of equity less gross dividends paid.

Note: this plan was replaced by the Wrightson Senior Executive Securities Plan.

<b>Total options granted at 30 June 2005</b>	<b>Nil</b>	<b>(2004: 50,968)</b>
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### (b) Wrightson Executive Option Plan

In addition, Wrightson also operated an Executive Option Plan whereby certain key executives were granted a number of options to purchase ordinary shares in Wrightson. The plan permitted flexibility in the terms on which options were granted. Options granted under the plan may be exercised, subject to employment conditions, at specified times during the period commencing three years, and ending ten years, after the commencement date of the executive's participation in the plan. The exercise price payable is, initially, the market price of a Wrightson share but escalates by the Group's cost of equity less gross dividends paid.

Note: this plan was replaced by the Wrightson Senior Executive Securities Plan.

<b>Total options granted at 30 June 2005</b>	<b>75,000</b>	<b>(2004: 150,000)</b>
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### (c) Wrightson Senior Executive Securities Plan

At the Annual Meeting in October 2000, a Senior Executive Securities Plan was approved whereby Executives incentive remuneration includes the issue of options and shares. The price applied to the options and shares is determined by an independent financial advisor using a recognised valuation methodology. Shares and options issued are subject to constraints for a restrictive period. The Board's current policy is not to utilise this plan.

<b>Total options granted at 30 June 2005</b>	<b>238,752</b>	<b>(2004: 773,489)</b>
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## Share Options on Issue

	Number	Expiry date	Option price	Exercise price
(b) Wrightson Executive Option Plan	75,000	September 2006	\$Nil	\$1.49
(c) Wrightson Senior Executive Securities Plan	238,752	August 2008	\$Nil	\$1.13

The following shows the effect on earnings and net asset backing per share if all options were to be exercised.

	Earnings per share	Net asset backing per share
Current shares issued	14.0 cents	103.4 cents
Current shares issued and options exercisable	13.9 cents	103.2 cents

## 9 Other Reserves

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>(a) Foreign currency translation reserve</b>				
Balance as at 1 July	(609)	38	-	-
Movements during the year	(207)	(647)	-	-
Balance as at 30 June	(816)	(609)	-	-
<b>(b) Subsidiary companies investment revaluation reserve</b>				
Balance as at 1 July	-	-	28,921	21,826
Revaluation of investments	-	-	1,629	7,095
Balance as at 30 June	-	-	30,550	28,921
<b>(c) Asset revaluation reserve</b>				
Balance as at 1 July	-	-	-	-
Revaluation of assets	15,400	-	15,400	-
Balance as at 30 June	15,400	-	15,400	-
<b>(d) Retained earnings in associate companies</b>				
Balance as at 30 June	(105)	(105)	(117)	(117)
<b>(e) Associate companies investment revaluation reserve</b>				
Balance as at 1 July	530	530	1,225	417
Revaluation of investments	-	-	179	(1,535)
Reclassification of investment	-	-	-	2,343
Balance as at 30 June	530	530	1,404	1,225
<b>(f) Other capital reserves</b>				
Balance as at 30 June	755	755	755	755
<b>Total other reserves</b>	<b>15,764</b>	<b>571</b>	<b>47,992</b>	<b>30,784</b>

## 10 Current Liabilities

Bank overdrafts - secured (notes 11&12)	114,113	7,372	126,679	6,499
Trade creditors	106,508	104,007	79,700	84,111
Client deposits	13,486	-	6,075	-
Accruals and other liabilities	24,009	11,803	19,584	9,446
Provisions (note 13)	13,080	8,160	11,977	6,670
Income tax payable	58	788	179	252
Dividend payable	-	12,622	-	12,622
Amounts owing to subsidiaries	-	-	561	1,303
	<b>271,254</b>	<b>144,752</b>	<b>244,755</b>	<b>120,903</b>

## 11 Non-Current Liabilities

Provisions (note 13)	585	292	585	292
Client deposits	765	-	576	-
Bonds (note 11(c))	45,216	-	-	-
Advances owing to subsidiaries	-	-	26,012	21,386
	<b>46,566</b>	<b>292</b>	<b>27,173</b>	<b>21,678</b>

### (a) Summary of repayment terms - advances

Due within:				
Non-specified period	-	-	26,012	21,386

### Weighted average interest rates on term liabilities

Due within:				
Non-specified period	-	-	7.20%	7.20%

**(b) Bank facilities**

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Bank overdraft facilities:				
Secured	13,327	11,000	13,000	11,000
Bank loan facilities (secured):				
Expire within:				
One year	170,000	50,000	170,000	50,000
Total lines of credit	<u>183,327</u>	<u>61,000</u>	<u>183,000</u>	<u>61,000</u>
Utilised:				
Bank overdraft and loans - secured	114,113	7,372	126,679	6,499
<b>Unutilised</b>	<b><u>69,214</u></b>	<b><u>53,628</u></b>	<b><u>56,321</u></b>	<b><u>54,501</u></b>

**(c) Bonds**

Bonds comprise:

	Outstanding \$000	Coupon	Maturity
Wrightson Finance Limited 2009	20,000	8.25%	20 May 2009
Wrightson Finance Limited 2010	25,216	8.50%	20 May 2010

Both bonds are senior secured, ranking pari passu with secured deposits and bank funding with a 5% limitation on prior security. Interest is paid quarterly.

**12 Secured Borrowings**

The Parent company bank facilities of \$183.0 million (2004: \$61.0 million) are secured over the assets of the Group. Wrightson Finance Limited has issued Bonds of \$45.2 million (2004: \$Nil) to the public and institutional investors, which are secured by security stock issued to the Trustees for Bondholders. Both current and non-current secured client deposits are secured debenture stock consisting of fixed interest debt securities which are of equal ranking and are secured by a first ranking security interest over all the assets of Wrightson Finance Limited.

**13 Provisions**

Current:

Employee entitlements	7,693	5,687	6,787	4,885
Surplus property leases (note 13(a))	376	211	376	77
Loyalty reward programme (note 13(b))	1,496	1,698	1,496	1,698
Restructuring (note 13(c))	3,458	129	3,261	-
Other (note 13(d))	57	435	57	10
	<u>13,080</u>	<u>8,160</u>	<u>11,977</u>	<u>6,670</u>

Non-current:

Employee entitlements	186	292	186	292
Surplus property leases (note 13(a))	399	-	399	-
	<u>585</u>	<u>292</u>	<u>585</u>	<u>292</u>

**(a) Provision for surplus property leases**

Balance as at 1 July	211	1,658	77	1,422
Additional provision made	519	-	519	-
Acquired as part of business combination	233	-	233	-
Amount utilised	(105)	(174)	(54)	(72)
Unused provision reversed	(83)	(1,273)	-	(1,273)
<b>Balance as at 30 June</b>	<b><u>775</u></b>	<b><u>211</u></b>	<b><u>775</u></b>	<b><u>77</u></b>
Current	376	211	376	77
Non-current	399	-	399	-
	<u>775</u>	<u>211</u>	<u>775</u>	<u>77</u>

Due to restructuring of activities, the Group no longer occupies facilities which are subject to non-cancellable leases. Facilities are sublet where possible. For empty premises, and where subleased rental income is less than the rental expense being incurred, the net obligation under the lease agreement has been provided for. The lease liability will be incurred through to 2011.

**(b) Provision for loyalty reward programme**

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance as at 1 July	1,698	934	1,698	934
Additional provision made	1,006	2,583	1,006	2,583
Amount utilised	(1,208)	(1,819)	(1,208)	(1,819)
<b>Balance as at 30 June</b>	<b>1,496</b>	<b>1,698</b>	<b>1,496</b>	<b>1,698</b>

The Wrightson Loyalty Reward Programme is run in conjunction with the co-branded American Express card. A provision is retained for the expected level of points redemption.

**(c) Provision for restructuring**

Balance as at 1 July	129	645	-	167
Additional provision made	2,545	174	2,348	110
Acquired as part of business combination	1,174	-	1,174	-
Amount utilised	(325)	(634)	(261)	(277)
Unused provision reversed	(65)	(56)	-	-
<b>Balance as at 30 June</b>	<b>3,458</b>	<b>129</b>	<b>3,261</b>	<b>-</b>

The acquisition of Williams and Kettle Limited in February 2005, and its subsequent amalgamation into Wrightson in June 2005, resulted in the restructuring of the Group's operations. The amount provided for has been determined from an analysis of the restructuring plans and its impacts on the Group's operations.

**(d) Other provisions**

Balance as at 1 July	435	564	10	28
Additional provision made	89	428	89	25
Amount utilised	(32)	(394)	(32)	(8)
Unused provision reversed	(435)	(163)	(10)	(35)
<b>Balance as at 30 June</b>	<b>57</b>	<b>435</b>	<b>57</b>	<b>10</b>

Other provisions are miscellaneous provisions that do not fall within the above categories and are not individually material. They include provisions for legal claims and disputes.

**14 Current Assets**

Receivables (note 14(a))	188,848	127,651	129,916	98,348
Inventories (note 14(b))	97,122	78,374	55,189	37,926
Insurance broking deposit	-	7,180	-	7,180
	<b>285,970</b>	<b>213,205</b>	<b>185,105</b>	<b>143,454</b>

All monies transacted on account of the Group's insurance broking business during 2004 were separately deposited in an insurance broking client account in accordance with section 14 of the Insurance Intermediaries Act 1994.

**(a) Receivables**

Accounts receivable	134,284	106,454	116,933	90,007
Finance receivables	42,446	14,617	1,956	-
Less provision for doubtful debts (i)	(2,174)	(1,970)	(1,883)	(905)
Other receivables and prepayments	8,763	3,050	6,339	3,487
Amounts owing from subsidiaries	-	-	1,042	259
Amounts owing from associate companies	5,529	5,500	5,529	5,500
<b>Total receivables</b>	<b>188,848</b>	<b>127,651</b>	<b>129,916</b>	<b>98,348</b>

As at the end of the period, Group receivables of \$11.1 million (Parent: \$3.7 million) had been sold to the ANZ National Bank Limited (ANZ National), under a receivables purchase agreement (2004: Group and Parent: \$5.5 million). Amounts are sold to ANZ National as a full transfer of the risks and rewards of ownership.

In accordance with the terms of the agreement, 90% of the receivable has been derecognised in the Statement of Financial Position once initial payment is made. The remaining 10% of the sold receivable remains in the Statement of Financial Position as a receivable from ANZ National, which is payable under the terms of the agreement once payment is received from the original Wrightson debtor.

Under the requirements of the sale and purchase contract there is limited operational recourse attached to the sold receivables. The directors consider that exercise of this recourse is remote.

**(i) Analysis of movements in provision for doubtful debts**

	<b>Group</b>		<b>Parent</b>	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Specific provision</b>				
Balance as at 1 July	(1,481)	(1,494)	(522)	(415)
Specific provision written off	772	191	-	-
Specific provision acquired as part of business combination	(517)	-	(517)	-
Change in specific provision	(152)	(178)	(157)	(107)
Balance as at 30 June	<u>(1,378)</u>	<u>(1,481)</u>	<u>(1,196)</u>	<u>(522)</u>
<b>General provision</b>				
Balance as at 1 July	(489)	(493)	(383)	(350)
General provision acquired as part of business combination	(325)	-	(325)	-
Change in general provision	18	4	21	(33)
Balance as at 30 June	<u>(796)</u>	<u>(489)</u>	<u>(687)</u>	<u>(383)</u>
Total provision for doubtful debts	<u>(2,174)</u>	<u>(1,970)</u>	<u>(1,883)</u>	<u>(905)</u>

**(b) Inventories**

Merchandise/finished goods	94,109	74,227	55,189	37,926
Raw materials and work in progress	3,013	4,147	-	-
<b>Total inventories</b>	<u>97,122</u>	<u>78,374</u>	<u>55,189</u>	<u>37,926</u>

Certain trade inventories are purchased subject to restriction of title (Romalpa clause). These restrictions are met in the normal course of business by payment for the goods under the purchase terms of trade.

**15 Non-Current Assets**

Fixed assets (note 15(A))	65,803	28,787	56,871	19,585
Investments (note 15(B))	24,453	4,849	107,906	86,462
Deferred taxation (note 15(C))	7,116	2,582	5,921	949
Intangible assets (note 15(D))	67,716	2,843	67,076	1,331
Finance receivables	17,765	2,846	-	-
	<u>182,853</u>	<u>41,907</u>	<u>237,774</u>	<u>108,327</u>

**(A) Fixed assets**

Cost and revalued amount				
Land at valuation	22,396	2,894	21,548	1,971
Buildings at valuation	23,713	6,578	21,202	4,194
Plant and equipment at cost	42,392	35,049	31,406	23,815
Total cost and revalued amount	<u>88,501</u>	<u>44,521</u>	<u>74,156</u>	<u>29,980</u>
Accumulated depreciation				
Buildings	2,549	2,585	1,320	1,461
Plant and equipment	20,149	13,149	15,965	8,934
Total accumulated depreciation	<u>22,698</u>	<u>15,734</u>	<u>17,285</u>	<u>10,395</u>
Net book value				
Land	22,396	2,894	21,548	1,971
Buildings	21,164	3,993	19,882	2,733
Plant and equipment	22,243	21,900	15,441	14,881
<b>Total net book value</b>	<u>65,803</u>	<u>28,787</u>	<u>56,871</u>	<u>19,585</u>

Fully depreciated fixed assets of \$24.9 million have been eliminated from cost and accumulated depreciation in 2005 (2004: \$25.2 million).

Land and buildings were independently valued in the 2005 financial year by registered valuers employed by Morice & Associates Limited, Telfer Young Limited and Quotable Value Limited. The valuation placed on land and buildings at their respective dates of valuation were based on a current market value basis, which is defined as being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. Revaluations will be performed on a systematic basis within a period not exceeding three years of original purchase or revaluation.

**(B) Investments**

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Investments in subsidiaries (i)	-	-	76,605	63,976
Investments in associate companies (ii)	2,404	2,110	2,192	2,016
Advances to subsidiaries	-	-	7,452	17,731
Other investments (iii)	22,049	2,739	21,657	2,739
<b>Total investments</b>	<b>24,453</b>	<b>4,849</b>	<b>107,906</b>	<b>86,462</b>

**(i) Subsidiaries**

The principal subsidiary companies are as follows:

- (a) The following subsidiary companies are wholly owned, have a 30 June balance date:
- Agriculture New Zealand Limited
  - Agri-feeds Limited
  - Associated Auctioneers Fordell Limited
  - Blue Ocean Holdings Limited
  - Computer Aided Livestock Marketing (NZ) Limited
  - Fruitfed Export Limited
  - Grain Dryers Limited
  - OneWool Limited
  - W & K Finance Limited
  - Williams & Kettle Livestock Limited
  - Wrightson Finance Limited (formerly Wrightson Financial Services Limited)
  - Wrightson Investments Limited
  - Wrightson Property Holdings Limited
  - Wrightson Seeds (Australia) Pty Limited
  - Wrightson Seeds Limited
  - Wrightson Consortia Research Limited
  - Wrightson Genomics Limited
- (b) The subsidiary company Wrightson PAS is a Uruguayan company, owned by Wrightson Investments Limited. During the period, Wrightson Investment Limited's shareholding increased from 56% to 85% following the purchase of additional shares from minority shareholders. Wrightson PAS has a 30 November balance date and is involved in seed operations including facilitating the sales and service of New Zealand seed in Uruguay. Financial results are included for the year ended 30 June.

**(ii) Associates**

In addition to the associate investments listed below, investments in associate companies comprise primarily of shareholdings in saleyard companies, the market value of which is difficult to determine. The Directors are of the view that, with the exception of the following investments, the value of these interests are individually immaterial.

- (a) **The New Zealand Merino Company Limited - 35% shareholding acquired October 2001.**  
Investment book value 30 June 2005 \$1,349,793 (2004: \$1,281,753)  
The company is involved in the processing and marketing of merino wool.
- (b) **New Zealand Wool Handlers Limited - 50% shareholding acquired April 2004.**  
Investment book value 30 June 2005 \$Nil (2004: \$Nil)  
The company is involved in the provision of wool handling and warehousing services.
- (c) **Kelso Wrightson (2004) Limited - 50% shareholding acquired in January 2005.**  
Investment book value 30 June 2005 \$Nil (2004: \$Nil)  
The company is involved in the breeding and marketing of sheep from the Kelso breed.
- (d) **Gramina Pty Limited - 50% shareholding acquired in June 2005.**  
Investment book value 30 June 2005 \$32,570 (2004: \$Nil)  
The company is involved in trans-Tasman biotechnology research projects.

	Group	
	2005 \$000	2004 \$000
Carrying amount of associates		
Balance as at 1 July	2,110	6,736
Acquired as part of a business combination	217	-
New investments	46	1,620
Equity accounted earnings/(deficit) of associates	264	(1,535)
Dividends from associates	(70)	(110)
Disposal of associates	(116)	(9)
Write-down of investments	(47)	(1,853)
Reclassification of Genesis R&D Corporation Limited	-	(2,739)
Balance as at 30 June	<u>2,404</u>	<u>2,110</u>
Equity accounted earnings/(deficit) of associates		
Surplus/(deficit) before income tax	394	(2,291)
Income tax	(130)	756
Total recognised revenues and expenses	<u>264</u>	<u>(1,535)</u>

**(iii) Other investments**

Other investments include shareholding in other listed companies. The market values of these investments were not materially different from cost as at 30 June 2005.

**(C) Deferred taxation**

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance as at 1 July	2,582	4,257	949	1,888
Current year (charges)	2,241	(1,675)	3,001	(939)
Acquired as part of business combination	1,581	-	1,581	-
Reversal of prior year benefit	712	-	390	-
<b>Balance as at 30 June</b>	<b>7,116</b>	<b>2,582</b>	<b>5,921</b>	<b>949</b>

**(D) Intangible assets**

Goodwill (i)	28,461	997	27,826	-
Development costs (ii)	-	1,190	-	1,190
Licences (iii)	-	510	-	-
Patents/Trademarks (iv)	5	146	-	141
Brands (v)	39,250	-	39,250	-
	<b>67,716</b>	<b>2,843</b>	<b>67,076</b>	<b>1,331</b>

**(i) Goodwill**

Cost	31,288	1,798	29,303	-
Disposal	(732)	-	-	-
Accumulated amortisation	(2,095)	(801)	(1,477)	-
	<b>28,461</b>	<b>997</b>	<b>27,826</b>	<b>-</b>

Balance as at 1 July	997	1,967	-	569
Goodwill arising on acquisition	28,999	-	28,011	-
Amortisation	(803)	(600)	(185)	(199)
Disposal	(732)	-	-	-
Impairment	-	(370)	-	(370)
Balance as at 30 June	<b>28,461</b>	<b>997</b>	<b>27,826</b>	<b>-</b>

**(ii) Development costs**

Balance as at 1 July	1,190	1,535	1,190	1,535
Costs capitalised	-	135	-	135
Amortisation	(480)	(480)	(480)	(480)
Impairment	(710)	-	(710)	-
Balance as at 30 June	<b>-</b>	<b>1,190</b>	<b>-</b>	<b>1,190</b>

Development costs related to the design and implementation of a rural supplies centralised logistics operation and a telecommunications network were impaired in the current year as a result of the restructuring of operations, following the acquisition and amalgamation of Williams and Kettle Limited.

**(iii) Licences**

Cost	550	550	-	-
Disposal	(464)	-	-	-
Accumulated amortisation	(86)	(40)	-	-
	<b>-</b>	<b>510</b>	<b>-</b>	<b>-</b>

Balance as at 1 July	510	-	-	-
Licences acquired	-	550	-	-
Disposal	(464)	-	-	-
Amortisation	(46)	(40)	-	-
Balance as at 30 June	<b>-</b>	<b>510</b>	<b>-</b>	<b>-</b>

**(iv) Patents/Trademarks**

Cost	455	455	450	450
Disposal	(103)	-	(103)	-
Accumulated amortisation	(347)	(309)	(347)	(309)
	<b>5</b>	<b>146</b>	<b>-</b>	<b>141</b>

Balance as at 1 July	146	202	141	197
Disposal	(103)	-	(103)	-
Amortisation	(38)	(56)	(38)	(56)
Balance as at 30 June	<b>5</b>	<b>146</b>	<b>-</b>	<b>141</b>

**(v) Brands**

Cost	39,250	-	39,250	-
Balance as at 1 July	-	-	-	-
Acquired as part of business combination	39,250	-	39,250	-
Balance as at 30 June	<b>39,250</b>	<b>-</b>	<b>39,250</b>	<b>-</b>

The brands were acquired as part of the acquisition of Williams and Kettle Limited during the year. The brands represent a bundle of intangibles that are made up of the trade names, supplier and customer relationships and internal business processes that allow the business operations to serve their customers. The brands are regarded to have indefinite useful lives and are therefore not amortised.

All brands were independently valued by Ernst & Young as at 28 February 2005, the date on which Wrightson acquired control over Williams and Kettle Limited.

## 16 Maturity of monetary assets & liabilities

Group	2005	Total \$000	Unspecified \$000	Up to 12 months \$000	1 to 2 years \$000	Over 2 years \$000
<b>Assets</b>						
Accounts receivable		132,110	-	132,110	-	-
Other receivables		3,189	-	3,189	-	-
Finance receivables		60,211	4,267	38,180	14,630	3,134
Amounts owing from associates		5,529	479	5,050	-	-
Total financial assets		<u>201,039</u>	<u>4,746</u>	<u>178,529</u>	<u>14,630</u>	<u>3,134</u>
<b>Liabilities</b>						
Bank overdrafts		114,113	-	114,113	-	-
Trade creditors		106,508	-	106,508	-	-
Client deposits		14,251	15	13,471	219	546
Bond		45,216	-	-	-	45,216
Other liabilities		24,009	-	24,009	-	-
Total financial liabilities		<u>304,097</u>	<u>15</u>	<u>258,101</u>	<u>219</u>	<u>45,762</u>
<b>Group 2004</b>						
<b>Assets</b>						
Accounts receivable		104,484	-	104,484	-	-
Other receivables		3,050	-	3,050	-	-
Finance receivables		17,463	-	14,617	1,345	1,501
Amounts owing from associates		5,500	-	5,500	-	-
		<u>130,497</u>	<u>-</u>	<u>127,651</u>	<u>1,345</u>	<u>1,501</u>
<b>Liabilities</b>						
Bank overdrafts		7,372	-	7,372	-	-
Trade creditors		104,007	-	104,007	-	-
Client deposits		-	-	-	-	-
Bonds		-	-	-	-	-
Other liabilities		11,803	-	11,803	-	-
		<u>123,182</u>	<u>-</u>	<u>123,182</u>	<u>-</u>	<u>-</u>
<b>Parent 2005</b>						
<b>Assets</b>						
Accounts receivable		115,050	-	115,050	-	-
Other receivables		3,032	-	3,032	-	-
Finance receivables		1,956	-	1,956	-	-
Amounts owing from subsidiaries		1,042	-	1,042	-	-
Amounts owing from associates		5,529	479	5,050	-	-
		<u>126,609</u>	<u>479</u>	<u>126,130</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>						
Bank overdrafts		126,679	-	126,679	-	-
Trade creditors		79,700	-	79,700	-	-
Client deposits		6,651	-	6,075	59	517
Other liabilities		19,584	-	19,584	-	-
Amounts owing to subsidiaries						
- current		561	-	561	-	-
- non-current		26,012	26,012	-	-	-
		<u>259,187</u>	<u>26,012</u>	<u>232,599</u>	<u>59</u>	<u>517</u>
<b>Parent 2004</b>						
<b>Assets</b>						
Accounts receivable		89,102	-	89,102	-	-
Other receivables		3,487	-	3,487	-	-
Finance receivables		-	-	-	-	-
Amounts owing from subsidiaries		259	-	259	-	-
Amounts owing from associates		5,500	-	5,500	-	-
		<u>98,348</u>	<u>-</u>	<u>98,348</u>	<u>-</u>	<u>-</u>

<b>Liabilities</b>	Total \$000	Unspecified \$000	Up to 12 months \$000	1 to 2 years \$000	Over 2 years \$000
Bank overdrafts	6,499	-	6,499	-	-
Trade creditors	84,111	-	84,111	-	-
Client deposits	-	-	-	-	-
Other liabilities	9,446	-	9,446	-	-
Amounts owing to subsidiaries					
- current	1,303	-	1,303	-	-
- non-current	21,386	21,386	-	-	-
	<u>122,745</u>	<u>21,386</u>	<u>101,359</u>	<u>-</u>	<u>-</u>

## 17 Asset quality

	<b>Group</b>		<b>Parent</b>	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Non-accrual loans</b>				
Balance as at 1 July	55	-	-	-
Additions	419	65	419	-
Repayments	-	(10)	-	-
Total non-accrual loans	<u>474</u>	<u>55</u>	<u>419</u>	<u>-</u>
Interest charged on impaired loans	23	11	23	-
<b>Past due loans (i)</b>				
Balance as at 1 July	861	584	-	-
Additions	2,187	844	-	-
Deletions from past due status	(854)	(567)	-	-
Total past due loans	<u>2,194</u>	<u>861</u>	<u>-</u>	<u>-</u>

(i) Past due loans comprise of loans that are over 3 months in arrears but are not impaired.

## 18 Acquisition of subsidiary

### Williams & Kettle Limited

On 28 February 2005, Wrightson acquired all the shares of Williams & Kettle Limited. The financial results and financial position of Williams & Kettle Limited have been consolidated in the Group since 1 March 2005. The contribution of Williams and Kettle Limited to the consolidated net surplus of the Group for the period 1 March to 31 May 2005 was \$0.2 million. Williams & Kettle Limited was subsequently amalgamated into Wrightson on 1 June 2005. Included in the net identifiable assets acquired is a restructuring provision of \$1.4 million that was recognised in accordance with New Zealand accounting standards. The goodwill arising on acquisition is amortised in accordance with the Group's policy. The acquisition had the following effect on the consolidated financial position.

<b>Summary of net assets acquired</b>	<b>Group</b> 28/02/05 \$000
<b>Current Assets</b>	
Trade receivables	31,077
Other receivables	20,809
Inventories	17,235
Investments	866
	<u>69,987</u>
<b>Non-current assets</b>	
Fixed assets	20,533
Intangible assets	39,250
Deferred tax	1,581
	<u>61,364</u>
<b>Total assets</b>	<u>131,351</u>
<b>Current liabilities</b>	
Bank overdraft	21,535
Trade payables	18,592
Other payables	13,988
Income tax payable	1,157
	<u>55,272</u>
<b>Total liabilities</b>	<u>55,272</u>
<b>Net assets acquired</b>	<u>76,079</u>
Cash paid	103,383
<b>Goodwill arising on acquisition of subsidiary</b>	<u>27,304</u>

## 19 Amalgamation of subsidiary

### Williams & Kettle Limited

On 1 June 2005, Williams and Kettle Limited was amalgamated into Wrightson Limited. Subsequent to amalgamation date, the operations in the Central North Island region have continued to trade under the name of Williams and Kettle, a division of Wrightson Limited. The financial position of Williams and Kettle Limited prior to amalgamation is summarised as follows.

	<b>Parent</b>
	1/06/2005
	\$000
<b>Current Assets</b>	
Trade receivables	29,067
Other receivables	21,257
Inventories	18,461
Investments	866
	<hr/>
	69,651
<b>Non-current assets</b>	
Fixed assets	20,384
Intangible assets	39,903
Deferred tax	1,569
	<hr/>
	61,856
<b>Total Assets</b>	<hr/>
	131,507
<b>Current liabilities</b>	
Bank overdraft	2,945
Trade payables	20,533
Other payables	10,234
Intercompany payables	21,203
Income tax payable	357
	<hr/>
<b>Total liabilities</b>	55,272
<b>Net assets acquired on amalgamation</b>	<hr/> <hr/>
	76,235

## 20 Financial Instruments

### (A) Nature of activities and management policies with respect to financial instruments

All activities and management policies with respect to financial instruments are carried out in accordance with treasury policies approved by the Board of Directors.

#### (i) Foreign exchange risk

The Group undertakes transactions denominated in foreign currencies and exposure to movements in foreign currency arises from these activities. It is the Group's policy to hedge foreign currency risks as they arise. In some circumstances foreign exchange options are used to hedge potential foreign exchange risk. The Group uses forward, spot foreign exchange contracts and foreign exchange options to manage these exposures.

The notional contract amounts of forward foreign exchange transactions outstanding at balance date are \$35.4 million (2004: \$63.3 million) for the Group and \$8.7 million (2004: \$42.7 million) for the Parent. The cash settlement requirements of these contracts approximates the notional contract amount shown above.

The translation of independent foreign operations into the Group financial statements is not hedged, apart from the seasonal working capital exposure to Wrightson Seeds Australia which is hedged with foreign exchange contracts.

#### (ii) Interest rate risk

Floating rate borrowings are used for general funding activities. Interest rate swaps, interest rate options and forward rate agreements are used to hedge the floating rate exposure as deemed appropriate.

The Group had \$147.1 million (Parent: \$90.0 million) of interest rate contracts at 30 June 2005 (2004: \$Nil).

#### (iii) Liquidity risk

Liquidity risk arises from not having enough cash to meet financial obligations. This risk is managed by:

- ensuring any shortfall between maturing assets and liabilities is covered by committed undrawn credit facilities; and
- forecasting trend, seasonal and potential cyclical liquidity requirements.

**(iv) Credit risk**

In the normal course of business, credit risk is incurred from receivables and transactions with financial institutions. There are no significant concentrations of credit risk. The Group has a credit policy to manage this risk. As part of the policy, limits on exposures have been set and are monitored on a regular basis. Financial instruments can only be acquired from a financial institution that has a Standard and Poor's credit rating of at least A+. There are counterparty limits against approved financial institutions, which are monitored on a daily basis. Credit risk exposure for receivables is best approximated by the receivable carrying amount.

**(a) Credit risk from derivatives**

The maximum exposure to credit risk arising from derivative financial instruments is as follows:

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Amounts receivable under foreign exchange contracts	319	907	31	742
Interest rate swaps	214	-	74	-

**(b) Security of financial receivables**

The Group does not require any collateral or security to support financial instruments, with the exception of security in finance receivables shown below.

Secured	47,612	10,116	897	-
Unsecured	12,599	7,347	1,059	-
	<u>60,211</u>	<u>17,463</u>	<u>1,956</u>	<u>-</u>

Security is generally obtained over any assets purchased or refinanced by advances from Wrightson Finance Limited. This often includes a mortgage over real estate. In addition the standard loan agreement that is used for every lending exposure includes a financing statement which gives Wrightson Finance Limited the right to register, on the Personal Properties Securities Register, a charge on all the borrower's present and after acquired personal property. This in turn provides either a first ranking general security interest over all property belonging to each borrower (with the exception of real estate, ships and fishing quota), or in instances where a first ranking charge over the borrower's present and after acquired personal property already exists, a subsequent charge and a first ranking charge over goods specifically funded.

**(c) Concentration of lending by geographical segment**

Northland	2,941	856	64	-
King Country/Bay of Plenty/Waikato	7,821	5,004	324	-
Hawke's Bay/Gisborne	19,155	923	972	-
Manawatu/Taranaki	3,601	707	596	-
Wairarapa	2,284	992	-	-
Marlborough	989	633	-	-
Canterbury	17,905	4,785	-	-
Southland / Otago	5,515	3,563	-	-
	<u>60,211</u>	<u>17,463</u>	<u>1,956</u>	<u>-</u>

**(B) Fair value**

The fair value of the following financial instruments materially differ from their carrying values shown in the Statement of Financial Position.

	Group			
	2005 Carrying Value \$000	2005 Fair Value \$000	2004 Carrying Value \$000	2004 Fair Value \$000
Assets:				
Forward foreign exchange contracts	-	235	-	110
Foreign exchange options	336	434	944	2,452
Interest rate swaps	-	421	-	-
	Parent			
Assets:				
Forward foreign exchange contracts	-	(7)	-	(35)
Foreign exchange options	-	-	610	2,308
Interest rate swaps	-	7	-	-

The fair value of foreign exchange contracts, interest rate options and interest rate swaps is based on quoted market price.

**(C) Repricing analysis**

The following tables identify the weighted average interest rate of the financial assets and liabilities of the Group and Parent and their maturity periods.

Group	2005	Weighted Average Interest Rate %	Total \$000	Up to 12 months \$000	1 to 2 years \$000	Non-Interest	
						Over 2 years \$000	Bearing \$000
<b>Assets</b>							
Accounts receivable		-	132,110	-	-	-	132,110
Other receivables		-	3,189	-	-	-	3,189
Finance receivables		11.99%	60,211	50,600	8,758	853	-
Amounts owing from associates		8.28%	5,529	5,418	-	-	111
			<u>201,039</u>	<u>56,018</u>	<u>8,758</u>	<u>853</u>	<u>135,410</u>
<b>Liabilities</b>							
Bank overdrafts		7.03%	114,113	114,113	-	-	-
Trade creditors		-	106,508	-	-	-	106,508
Client deposits		6.60%	14,251	13,486	219	546	-
Bonds		8.39%	45,216	-	-	45,216	-
Other liabilities		-	24,009	-	-	-	24,009
			<u>304,097</u>	<u>127,599</u>	<u>219</u>	<u>45,762</u>	<u>130,517</u>
Net on-balance sheet financial position			<u>(103,058)</u>	<u>(71,581)</u>	<u>8,539</u>	<u>(44,909)</u>	<u>4,893</u>
Off-balance sheet financial instruments							
Interest rate swaps			-	25,484	(69,500)	44,016	-
Total off-balance sheet financial instruments			-	25,484	(69,500)	44,016	-
Net repricing profile			<u>(103,058)</u>	<u>(46,097)</u>	<u>(60,961)</u>	<u>(893)</u>	<u>4,893</u>
<b>Group 2004</b>							
<b>Assets</b>							
Accounts receivable		-	104,484	-	-	-	104,484
Other receivables		-	3,050	-	-	-	3,050
Finance receivables		12.99%	17,463	14,617	1,345	1,501	-
Amounts owing from associate		7.87%	5,500	5,500	-	-	-
			<u>130,497</u>	<u>20,117</u>	<u>1,345</u>	<u>1,501</u>	<u>107,534</u>
<b>Liabilities</b>							
Bank overdrafts		7.10 %	7,372	7,372	-	-	-
Trade creditors		-	104,007	-	-	-	104,007
Client deposits		-	-	-	-	-	-
Bonds		-	-	-	-	-	-
Other liabilities		-	11,803	-	-	-	11,803
			<u>123,182</u>	<u>7,372</u>	<u>-</u>	<u>-</u>	<u>115,810</u>
Net on-balance sheet financial position and net repricing profile			<u>7,315</u>	<u>12,745</u>	<u>1,345</u>	<u>1,501</u>	<u>(8,276)</u>
<b>Parent 2005</b>							
<b>Assets</b>							
Accounts receivable		-	115,050	-	-	-	115,050
Other receivables		-	3,032	-	-	-	3,032
Finance receivables		10.00%	1,956	1,956	-	-	-
Amounts owing from subsidiaries		6.35%	1,042	-	-	-	1,042
Amounts owing from associates		8.28%	5,529	5,418	-	-	111
			<u>126,609</u>	<u>7,374</u>	<u>-</u>	<u>-</u>	<u>119,235</u>
<b>Liabilities</b>							
Bank overdrafts		7.03%	126,679	126,679	-	-	-
Trade creditors		-	79,700	-	-	-	79,700
Client deposits		6.28%	6,651	6,075	59	517	-
Other liabilities		-	19,584	-	-	-	19,584
Amounts owing to subsidiaries							
- current		-	561	-	-	-	561
- non-current		7.20%	26,012	26,012	-	-	-
			<u>259,187</u>	<u>158,766</u>	<u>59</u>	<u>517</u>	<u>99,845</u>
Net on-balance sheet financial position			<u>(132,578)</u>	<u>(151,392)</u>	<u>(59)</u>	<u>(517)</u>	<u>19,390</u>
Off-balance sheet financial instrument							
Interest rate swaps			-	60,000	(60,000)	-	-
Total off-balance sheet financial instruments			-	60,000	(60,000)	-	-
Net repricing profile			<u>(132,578)</u>	<u>(91,392)</u>	<u>(60,059)</u>	<u>(517)</u>	<u>19,390</u>

Parent	2004	Weighted Average Interest Rate %	Total \$000	Up to 12 months \$000	1 to 2 years \$000	Over 2 years \$000	Non-Interest Bearing \$000
<b>Assets</b>							
Accounts receivable		-	89,102	-	-	-	89,102
Other receivables		-	3,487	-	-	-	3,487
Finance receivables		-	-	-	-	-	-
Amounts owing from subsidiaries		-	259	-	-	-	259
Amounts owing from associates		7.87%	5,500	5,500	-	-	-
			<u>98,348</u>	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>92,848</u>
<b>Liabilities</b>							
Bank overdrafts		7.10%	6,499	6,499	-	-	-
Trade creditors		-	84,111	-	-	-	84,111
Client deposits		-	-	-	-	-	-
Other liabilities		-	9,446	-	-	-	9,446
Amounts owing to subsidiaries							
- current		-	1,303	-	-	-	1,303
- non-current		6.10%	21,386	21,386	-	-	-
			<u>122,745</u>	<u>27,885</u>	<u>-</u>	<u>-</u>	<u>94,860</u>
Net on-balance sheet financial position and net repricing profile			<u>(24,397)</u>	<u>(22,385)</u>	<u>-</u>	<u>-</u>	<u>(2,012)</u>

## 21 Reconciliation of Surplus After Taxation With Net Cash Flow from Operating Activities

	Group		Parent	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
<b>Surplus after taxation</b>	<b>20,483</b>	<b>10,258</b>	<b>18,686</b>	<b>1,401</b>
Add/(deduct) items classified as investing or financing activities:				
Net (profit)/loss on sale of fixed assets	926	(2,616)	932	(2,829)
Net (profit)/loss on sale of investments	(10,796)	(3)	(7,301)	(3)
	<u>(9,870)</u>	<u>(2,619)</u>	<u>(6,369)</u>	<u>(2,832)</u>
Add/(deduct) non-cash items:				
Depreciation	5,610	5,290	4,361	3,682
Intangibles amortisation	2,077	1,546	1,413	1,105
Increase/(decrease) in provision for doubtful debts	(812)	39	(46)	141
(Increase)/decrease in deferred taxation	(2,955)	1,630	(3,391)	939
Equity accounted deficit/(earnings) from associates	(264)	1,535	-	-
Other	(978)	(1,604)	472	1,185
	<u>2,678</u>	<u>8,436</u>	<u>2,809</u>	<u>7,052</u>
Add/(deduct) movement in working capital items:				
(Increase)/decrease in inventories	(1,666)	(4,952)	(28)	(5,745)
(Increase)/decrease in accounts receivable and prepayments	5,612	(6,609)	8,131	(4,362)
Increase/(decrease) in trade creditors	(4,346)	9,968	(11,630)	7,112
Increase/(decrease) in provisions and accruals	6,044	(5,506)	4,369	(3,951)
Increase/(decrease) in income tax payable/receivable	(1,885)	95	(1,231)	(1,339)
	<u>3,759</u>	<u>(7,004)</u>	<u>(389)</u>	<u>(8,285)</u>
<b>Net cash flow from operating activities</b>	<b>17,050</b>	<b>9,071</b>	<b>14,737</b>	<b>(2,664)</b>

## 22 Commitments

There are commitments in respect of:

Capital expenditure not provided for	3,241	1,116	1,041	1,116
Investment in BioPacificVentures (i)	13,607	-	-	-
Other (ii)	814	-	-	-
	<u>17,662</u>	<u>1,116</u>	<u>1,041</u>	<u>1,116</u>

### (i) Investment in BioPacificVentures

The Group has committed \$14 million to a new international fund established for investment in food and agriculture life sciences. Wrightson's investment in BioPacificVentures will be made over approximately six years. The investment has an anticipated total lifespan of 12 years. For the year ended 30 June 2005, there had been a drawdown of \$0.4 million on the committed level of investment.

### (ii) Other

Other commitments include funds committed to the research and development group over the next five years.

## 23 Contingent Liabilities

	Group		Parent	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
There are contingent liabilities in respect of:				
Legal actions pending (i)	-	102	-	102
Guarantees (ii)	3,599	4,396	3,599	4,222
Wrightson Loyalty Reward Programme (iii)	2,184	1,958	2,184	1,958
	<u>5,783</u>	<u>6,456</u>	<u>5,783</u>	<u>6,282</u>

### (i) Legal actions

In respect of the legal actions, the Group disputes any liability and has received legal advice supporting its position.

### (ii) Guarantees

The guarantees are provided to leasing companies in respect of staff owned business vehicles and to the banks for subsidiary company borrowings.

### (iii) Wrightson Loyalty Reward Programme

The Wrightson Loyalty Reward Programme is run in conjunction with the co-branded American Express card. A provision is retained for the expected level of points redemption. The contingent liability represents the balance of live points that are not provided for.

### (iv) Retirement Plans

Wrightson Limited has a contingent liability to maintain actuarial soundness of the Wrightson Retirement Plan in terms of a Trust Deed dated 2 October 1995. A triennial review of the fund is completed by an independent actuary with the last review completed for the period ended 30 June 2002. The review identified a past service deficit of \$2.6 million as at 30 June 2002, which has been funded by an increased contribution by Wrightson Limited. The next review will be completed in September 2005, for the period ended 30 June 2005.

Wrightson has also guaranteed the pension obligations of the W&K Employee Benefits Plan. The last triennial valuation completed by the plan's independent actuary as at 31 March 2002 reported that W&K Employee Benefits Plan was in a strong financial position, with investment assets significantly in excess of both the current and projected pension liabilities. The latest plan valuation for the period ended 31 March 2005 will be finalised by September 2005.

## 24 Operating Lease Commitments

The expected future minimum rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at balance date are as follows:

Within one year	11,856	9,795	10,575	8,251
One to two years	7,461	8,422	6,708	7,216
Two to five years	7,903	10,721	7,596	9,899
Beyond five years	3,000	1,842	1,932	717
	<u>30,220</u>	<u>30,780</u>	<u>26,811</u>	<u>26,083</u>

## 25 Amounts Owing to/from Directors

Some directors use the Wrightson American Express credit card facility and/or have farming interests where they enter into transactions with the Group in the normal course of business for those farming operations. At 30 June 2005 \$558 (2004: \$19,568) was owed by Directors and \$Nil (2004: \$124,701) was owed to Directors with Wrightson Limited monthly accounts. At balance date, a Director had \$500,000 deposited with Wrightson. The interest rate and repayment conditions are on the company's usual commercial terms.

## 26 Related Parties

### (a) Types of related party transactions

The Parent company has entered into certain transactions with its subsidiaries and associates. Material information is disclosed in notes 2 and 4 (operating revenue and operating expenses). The subsidiary balances at year end are disclosed in notes 10 and 11 (current and non-current liabilities), notes 14 and 15 (current and non-current assets) and in the Statement of Financial Position. Details of subsidiaries and associates are disclosed in note 15(B) (investments)

### (b) Material transactions with associates:

#### (i) Genesis Research and Development Corporation Limited

Wrightson was involved in a research alliance arrangement with Genesis Research and Development Corporation Limited, to undertake discovery based biotechnology testing on Wrightson-bred ryegrasses. Costs in 2005 were \$178,214 (2004: \$489,982). The investment in this associate company was sold in March 2005.

#### (ii) The New Zealand Merino Company Limited

Wrightson provided logistics services to The New Zealand Merino Company Limited. The revenue from this in 2005 was \$87,000 (2004: \$45,000).

#### (iii) New Zealand Wool Handlers Limited

Wrightson entered into a logistics agreement in May 2004, for wool handling and warehousing services, provided by New Zealand Wool Handlers Limited. The charge for these services was \$5.3 million in 2005 (2004: \$614,681 for 2 months only). As part of the establishment of New Zealand Wool Handlers Limited, Wrightson provided the company with a loan. The outstanding balance as at 30 June 2005 was \$5.05 million (2004: \$5.5 million). This loan has been transacted on a commercial arm's length basis.

#### (iv) Kelso Wrightson (2004) Limited

Wrightson provided the company with a loan totalling \$367,500 as at 30 June 2005 (2004: \$Nil). This loan has been transacted on a commercial arm's length basis.

## 27 Segment Information

### (a) Industry segments

The Group operates predominantly in one industry segment, its primary business being the supply of products and services to the rural industry. These include:

Real estate and insurance services	Rural merchandise
Supply of seeds, grains and feed supplements	Farm consultancy
Livestock marketing and supply	Forestry services
Wool procurement, warehousing, marketing and export	Farm finance

### (b) Geographic segments

The Group operates predominantly in New Zealand, with one business unit in Australia and a majority owned company in Uruguay that represent less than 5% of Group revenue. The Australian business unit facilitates the export sales and services of New Zealand operations in addition to their own seed trading operations. Inter-segment pricing is determined on an arm's length basis.

	Region		Consolidated	
	2005	2004	2005	2004
	\$000	\$000	\$000	\$000
<b>Revenue derived from outside the Group</b>				
New Zealand	669,180	613,008		
Australia	23,174	23,472		
<b>Inter-segment revenue (eliminated on consolidation)</b>				
New Zealand	27,315	28,717		
Australia	643	586		
<b>Total revenue</b>			<b>692,354</b>	<b>636,480</b>
<b>Segment net surplus</b>				
New Zealand	17,429	7,888		
Australia	2,970	2,130		
<b>Total net surplus</b>			<b>20,399</b>	<b>10,018</b>
<b>Segment assets</b>				
New Zealand	448,633	234,785		
Australia	20,190	20,327		
<b>Total assets</b>			<b>468,823</b>	<b>255,112</b>

## 28 Adoption of New Zealand Equivalents to International Financial Reporting Standards

In December 2002 the Accounting Standards Review Board (ASRB) formally announced that New Zealand reporting entities would be required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for financial years commencing on or after 1 January 2007. The ASRB also allowed the option of adopting NZ IFRS one or two years earlier.

The adoption of NZ IFRS has been managed as a project following general project management methodology. The project team has worked through the phases of raising awareness in the Group, assessing the impacts of adopting NZ IFRS, designing new business processes and planning the implementation of the new requirements. The project has been achieving key milestones in the project plan and progress has been closely monitored by the Audit Committee of the Board of Directors.

Transition to NZ IFRS will affect a number of the Group's accounting policies and procedures. In particular, accounting for derivative financial instruments, goodwill and intangible assets, deferred tax and employee benefit obligations under defined benefit plans are some of the significant areas affected by the changes.

It is not possible at this time to estimate reliably all the impacts of the changes on the Group's reported financial performance and financial position. The actual impacts of adopting NZ IFRS may vary from the information presented, and the variation may be material.

As a result of the proposed merger of Wrightson and Pyne Gould Guinness Limited, the date of transition to NZ IFRS for the Group has not yet to be determined.

## 29 Events Subsequent to Balance Date

### (i) Final dividend

Subsequent to balance date, on 29 July 2005, the Directors declared a final dividend of 10.5 cents per share. The dividend has not been recognised in the financial statements.

### (ii) Merger of Wrightson and Pyne Gould Guinness

On 5 July 2005, the Boards of Directors of Wrightson and Pyne Gould Guinness Limited (PGG) announced a proposal to merge the two companies. The merger will be subject to shareholder approval and other legal and commercial conditions. Under the proposal, the merger will see Wrightson being merged into PGG to become PGG Wrightson, which will remain NZX listed. A scheme of arrangement will be put to the shareholders of both companies for approval at special meetings, likely to take place in September 2005. There will also be other conditions that will need to be satisfied for the merger to proceed.