

This is a Product Ruling made under s 91F of the Tax Administration Act 1994.

Name of the person who applied for the Ruling

This ruling has been applied for by PGG Wrightson Limited, a member of the Wrightson Consolidated Group (PGW)

Taxation laws

All legislative references are to the Income Tax Act 2007 unless otherwise stated.

This ruling applies in respect of subpart CD, in particular, section CD 22 (returns of capital: off-market share cancellations).

The Arrangement to which this ruling applies

The Arrangement is the return of excess capital in PGW to its shareholders by way of an off-market, pro rata repurchase and cancellation of PGW shares, following the sale of **100% of the shares in PGW's subsidiary, PGG Wrightson Seeds Holdings Limited.**

The share cancellation shall occur by either:

- **an offer to acquire and cancel a pro rata portion of all shareholders' shares** pursuant to section 60 of the Companies Act 1993; or
- **a cancellation of a pro rata portion of all shareholders' shares (which will apply by default to all shareholders)**, such cancellation having been approved by shareholders and the court as required under Part 15 of the Companies Act 1993.

PGW has only one class of shares on issue, being ordinary shares. The amount of available subscribed capital attributed to the PGW shares has been determined and is set out in the factual review letter dated 28 September 2018.

The share cancellation will be conducted by PGW undertaking a two for one share split with the available subscribed capital remaining constant as part of the Arrangement (with the additional share then being the share that is cancelled). The cash distribution to shareholders will be entirely funded from the capital proceeds received from the sale.

Conditions stipulated by the Commissioner

This Ruling is made subject to the following conditions:

- All PGW shares cancelled as part of the Arrangement will be ordinary shares of the same class issued by PGW and the shares will be cancelled in whole, not part.
- The cancellation is either:
 - **a pro rata cancellation offer to all of PGW's shareholders at the date PGW first gives notice to its shareholders of the offer, which, if accepted by each shareholder in full, would not alter any person's voting interest in PGW; or**

- a **pro rata cancellation of shares that does not alter any person's voting interest in PGW.**
- A market value circumstance will not exist at the time of the share cancellation.
- The total amount paid in consideration for the share cancellation will be 15% or **greater of the market value of the ordinary shares at the time of PGW's first notice to shareholders of the pro rata share cancellation.**
- **Any changes to PGW's existing dividend policy** will be unrelated to the share cancellation and cash consideration paid to the shareholders under the Arrangement.
- Any future issues of ordinary shares in PGW will be for genuine commercial reasons and will be unrelated to the share cancellation that is the subject of this ruling.

How the taxation law applies to the Arrangement

Subject in all respects to the conditions stated above, the taxation law applies to the Arrangement as follows:

- The amount distributed to PGW shareholders on the off-market pro rata share cancellation by PGW is not a dividend because section CD 22 applies to the extent that the amount paid per share is less than or equal to the available subscribed capital per share calculated in accordance with section 23(1).
- Section CD 22(6) does not apply to the Arrangement.

The period or income year for which this ruling applies

This ruling will apply for the period beginning on 30 October 2018 and ending on 31 October 2021.

This ruling is signed by me on the 12th day of October 2018.

Tracey Lloyd
Group Lead, Customer Compliance – Significant Enterprises