

A black and white photograph of a wooden crate filled with wool. A pair of shears is resting on top of the wool. The shears have a dark handle and a metal blade. The wool is piled high and appears soft and textured. The wooden crate is visible in the bottom left corner.

CHAIRMAN'S REVIEW

THE FINANCIAL YEAR ENDING JUNE 2005 HAS CERTAINLY BEEN AN EVENTFUL PERIOD FOR WRIGHTSON – ONE THAT HAS LAID A PLATFORM FOR EXCITING GROWTH OPPORTUNITIES.

In last year's Chairman's Review I talked about your Company entering a "new phase as a leader in New Zealand agriculture." I believe we have lived up to that challenge.

The 2005 financial year has seen the Company's entire operations reviewed, with the key focus being to simplify and streamline the business to be more responsive to the needs of clients, whilst at the same time providing a solid base for growth.

The commitment of the Board, management and staff to improving business performance is reflected in the doubling of net profit after tax, to \$20.5 million. (A full account of the performance can be seen in the Operating Review). This result has enabled us to lift our dividend payout to 14 cents per share for the year, up 2.5 cents.

The year also saw Wrightson undertake two major strategic initiatives involving stock exchange listed rural servicing companies. One was the purchase of Williams & Kettle, which was completed in March 2005. The second involved Pyne Gould Guinness. While the proposed merger with that company was announced after balance date, considerable Board and management time was spent on this project in the latter part of the financial year.

It was the view of both your Board and management that these strategic initiatives were essential if Wrightson was to keep pace with changes taking place in farm businesses and in agriculture generally, in New Zealand and overseas. Farmers have an increasing commercial focus in all aspects of their business, greater demand for specialised knowledge, a strong expectation of increasing service levels and a requirement for every service provider to demonstrate that it can genuinely add value.

A key problem facing the New Zealand rural servicing industry has been the high level of fragmentation, with a few full service players and a growing array of specialised competitors. At the same time farmers have faced increasingly aggressive and capable competition from agribusiness around the world, targeting what were once seen as traditional, stable markets for New Zealand produce. We believe that a fragmented rural services industry cannot address the changes taking place, and consequently cannot provide the support needed by clients.

So our strategy to seek out new partners was a very deliberate one.

Your Board is very pleased with the way the integration of Williams & Kettle has progressed, and with the effect on performance. We remain on track to realise the benefits of this merger in the next financial year.

A key ingredient in the success of this process has been that the merger was friendly. The Boards of both companies recognised

the need for consolidation, to improve the economics of the industry and to provide a better base for initiatives that would improve clients' profitability.

Both Wrightson and Williams & Kettle have long, proud histories and strong and dedicated client relationships. To the credit of all involved, these relationships have not been disrupted through the integration process.

I would like to thank the former board members of both Wrightson and Williams & Kettle for their role in facilitating this successful transaction. Thanks are also due to the senior management teams of both companies, who embraced the merger enthusiastically and carried out the critical task of integrating the operations with urgency and professionalism.

Like Williams & Kettle, Pyne Gould Guinness has a long history in the rural services industry.

The full details of our proposed merger with Pyne Gould Guinness are in an information pack that will be mailed to you separately. In summary, the merger will see Wrightson being merged into Pyne Gould Guinness to become PGG Wrightson, which will remain NZX listed. Pyne Gould Guinness will issue new shares to Wrightson shareholders to effect the merger.

PGG Wrightson will be represented throughout New Zealand, as well as in Australia and South America. The strength of the merged company's New Zealand base will also provide an excellent platform for development in key offshore markets.

The objective behind the merger proposal is to establish a company that can deliver a new level of performance to farming clients, making a positive difference to the profitability and sustainability of their businesses. PGG Wrightson will also have the capacity to invest in innovation, so it will be well placed to respond to opportunities.

Both boards recognise that the strength of the merged business will be based on the quality and commitment of the new company's staff, and on their relationships with clients. Accordingly, all field staff will be retained in the merged company. As the company develops and progresses, staff will gain the benefits of enhanced career and personal development opportunities arising from business expansion and innovation. In total, it is estimated that PGG Wrightson will employ approximately 2,700 people.

Based on pro forma financial data, the Company will have an initial turnover of \$1.1 billion and total assets of almost \$900 million. The merger is expected to result in synergies of approximately \$10 million in the 2005-06 year, offset by a similar magnitude

of associated costs. Synergies of approximately \$20 million are expected to flow through to earnings in the 2007 year.

This exciting initiative to unite two proud companies has the full support of your Board and management, not to mention the backing of the Pyne Gould Guinness Board and the cornerstone shareholders of the respective companies – Pyne Gould Corporation and Rural Portfolio Investments. I hope you share our enthusiasm. As a shareholder in Wrightson you will have the opportunity to vote on this merger at a special meeting to be held on 16 September 2005.

So it really has been an eventful year – and one of very substantial change. I would like to pay a special tribute to all our staff, whose support throughout this process has contributed to the company's success. I would also like to thank our chief executive Barry Brook, whose experience and leadership have been invaluable during these times of change.

Your Board is confident of the future direction of the company. Clearly, some things are going to be different as we move forward. What will remain the same is our focus on building a business that benefits our clients and our shareholders. On that note, on behalf of your Board, I thank you for your ongoing support.



Keith Smith
Chairman



MERGER PROCESS - WRIGHTSON AND PYNE GOULD GUINNESS

The merger of Wrightson into Pyne Gould Guinness to form PGG Wrightson will occur by way of a Court approved Scheme of Arrangement.

Pyne Gould Guinness will be the surviving entity, and will be renamed PGG Wrightson. Wrightson shareholders will receive three Pyne Gould Guinness shares for every two Pyne Gould Guinness shares currently on issue. By definition, for every one Wrightson share held, approximately 1.1535 Pyne Gould Guinness shares will be received.

Special resolutions of the shareholders of both companies are required to approve the merger. Consequently, the merger may proceed only after 75 percent support is received from the shareholders of both companies who vote on the resolutions, and after Court approval is obtained.

Conditions

Conditions precedent to the completion of the merger include:

- Commerce Act clearance
- Standard regulatory exemptions, approvals and waivers (eg Securities Commission, Takeovers Panel and NZX)
- Due diligence to the satisfaction of both Boards
- Shareholder approvals
- Court sanction on terms satisfactory to both Boards
- Approval from the Trustee for the Redeemable Preference Shares (RPS) issued by Rural Portfolio Investments Limited, and from the RPS holders