

BOARD OF DIRECTORS



Keith Smith B.Com, FCA

Chairman

Keith Smith was appointed as a Director and Chairman of Wrightson in June 2004.

Keith is a chartered accountant and is a partner in the national accounting practice BDO Spicers, specialising in Directorships. He is Chairman of Tourism Holdings Limited, Skellmax Industries Limited and The Warehouse Group Limited. He is also Deputy Chairman of Genesis Power Limited, as well as a Director of Macquarie Goodman (NZ) Limited and a number of private companies. He is a Past President of The Institute of Chartered Accountants.

He is Chairman of the Wrightson Board's Remuneration and Appointments Committee.

Craig Norgate BBS, CA, FNZIM

Deputy Chairman

Craig Norgate was appointed to the Wrightson Board in June 2004. He is Managing Director of Rural Portfolio Investments Limited, which owns 50 percent of the shares in Wrightson. Craig had 16 years experience as a leader in the New Zealand dairy industry, including two years as the inaugural CEO of Fonterra and, prior to that, a number of years as Chief Executive Officer of Kiwi Co-operative Dairies.

Craig is a Director of Westgate Transport Limited and Aotearoa Fisheries Limited, and a member of the Government's Growth and Innovation Advisory Board and the Board of the Foundation for Research, Science and Technology.

He is a member of the Wrightson Board's Remuneration and Appointments Committee.

John Bayly MNZM

John Bayly was appointed to the Wrightson Board in March 2005 after the acquisition of Williams & Kettle Limited. John had served as a Director of Williams & Kettle for 29 years, the last four as Chairman. He had previously held Directorships of Affco Holdings Limited and the East Coast Fertiliser Co-operative.

John and the Bayly family have extensive farming interests on the East Coast of the North Island, and he is also heavily involved in community organisations and projects. In 2004 he was made a member of the New Zealand Order of Merit for his services to business and the community.

Sir Selwyn Cushing KNZM, CMG, FCA

Sir Selwyn was appointed to the Wrightson Board in March 2005 following the acquisition of Williams & Kettle Limited, of which he had been a director for more than 20 years.

Sir Selwyn has extensive experience in the rural sector and has been involved with public companies for almost 50 years. He is currently chairman of Rural Equities Limited, New Zealand Rural Properties Trust Management Limited and the New Zealand Symphony Orchestra. He is also a director of Cabletalk Group Limited.



Murray Flett B.Com Ag

Murray Flett was appointed to the Wrightson Board in August 2004. He is a Southland-based dairy farmer and a director of a number of private companies.

Murray spent nine years as a director in the dairy industry, including a three-year term as a director of Fonterra. He is currently a director of several private companies in the food, printing, importing and agricultural sectors in New Zealand and Australia.

Alan McConnon

Alan McConnon was appointed to the Wrightson Board in June 2004. He is an Executive Director of Aorangi Laboratories Limited, the holding company for the McConnon family interests, and a director of a number of private companies both within and outside the Aorangi group.

Alan is a previous Managing Director of Mainland Products, and more recently led the exporting activities for the Australasian Food Holdings group into Asia, Japan and other markets.

He is a member of the Institute of Directors in New Zealand (Inc).

Baird McConnon

Baird McConnon was appointed to the Wrightson Board in June 2004. He is Chairman of Rural Portfolio Investments Limited, and of Aorangi Laboratories Limited. He is also a Director of a number of private companies related to the McConnon family interests.

Baird has been involved in agriculture-related businesses in New Zealand for more than 30 years, most recently as Chief Executive of the team responsible for the development of the Mainland consumer products group and the Australasian Food Holdings group. He is a member of the Institute of Directors in New Zealand (Inc).

Baird is a member of the Wrightson Board's Remuneration and Appointments Committee. He has also been designated Interim Managing Director of PGG Wrightson, subject to that company being established through the proposed merger of Wrightson and Pyne Gould Guinness.

Gerald Weenink M of Ag Econ

Gerald Weenink was appointed to the Wrightson Board in March 2005, following the acquisition of Williams & Kettle Limited.

Gerald was a Director of Williams & Kettle Limited from 1994 until 2003, and Group Chief Executive Officer from 1997 until his retirement in November 2003. Prior to joining Williams & Kettle he held a number of senior executive roles in the rural sector, including more than 15 years as a senior manager with Wrightson. He was a Director of Wrightson and Managing Director of Wrightson Finance.

Gerald is also a Director of Rural Equities Limited and New Zealand Property Trust Management Limited.

He is a member of the Wrightson Board's Audit Committee and the Human Resources and Remuneration Committee.



OPERATING REVIEW



THE 2005 FINANCIAL YEAR WAS HIGHLIGHTED BY A SERIES OF MAJOR STRATEGIC INITIATIVES TO SIMPLIFY AND GROW THE WRIGHTSON BUSINESS.

The earliest priority of the new Board and management team was to renew the company's focus on the needs of clients and to make our business "easy to deal with." This brought a number of changes to simplify administration and maximise decision-making by front-line staff.

There have also been significant changes to the business portfolio, with two key objectives – to simplify the business and establish a platform for growth. The largest initiative undertaken during the year was the merger with Williams & Kettle Limited following a takeover offer concluded in March 2005.

The comprehensive programme required to integrate the two companies began immediately after the acquisition and was substantially complete by the end of the year. It is a measure of the programme's success that relationships with clients have not been disrupted. The merger is now having a positive impact on financial performance.

In the final quarter of the year, Wrightson entered into discussions with Pyne Gould Guinness Limited that led to a proposal to merge the two companies by way of a court approved scheme of arrangement. This was announced a few days after balance date.

These major initiatives were founded on Wrightson's strong view that rationalisation is required amongst the many entities involved in rural services – to improve the industry's economics and provide a better base to assist farmers to improve profitability and productivity. Further comments on this theme are made below.

RESULTS

While much time was spent by the Board and management on strategic initiatives, Wrightson was still able to keep its focus on performance.

Net profit after tax (NPAT) was \$20.5 million, compared with \$10.3 million in the previous year. The 2005 result included a number of one-off or non-recurring items with a net positive impact of \$4.0 million. These comprised gains on disposal of the Insurance, Potato and Forestry Services businesses, offset by items related to the Williams & Kettle acquisition, restructuring costs, discontinued operations and a loss on sale of the Genesis Research and Development Corporation shareholding. One-off items totaled negative \$2.4 million in the previous year.

The New Zealand operations contributed NPAT of \$16.9 million, compared with \$7.7 million in the previous year. NPAT from the business in Australia was \$3.0 million, compared with \$2.1 million previously; and from South America \$0.6 million, compared with \$0.5 million.

Wrightson has declared a fully-imputed final dividend of 10.5 cents per share, to be paid on 15 September 2005. With the interim dividend of 3.5 cents per share, total dividend for the year is 14.0 cents per share. This compares to 11.5 cents per share for the previous year.

Operating conditions were generally comparable with those prevailing during the previous year, with continuing strength in commodity prices driven by strong demand for most agricultural products. This helped offset the high value of the New Zealand dollar.

International dairy product prices reached near-record levels. Overseas beef prices increased, partly due to the discovery of BSE in cattle in North America, and New Zealand was able to supply more beef to the Asian markets because of their ban on imports of North American beef.

Lamb production rose, and this is expected to continue in the short term due to ongoing productivity gains. United Kingdom lamb prices were at record levels because of reduced domestic supply and prohibitive above-quota tariffs on non-EU exporters. The average auction price for wool fell because of the exchange rate.

The deer industry continued to wait for improvement in both venison and velvet prices, which have been at low points for several years. In arable farming, cereal production was strong and prices were reasonable.

Climatic conditions had a mixed impact, with a difficult spring for many farmers being balanced by good summer harvest conditions.

Operating revenue increased from \$638 million to \$692 million, including four months revenue from Williams and Kettle.

Earnings before interest and tax (EBIT) were \$29.1 million, compared with \$16.5 million in the June 2004 year. Most business units improved their financial performance, and there were particularly strong results from Livestock and Seeds. With the four months' contribution from Williams & Kettle, the year-on-year comparison is not on a like-for-like basis.

Earnings from Rural Supplies were affected by a reduction in margin on fertiliser sales as intense competition affected prices. The Finance result reflected the investment in people, products and systems required to re-establish and grow the business.

Group earnings benefited from a range of initiatives to reduce overheads and improve efficiency in internal processes. These included the disestablishment of the Solutions business unit, the restructuring of the Consulting business, a reduction in corporate costs and improvements in central processing.

Cash flow from operations was \$17 million, compared with \$9 million in the 2004 year. The increase was primarily a reflection of the rise in earnings and a positive movement in working capital.

Total assets increased from \$255 million to \$469 million following the acquisition of Williams and Kettle and growth in Finance Receivables. The increase was funded primarily through bank debt, which increased to \$114 million at 30 June, and a bond issue in Wrightson Finance. With these initiatives in mind, new bank funding lines were established during the year and these are in excess of current requirements.

Shareholders' Equity is strong at \$151 million, up from \$110 million last year, reflecting the improved profitability, the revaluation of land and buildings to market values and the issue of additional shares during the year.

Changes in the business portfolio included the establishment of a new insurance partnership with Aon New Zealand to improve the range of products and services offered to rural clients, and the restructuring of Wrightson's approach to Research. Three major initiatives were taken in the Research area – the sale of the Genesis shareholding, the establishment of a new trans-Tasman partnership, and a substantial investment in a new venture fund focused on food and agriculture life sciences, with Nestlé and other investors.

The Potato business was sold during the year to two former principal employees. The Forestry Services business was sold to PF Olsen and Company Limited, New Zealand's largest independent provider of forestry management and consulting services. The Solutions business unit was discontinued, and the Consulting unit absorbed into District operations.

The company further increased its focus on the industry-wide issue of recruitment and retention of talent. The 10 cadets taken on in the previous year were successfully introduced to the business through a programme mixing classroom and practical disciplines. A further 10 cadets are being recruited in the current year. An increased commitment and focus saw various parts of the business increase their provision of specialised in-house training.

Livestock and Wool

EBIT from Livestock and Wool increased from \$5.2 million to \$8.5 million.

The Livestock business performed strongly, with increases in tallies and prices. Average beef schedule prices were up 17 percent over the year, while those for sheep were up 12 percent.

The Livestock business saw the completion of the Rangiora Liveweight Selling Centre – the final step in a project to upgrade nine saleyards around the country. Overall market share increased, with a 14 per cent rise in sheep and cattle numbers sold.

The strong New Zealand dollar affected wool prices negatively, producing flat results for this business. The late start to summer delayed the start of shearing, but bale intake was strong in the second half-year and was up by 1 percent year-on-year.

The New Zealand Wool Handlers joint venture established with Pyne Gould Guinness in 2004 performed well in its first full year of operations. NZWHL is looking to introduce new handling practices in the current year to increase efficiency.

The New Zealand Merino Company Limited, which is 35 percent owned by Wrightson, contributed \$138,000 on an equity accounted basis, compared with \$111,000 in the previous year. Wrightson supported the industry initiative to move the sale of New Zealand fine wool to auctions in Melbourne, which was completed in the first half of the year.

Seeds and Grain

EBIT from the Seeds and Grain businesses increased from \$11.9 million to \$16.5 million.

Earnings from New Zealand Seeds were steady. The company's proprietary ryegrass Extreme™, the world's first commercially available ryegrass containing the novel endophyte AR6, built on its introduction to the market. Good sales of Extreme™ were achieved, with the multiple agronomic benefits being recognised by farmers. The launch of the Pasture Partners™ campaign provided a catalyst to raise farmer awareness of the economic and farm benefits of pasture renewal.

The Australian Seeds business lifted earnings despite a serious drought in the latter part of the year.

The business in Uruguay continued to build on earlier successes, with the introduction of summer crops during the first half of the year. Earnings were slightly higher than for the previous year.

The Grain business had a solid year, and produced a performance in line with expectations. The Potato business had slightly higher results during the period prior to its sale.

Rural supplies

EBIT from the Rural Supplies business was \$1.6 million – \$0.1 million higher than for the previous year.

Reduced fertiliser margins from increased competition in that part of the business continued to affect earnings. The company has made a number of changes to improve performance, including decentralising decision-making and accountability and increasing the focus on sales and inventory management. A pilot programme in the Otago region has supplemented these changes with an expansion in on-farm representation, along with a higher marketing profile through catalogues, field days and other promotions.

New renovated stores were opened in Waipukurau, Ashburton and Helensville, and another will be added in Huntly early in the current year.

The integration of the Wrightson and Williams & Kettle store networks proceeded successfully. Twenty two Wrightson stores in the lower North Island were rebranded as Williams & Kettle. Seven of the twelve duplicated stores were amalgamated on single sites, and the remaining five will be completed in the first quarter of the current year.

Lower returns in the pipfruit industry affected the Fruitfed stores, with some flow-on effect on merchandise and machinery.

Financial Services

EBIT from Real Estate, Finance and Insurance rose from \$4 million to \$11.6 million, including the profit on sale of Insurance business.

Real Estate The real estate business benefited from its focus on high-value rural property capable of attracting interest from both international and New Zealand buyers. Market conditions were generally buoyant, with strong domestic demand. High priority was maintained on improving business support systems, and on attracting high-performing agents with customised training and systems.

Four new sites were added during the year – in Cromwell, Tekapo, Rangiora and Havelock North. The focus continues to be on rural and lifestyle properties. Market share was picked up in a number of key regions including the Waikato.

Insurance Wrightson and Aon New Zealand established a joint venture to improve the range of insurance products and services available to rural New Zealand. The joint venture embarked on a development programme focused on transferring customers to the Aon operating system, creating a growth strategy, and establishing joint advertising and promotions.

Finance The re-establishment of the Finance business continued, with emphasis on the recruitment of senior managers, product development and the upgrading of administrative systems.

Deposit-taking was established during the year, and a \$45 million secured bond issue was completed. The loan book was increased from \$17 million to \$60 million, with \$20 million of the increase resulting from the Williams & Kettle merger. The company also established transaction banking and made initial preparations for the introduction of internet banking during the 2006 year.

Other businesses

Agri-feeds, the group's animal feed supplements subsidiary, had steady earnings. Delayed spring growth conditions put pressure on volumes in the molasses market, but margins were steady across the business.

Agriculture New Zealand Training lifted its earnings slightly due to increased demand for training services and the success of initiatives undertaken with Telford Polytechnic and the Farmsafe consortia.

The Forestry business incurred a loss prior to its sale.

PROPOSED MERGER WITH PYNE GOULD GUINNESS LIMITED

On 5 July 2005 Wrightson and South Island-based rural servicing group Pyne Gould Guinness announced their intention to merge to create PGG Wrightson Limited.

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. A strong national rural servicing business will be in a better position to achieve this than any of the businesses in what has been a highly fragmented industry.

The terms of the merger have been agreed unanimously by the Boards of Wrightson and PGG. A special meeting of shareholders will be held to vote on the proposal. Shareholders will receive an Investment Statement and Prospectus providing detailed information on the proposal and on the business of the merged company.

OUTLOOK

Wrightson is well-positioned to improve performance in the current year, with benefits being realised from internal efficiency improvements, the refinement of the operating portfolio and the merger of Wrightson and Williams & Kettle.

Operating conditions for the coming year are difficult to predict. At this stage rural commodity prices remain generally strong, being helped by the recent decline in the value of the New Zealand dollar from its historical highs. Climatic conditions will always be a factor, but the spread of businesses and the wide geographic presence of Wrightson reduce such risks. The generally favourable economic climate for farmers in recent years has meant on-farm investment has been substantial and productivity improvements are expected to continue.

If the merger of Wrightson and Pyne Gould Guinness is approved it will take most of the 2006 financial year to complete. Synergy gains would be offset by one-off costs in the current year, and would have a positive impact on earnings from the 2007 financial year.

SENIOR MANAGEMENT TEAM

**Barry Brook****Chief Executive Officer**

Barry Brook was appointed Chief Executive Officer in December 2004. He joined Wrightson in 1985 from the Prime Minister's Advisory Group, and has since held a number of senior positions covering most aspects of the Company's operations.

Barry was General Manager, International, until 2004. In this role he was responsible for Wrightson's highly successful Seeds business, and for the Company's operations in Australia and Uruguay. Barry has a Masters of Agricultural Commerce (Hons) degree and a Diploma in Valuation and Farm Management, both from Lincoln University.

Mike Sang**General Manager, Finance and Operations**

Mike Sang is responsible for Wrightson's finance, company secretarial, property, information systems, risk assurance, customer service centre and treasury activities. He joined Wrightson in early 2004 from the Airways Corporation, where he was Group Manager Finance. Prior to joining Airways Corporation in 1998, Mike held senior finance positions with Enerco and with a healthcare provider in the United Kingdom.

He has a Bachelor of Commerce and Administration from Victoria University, and is a Chartered Accountant and a Member of the New Zealand Institute of Management.

Stuart Cooper**General Manager, Southern Region**

Stuart Cooper has responsibility for all Wrightson's business activities in the South Island. He also manages the Company's national Wool, Deer and Velvet businesses.

Stuart has been with Wrightson since 1996, and was previously General Manager, National Sales. He has a strong background in marketing and sales, and held senior roles with Trustbank New Zealand Limited and Mitsubishi Motors Limited prior to joining Wrightson. Stuart has a Bachelor of Commerce Degree in Economics from Canterbury University.



Grant Higgins

General Manager, Northern Region

Grant Higgins has responsibility for all Wrightson's business activities in the upper North Island, and for the national Livestock business, including Livestock Export. Grant has had extensive experience with the Company, having joined Dalgety New Zealand Limited in 1979 and subsequently moving with that company into Wrightson. He has worked in a range of branch management and Livestock positions, and was previously General Manager, Livestock.

Paul Macfie

General Manager Central Region & Rural Supplies

Paul Macfie joined Wrightson in March 2005 with the acquisition of Williams & Kettle Limited, of which he was Chief Executive Officer from November 2003. He is responsible for Wrightson's businesses in the Central Region of the North Island, operating under the Williams & Kettle brand.

Paul has extensive knowledge of the New Zealand rural services industry, with 25 years experience in a variety of senior management positions. He has worked in rural finance, livestock, merchandising, rural real estate and wool, and has a Bachelor of Agricultural Commerce degree from Lincoln College.

Ian Walsh

General Manager, Financial Services

Ian Walsh's role includes responsibility for rebuilding Wrightson's Financial Services business, and for the Real Estate and Insurance businesses.

Ian joined Wrightson in 2004 from Bank of New Zealand, where he was General Manager, Agribusiness. He has a strong track record in rural finance, having managed farm lending portfolios for eight years prior to joining the Company. Ian has a Bachelor of Agricultural Science from Lincoln University and a Diploma in Treasury from Waikato University.