



News Release
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Strong growth continues for PGG Wrightson Finance

PGG Wrightson Finance further strengthened its position as New Zealand's leading specialist rural finance company in the six months to 31 December 2008. Despite the impact of the global financial crisis the company continued to grow its loan book, increased market share and substantially strengthened its balance sheet.

"We are in a strong position to pursue continued growth by supporting New Zealand farmers and growers as they work to achieve their own business objectives," Mark Darrow, head of PGG Wrightson Finance, said today.

The company's loan book grew by 14 percent from a year earlier, to \$513 million. This was driven largely by an increase in enquiry from new and existing clients, as other rural financiers appeared more reticent about lending in the prevailing economic climate.

"The loan book has grown steadily at a double-digit rate month after month for the last three years," Mr Darrow said. "With a strong financial and institutional base, we have been able to take a more flexible view on supporting clients through global cycles while retaining excellent credit quality. There is nothing we can see that will deflect that rate of growth in the next 12 months."

The continued solid growth in assets saw core net interest income increase 34 percent, from \$6.94 million to \$9.30 million. Including IFRS adjustments of \$0.96 million, net profit after tax (NPAT) increased by \$2.09 million to \$4.65 million.

The performance reflected a high-quality loan book, with a very low level of default. At the end of the period, the secured portion of the book was 97.9 percent – with first land mortgages totalling 74.4 percent and second land mortgages of 6.4 percent. Fifty-five per cent of loans are to sheep or beef farmers.

During the six months under review, PGG Wrightson Finance further enhanced its capital base, including a successful capital raising of \$100 million through a Secured Bond issue. The offer was oversubscribed and closed early.

The proceeds from the issue supplemented the company's debenture programme, which grew by more than \$90 million during the 2008 calendar year. Reinvestment rates in the debenture programme remained strong, at around 80 percent. The company also had call deposits totalling \$80 million at 31 December. It has a guarantee under the New Zealand deposit guarantee scheme, pursuant to the Crown Deed of Guarantee.

Undrawn bank facilities stood at \$180 million at 31 December, following the successful renegotiation of wholesale lines with key banking partners earlier in 2008.

Looking ahead, PGG Wrightson Finance is confident of its clients' resilience in these challenging times.

"New Zealand farmers have a history of adjusting to difficult conditions and building stronger businesses over the long term. Current conditions are challenging, with reductions in some key

commodity prices and short-term imbalances in supply and demand. There have also been areas of improvement – for example in the meat industry, where lamb producers are receiving significantly more than last season’s poor returns,” Mr Darrow says.

“On balance, we are cautiously optimistic that this environment will enable PGG Wrightson Finance to maintain its growth path.”

PGG Wrightson Finance is a subsidiary of PGG Wrightson Limited, New Zealand’s only nationwide full-service provider to the agricultural sector. Most of its clients are also parent company clients, for whom the finance products and services comprise a highly important value-added offering.

For further information, please contact:

Mark Darrow, Director - Financial Services, PGG Wrightson Limited
Mobile: (021) 888 858