

Resilient performance from PGG Wrightson Finance

PGG Wrightson Finance (PWF) has posted encouraging results for the year ending 30 June 2010 with operating earnings before tax of \$13.1m compared with \$10.1m for 2009. Net profit after tax was \$8.9m (2009: \$7.8m).

The results were considered positive against the backdrop of the global financial crisis and difficult trading conditions in the agricultural sector.

Mark Darrow, CEO of PWF said the company had devoted its efforts to servicing existing clients and concentrated on working capital finance which offered not only better returns but also served to position capital where it could be of the most support to farmers and growers during the current challenging business cycle. "This saw overall assets decrease by 5% for the year, but with increased revenue and operating profit."

Mr Darrow said while loan impairments for the year had increased to \$8.9m primarily as a result of several dairy sector exposures, the company had continued to limit dairy exposure to around 25% of its portfolio - versus an industry average of more than 60%.

"During the year the company received a first time BB (stable) credit rating from Standard & Poors, which enabled our application and acceptance into the extended Crown Guarantee scheme. This facilitated the company being the first to offer unguaranteed deposits from January 2010, and receiving a substantial refund of Crown Guarantee fees."

Total loans and receivables decreased by 5% from \$559.7m at June 2009 to \$530.9m at June 2010 reflecting reduced appetite in lower yielding term loans, with more focus on working capital finance. "Excellent support from retail investors saw a 15% increase in deposits since November 2009, while the company also experienced a very strong debenture reinvestment rate which averaged nearly 80% for the financial year," Mr Darrow said.

Post year end, PWF also rolled over their NZDX listed \$100m bond programme (PWF030) for a further year with an emphatic 90% positive vote from bondholders.

"Having an on-going bond program is part of our diversified funding approach, which we will look to continue going forward. Our debenture program has also seen exceptional support so far this year growing month on month and achieving record reinvestment rates over the last 6 months. We have always enjoyed amazing loyalty from our depositor base which we highly value."

Looking ahead Mr Darrow said PWF was strongly positioned to meet a number of non bank deposit taker regulations coming into force over the coming period. "We are acutely aware that we are operating in a challenging environment, and will continue to operate the business with a more prudent and conservative approach particularly from liquidity and credit perspectives. We are delighted to deliver another record result to provide further confidence to our investors, which in turn enables us to support the agriculture sector."

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