Half-Year Report 2002

For the period ended 31 December 2002

Wrightson Limited

Wrightson

Wrightson

Shareholder inquiries about transactions, changes of address or dividend payments should be directed in the first instance to Computershare Registry Services, telephone 64 9 488 8777.

Corporate Directory

Board of Directors

John Palmer (Chairman)
Allan Freeth (Managing Director)
Paul Baines
David Brownrigg
Jeffrey Grant
Alison Paterson
Hon. Ruth Richardson
Henry van der Heyden*

**Appointed August 2001, resigned 31 December 2002*

Senior Management

Managing Director
Allan Freeth

Chief Financial Officer
Simon White

General Manager Northern Region
Grant Higgins

General Manager Southern Region
Stuart Cooper

General Manager Rural Services and Distribution
Cros Spooner

General Manager Livestock and Wool
Richard Wakelin

General Manager International
Barry Brook

General Manager Solutions
Michael Ahie

General Manager Organisational Development
Maggie Robertson

General Manager Business Services
Josie Swan

Company Secretary
David Parker

Registered Office

Wrightson House
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Porirua

Postal Address

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Porirua
Telephone: 64 4 238 0335
Facsimile: 64 4 238 0285
Website: www.wrightson.co.nz

Auditors

KPMG
KPMG Centre
135 Victoria street
PO Box 996
Wellington

Solicitors

Chapman Tripp Sheffield Young
AMP Centre
1 Grey Street
PO Box 993
Wellington

Share Registry

Computershare Registry Services
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92 119
Auckland 1020
Shareholder inquiries:
Telephone 64 9 488 8777

Half-Year Review

The Board and Management of Wrightson are satisfied with the Group's performance for the six months ended 31 December 2002, in the face of the most difficult spring conditions for farming in the last 20 years, and lower livestock values.

Although the Group's operating earnings before interest and tax (EBIT) for the first six months of the 2002/3 financial year reduced by $1.5 million, or 14 per cent, to $9.6 million from $11.1 million in the same period the previous year, the Company views this as a solid result given the climatic and economic conditions.

Operating EBIT is before the deduction of $2.7 million on strategic and restructuring initiatives, and unusual items such as those relating to wool reform and Solutions development in the previous period.

EBIT reduced 32 per cent to $6.8 million, from $10.1 million in the same period the previous year.

Net profit after tax for the six months was $4.1 million, a reduction of 35 per cent from the $6.3 million in the previous period.

While disappointed that the Group has not continued on its path of earnings improvements, the Board and Management view the result as solid and credible, and have confidence in the full year's result.

The Board has declared that an interim fully imputed dividend of 3.5 cents per share will be paid on 31 March 2003. The dividend is the same as that paid for the same period the previous year.

Key financial data for the six months includes:

- The Group's New Zealand operations' after-tax profit of $5.3 million was 28 per cent down on the corresponding period. This reflected the extreme spring conditions, reduced livestock values, and the strategic and restructuring expenditure of $2.7 million.

  The strategic and restructuring expenditure included:

  - merging the Agriculture New Zealand On-farm business into the Solutions business, in order to build sales and capture intellectual property.
  - restructuring the Information Services Group to improve the Company's IT infrastructure, and to introduce voice over data capabilities as a means of lowering ongoing telecommunications costs.
  - investigating opportunities to achieve scale in various businesses and improve operating structures, particularly in the Wool business, but also in other areas of the Company's operations.
  - investing in agriculture-related biotechnology and climate change research, on our own account with Genesis Research and Development Corporation, and as part of a consortium with Fonterra, AgResearch, Meat New Zealand and others.

- Livestock and Wool EBIT reduced from $2.4 million to $1.0 million. While livestock tallies were maintained, as expected, values were down, with the average value of sheep handled dropping over $5 per head to $60, and beef cattle dropping $120 per head to $580. The reduced performance of the Livestock business was, to some extent, offset by improved EBIT from the Wool business.
- The New Zealand Seeds business performed strongly, despite some product shortages due to the poor harvest in 2002.
- Although Rural Supplies' sales volumes were below last year, margins were maintained through growth in through-store sales, which deliver better margins. Rural Supplies' EBIT was $2.8 million compared with $3.0 million for the comparable period the previous year.
- Offshore, the Australian net loss after tax was $1.0 million compared with a loss of $0.6 million in the previous period. This business is performing well despite the severe drought being experienced across much of Australia, and we expect the usual pattern that sees 85 per cent of sales occurring in the second half of the financial year.

  This, combined with strong forward sales, gives us confidence the Australian business will be profitable for the full year. The critical issue for the Australian rural sector is the timing of the autumn rains in 2003.
- Our losses in Uruguay were reduced to $0.2 million, reflecting the ongoing focus on costs. We remain committed to this business, as it gives us a foothold in a large, developing, pastoral sector, very similar to New Zealand's. Since the end of December, Uruguay has experienced major flooding, resulting in flood damage to our seed stocks. This is expected to be covered by insurance.
- Group net revenue (gross profit) fell by three per cent from $82.3 million to $79.4 million.
- Cash flow from operations was negative $10.9 million for the six months compared with positive $5.0 million in the previous period. This was largely due to increased inventories, and growth in the Integrated Fibre Management business and the terms of trade applying to forward contracts. We are confident that cash flows for the full year will be consistent with the positive cash flows achieved over the last two years.
- Expenditure increased 0.5 per cent to $72.7 million, largely reflecting the investments in the Rural Supplies Logistics project, and in strategic and restructuring initiatives.
- The Group balance sheet remains conservative.

Business Initiatives

During the six months, Wrightson has made progress on various business initiatives.

- We are continuing to develop new Solutions products and services where we can see a market demand, and at the same time, market those Solutions that have already been developed and piloted, such as Whole Crop Silage, Integrated Farm System, and Elite Grazing.
- Additional technical and specialist resources have been directed towards our Solutions business, for example the recent integration of our Agriculture New Zealand On-farm Consultants with our Solutions team.
- The Rural Supplies business remains focused on improving margins and market share, and logistics management. Best practice logistics are one of the key building blocks for growing this business, and while progress with implementation has been slower than anticipated, we are well advanced with this project.
- Our Rural Finance business is profitable after its first 12 months of operation, with strong uptake of our short-term rural finance products. Already, over $16 million of loans have been approved, with this business offering further significant growth potential. We are currently working closely with our strategic partner, Rabobank, on ways to take our alliance forward and unlock additional growth potential for both partners.
- The Company is making solid progress growing its livestock export activities and sees improved profit potential in this business.
- Wrightson strongly believes that significant structural reform is the only way to create value in the strong wool industry. The OneWool initiative, being led by Wrightson, is making satisfactory progress and is expected to be operational this calendar year.
- The joint venture fine wool company Wrightson formed with Merino New Zealand is performing strongly and ahead of expectations.
- Wrightson owns valuable biotechnology-related intellectual property related to its proprietary seeds, however as long as there is uncertainty about whether genetic technology can be used in New Zealand, the realisation of value from this asset remains in question.
- Work continues with our research partner, Genesis Research and Development Corporation on protecting, via patent filing, our intellectual property regarding genes in our proprietary grasses and how we can improve grass-breeding programmes, but we have suspended further investment in investigating how specific traits can be moved between grasses and plants.
- A detailed analysis of our commodity-based businesses has resulted in a comprehensive treasury approach linking business returns to commodity fluctuations and exchange rate movements. For example, Wrightson's returns from its commission livestock business in the domestic market are partially protected by a series of foreign exchange options linking the New Zealand dollar to the United States dollar.

Company Strategy

Developing the ability to sustain the Group's earnings in a declining commodity market is still Wrightson's key objective. Underpinning this aim is a two-pronged strategy of cost leadership in commodity businesses, and development of a Solutions business as a means of increasing sustainable earnings.

Delivering this strategy requires the Company to grow in scale and in business sophistication. The Company has reached a point where the Board is satisfied with its underlying performance, its operations and management disciplines, and its management of business risks. These factors provide a solid platform for expansion and growth opportunities, and for the leverage of our intellectual property on a wider scale.

We are prepared to invest and take more risks in order to grow the business, including continuing to invest in those areas that position us for profit growth, such as Solutions development; growing our Rural Finance business; Rural Supplies Logistics; our animal nutrition businesses, Seeds and Agri-feeds; strategic alliances; livestock export; and wool reform.

The Company also remains committed to its ongoing leadership role on issues such as environmental sustainability of agriculture, climate change, biosecurity, and biotechnology.

Outlook

The Company remains positive about the outlook for New Zealand's rural sector for the remainder of the current financial year. While average farm incomes are expected to be lower than last year, for sheep and beef farmers they are forecast to still be the second highest in inflation-adjusted terms in the last 30 years. However, for dairy farmers, the forecast payout of $3.60 per kilo of milk solids will be significantly lower than recent years.

While our outlook for the sector is positive, there are a number of concerns that are receiving our ongoing attention, including the very dry conditions in some parts of the country, and the global uncertainty regarding a possible war in the Middle East.

Nonetheless, with the Group's solid revenue performance in the face of the extreme climatic conditions experienced in spring, and with various strategic initiatives now bedded in, the Board is expecting a satisfactory result for the full year.

John Palmer

JOHN PALMER
Chairman

Allan Freeth

ALLAN L FREETH
Managing Director

WRIGHTSON LIMITED AND SUBSIDIARIES

Statement of Financial Performance

	For the 6 months ended 31 Dec 2002 $000	For the 6 months ended 31 Dec 2001 $000	For the 12 months ended 30 June 2002 $000
Operating revenue	316,999	331,276	667,714
Interest revenue	754	440	1,136
Equity earnings of associate	462	367	450
Turnover	**318,215**	**332,083**	**669,300**
Surplus before interest and taxation	6,786	10,080	31,718
Net funding cost	(660)	(148)	(274)
Surplus before taxation	**6,126**	**9,932**	**31,444**
Taxation expense	(2,191)	(3,914)	(10,430)
Net surplus	**3,935**	**6,018**	**21,014**
Net surplus comprises:			
Parent interest	4,141	6,311	21,164
Minority interest in loss of subsidiary	(206)	(293)	(150)
	3,935	**6,018**	**21,014**
Net surplus attributable to parent company shareholders	**4,141**	**6,311**	**21,164**

WRIGHTSON LIMITED AND SUBSIDIARIES

Statement of Movements in Equity

	For the 6 months ended 31 Dec 2002 $000	For the 6 months ended 31 Dec 2001 $000	For the 12 months ended 30 June 2002 $000
Equity as at 1 July	**121,200**	**114,181**	**114,181**
Surplus after taxation	4,141	6,311	21,164
Movements in foreign currency translation reserve	(465)	(68)	(243)
Issue of shares and options	98	143	241
Total recognised revenues and expenses	**3,774**	**6,386**	**21,162**
Movements in minority interests	**(242)**	**(238)**	**(56)**
Dividends paid and payable in cash	**(10,738)**	**(9,389)**	**(14,087)**
Equity at the end of the period	**113,994**	**110,940**	**121,200**

WRIGHTSON LIMITED AND SUBSIDIARIES

Statement of Financial Position

	As at 31 Dec 2002 $000	As at 31 Dec 2001 $000	As at 30 June 2002 $000
EQUITY			
Shareholder funds	113,538	110,424	120,502
Minority interests	456	516	698
Total equity	**113,994**	**110,940**	**121,200**
LIABILITIES			
Trade creditors	86,524	81,346	83,160
Secured borrowings	21,831	11,775	10,843
Other	15,813	17,262	24,937
Current liabilities	**124,168**	**110,383**	**118,940**
Non-current liabilities (provisions)	**2,747**	**3,318**	**2,577**
Total liabilities	**126,915**	**113,701**	**121,517**
Total liabilities and equity	**240,909**	**224,641**	**242,717**
ASSETS			
Receivables	123,079	108,426	106,159
Inventories	69,947	61,784	73,408
Cash and deposits	-	12,827	13,867
Other	7,428	2,839	8,058
Current assets	**200,454**	**185,876**	**201,492**
Fixed assets	32,016	29,432	31,697
Investments	2,325	2,409	2,265
Intangibles	3,259	3,193	3,717
Other	2,855	3,731	3,546
Non-current assets	**40,455**	**38,765**	**41,225**
Total assets	**240,909**	**224,641**	**242,717**

Statement of Cash Flows

		For the 6 months ended 31 Dec 2002 $000	For the 6 months ended 31 Dec 2001 $000	For the 12 months ended 30 June 2002 $000
Net cash flows from:				
Operating activities	- Inflows	319,814	348,412	718,848
	- Outflows	(330,751)	(343,413)	(693,443)
Investing activities	- Inflows	313	1,041	545
	- Outflows	(3,318)	(5,672)	(18,557)
Financing activities	- Inflows	-	149	77
	- Outflows	(10,738)	(9,389)	(14,087)
Net (decrease)/increase in cash		(24,680)	(8,872)	(6,617)
Opening cash		3,024	9,952	9,952
Effect of exchange rate change on cash		(175)	(28)	(311)
Closing (bank overdraft)/cash		**(21,831)**	**1,052**	**3,024**
Comprises:				
Cash and deposits		-	12,827	13,867
Bank overdrafts - secured		(21,831)	(11,775)	(10,843)
Closing (bank overdraft)/cash		**(21,831)**	**1,052**	**3,024**

Notes

1 Financial Statements

The financial statements have been prepared in accordance with Financial Reporting Standard No. 24 Interim Financial Statements and generally accepted accounting principles and should be read in conjunction with the 30 June 2002 annual financial statements.

2 Accounting Policies

The accounting policies of the Wrightson Group have been applied on a basis consistent with those of the previous year and as disclosed in the audited 2002 annual financial statements.

3 Material Contingencies and Commitments

There are non-cancellable operating lease commitments in place with expected future minimum rental payments of $30.1 million (31 December 2001 $26.4 million, 30 June 2002 $28.6 million).

4 Reconciliation of Surplus after Taxation with Net Cash Flow from Operating Activities

	For the 6 months ended 31 Dec 2002 $000	For the 6 months ended 31 Dec 2001 $000	For the 12 months ended 30 June 2002 $000
Surplus after taxation	3,935	6,018	21,014
Add items classified as investing or financing activities	(39)	30	265
Add non-cash items	3,502	5,378	5,964
Add/(deduct) movement in working capital items			
Inventories	2,995	10,725	(1,694)
Net receivables/payables	(12,419)	(5,376)	507
Other	(8,911)	(11,776)	(651)
Net cash flow from operating activities	**(10,937)**	**4,999**	**25,405**

5 Post Balance Sheet Event

Directors, by resolution of the Board on 19 February 2003, have declared a fully imputed interim dividend of 3.5 cents to be paid on 31 March 2003.

6 Unaudited Financial Statements

These interim financial statements have not been audited.