

PGG Wrightson Finance Limited

Half Year Report 2006

FOR THE PERIOD ENDED 31 DECEMBER 2006




PGG Wrightson Finance

To the Shareholders

HALF YEAR REPORT 2006

PGG Wrightson Finance Limited is a fully-owned subsidiary of PGG Wrightson Limited, New Zealand's only nationwide full-service provider to the agricultural sector.

The company was formed on 31 March 2006 through the merger of PGG Finance and Wrightson Finance, following the merger of the respective parent companies. On 30 June 2006, all loans and deposits related to the finance business then held by the parent company were transferred to PGG Wrightson Finance. This, therefore, is the first reporting period since the consolidation of PGG Wrightson Finance.

PGG Wrightson Finance is the largest New Zealand owned specialist rural finance company with a fully-developed set of products and services, including seasonal overdrafts, livestock trading finance, wool and crop advances, machinery finance, term loans, transactional banking services, online banking and investment products. The company is represented by locally based finance managers in every region of New Zealand.

The strong market position of the parent company is of considerable value to PGG Wrightson Finance. The PGG Wrightson group has leading market positions in Rural Services, Financial Services and Technology Services, and approximately 90,000 farmer clients. The group's six monthly turnover was \$524 million and total assets as at 31 December 2006 were \$1.2 billion. Most PGG Wrightson Finance clients are also parent company clients, for whom the finance offering is an integral part of the overall relationship with the group.

PGG Wrightson Finance adds value for clients in a number of ways – through market knowledge, a broad and clear understanding of client needs, local knowledge and perspective, an understanding of key operational areas and the ability to move quickly in providing solutions. These attributes combine to provide a significant competitive edge.

The loan book has grown strongly through the period encompassing the parent company merger and the formation of PGG Wrightson Finance. Total lending was \$361 million at 31 December 2006, reflecting growth of 9.4 percent in the six months since the completion of the merger arrangements on 30 June 2006.

The loan book is of high quality, with a low default rate and risk level which reflects a prudent management approach and a wide geographic and sectoral spread.

The loan book growth was achieved during a period of slowdown in the rural real estate market, and in difficult trading conditions prompting many farmers to reduce spending to a minimum. The growth achieved reflects the value of the wider company network and the opportunities available in the large rural finance market.

Deposits grew during the half year by 6.5 percent to \$220 million, which under the circumstances was pleasing and reflected the support for the brand.

Earnings growth reflected the increase in the loan book and operations since the prior reporting period. Net interest income was \$6.61 million and the net profit after tax was \$2.63 million.

PGG Wrightson Finance expects continued expansion based on the strength of the parent company network. The outlook for the company remains positive with ongoing new lending opportunities backed by the substance of rural sector assets.



BILL BAYLIS
Chairman

PGG WRIGHTSON FINANCE LIMITED

STATEMENT OF FINANCIAL PERFORMANCE

For the period ended 31 December 2006

		(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Interest income	2	18,284	3,509	10,401
Interest expense	3	(11,672)	(2,028)	(6,917)
Net interest income		6,612	1,481	3,484
Other operating income - loan fees		44	-	18
Operating income		6,656	1,481	3,502
Surplus before taxation	4	3,919	119	1,615
Income tax expense	5	(1,293)	(40)	(533)
Net surplus		2,626	79	1,082
Earnings per share (cents per share)		10.9	0.6	7.7

PGG WRIGHTSON FINANCE LIMITED

STATEMENT OF MOVEMENTS IN EQUITY

For the period ended 31 December 2006

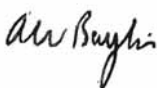
		(Unaudited) Six Months Ended 31 December 2006 \$000	(Unaudited) Six Months Ended 31 December 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Total recognised revenues and expenses				
Net surplus		2,626	79	1,082
Contribution from owners				
Shares issued	7	10,000	-	-
Equity acquired on amalgamation with PGG Finance Limited	12	-	-	16,291
Movements in equity for the period		12,626	79	17,373
Represented by:				
Equity at beginning of period		31,623	14,250	14,250
Equity at end of period		44,249	14,329	31,623
Movements in equity for the period		12,626	79	17,373

STATEMENT OF FINANCIAL POSITION

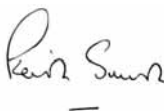
As at 31 December 2006

	Note	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
EQUITY				
Capital	7	24,000	14,000	14,000
Retained surplus		20,249	329	17,623
Total equity		44,249	14,329	31,623
LIABILITIES				
Current	8	196,339	16,961	237,629
Non-current	9	123,256	45,587	64,902
Total liabilities		319,595	62,548	302,531
Total liabilities and equity		363,844	76,877	334,154
ASSETS				
Current	10	218,563	64,826	237,256
Non-current	11	145,281	12,051	96,898
Total assets		363,844	76,877	334,154

These financial statements have been authorised for issue on 26 February 2007



Bill Baylis
Chairman



Keith Smith
Director

STATEMENT OF CASH FLOWS

For the period ended 31 December 2006

	Note	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Cash flows from operating activities				
Cash was provided from:				
Interest received		18,128	4,877	10,401
Other income		44	-	18
Cash was applied to:				
Payments to suppliers and employees		(2,968)	(2,595)	(1,108)
Interest payments		(12,072)	(2,028)	(6,917)
Income tax paid		(408)	(105)	(638)
Net cash flow from operating activities	16	2,724	149	1,756
Cash flows from investing activities				
Cash was provided from:				
Decrease in finance receivables		-	6,497	-
Cash was applied to:				
Increase in finance receivables		(28,938)	-	(49,262)
Purchase of property, plant and equipment		-	(1,417)	(74)
Net cash flow from investing activities		(28,938)	5,080	(49,336)
Cash flows from financing activities				
Cash was provided from:				
Increase in client deposits		13,479	9,129	32,517
Bonds		-	-	-
Advances from parent		-	-	6,707
Shares issued		10,000	-	-
Cash was applied to:				
Advances to parent		(51,301)	-	-
Net cash flow from financing activities		(27,822)	9,129	39,224
Net increase/(decrease) in cash held		(54,036)	14,358	(8,356)
Opening (bank overdraft)/cash		1,469	8,540	8,540
Cash acquired on merger with PGG Finance Limited		-	-	1,285
Closing bank		(52,567)	22,898	1,469
Comprises:				
Bank overdraft	8	(567)	22,898	1,469
Term borrowing	9	(52,000)	-	-
Closing bank		(52,567)	22,898	1,469

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2006

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

These financial statements are those of PGG Wrightson Finance Limited (the Company). The ultimate holding company of PGG Wrightson Finance Limited is PGG Wrightson Limited, which owns 100% of the Company.

These financial statements are presented in accordance with the Companies Act 1993 and have been prepared in accordance with the Financial Reporting Act 1993.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of financial performance, cash flows and the financial position on an historical cost basis are followed by the Company.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting policies. The following specific accounting policies which materially affect the measurement of financial performance, financial position and cash flows have been applied:

Operating Revenue

Operating revenue comprises interest income and related fees on loans. Interest income is accrued on a daily basis on the principal outstanding. Other fees are brought to account when charged to customers.

Operating Expenses

Operating expenses are recognised during the period in which they are incurred.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The cost of property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs incurred in bringing the assets to the location and condition necessary for their intended service. Impairment in the value of property, plant and equipment is deemed to occur when the amount recoverable falls below its book value. The recoverable amount is calculated as the higher of net market value and 'value in use' (present value of future cash flows from the continuing use and final disposal of the asset).

Depreciation

Depreciation is calculated on a straight line basis to write off the cost or valuation of fixed assets to their estimated residual value over their expected useful lives. Expected useful lives, which are regularly reviewed, are:

Plant and equipment (includes computer hardware/software) 3 to 10 years

Finance Receivables

Finance receivables include accrued interest and are stated at estimated net realisable value after allowing for a provision for doubtful debts.

Specific provisions are maintained to cover identified doubtful debts. A general provision is maintained for unidentified future losses which are inherent in any lending portfolio. The level of general provision is determined having regard to economic conditions, the level of net lending assets and other general risk factors.

All known losses are written off to earnings in the period in which it becomes apparent that the debts are not collectable.

Past Due and Impaired Assets

Past due assets are loans and advances that have not been operated by the counterparty within its key terms for at least 90 days.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

Impaired assets include:

- i) Assets acquired through the enforcement of security being those assets held that have been acquired in satisfaction of loans.
- ii) Non-accrual loans where the Company does not expect to collect all amounts outstanding in accordance with the terms of the loan agreements.

Cash receipts on non-accrual loans are applied to unpaid income or fees in priority to being applied as a reduction in principal.

Debt Raising Expenses

Direct external expenses related to the raising of bond debts are recognised as an asset and written off over the term of the debt.

Financial Instruments

Financial instruments carried on the Statement of Financial Position include cash and bank balances, finance receivables, deposits, bonds and inter-company advances. These financial instruments are carried at historical cost.

Financial instruments entered into as hedges of an underlying exposure are accounted for on the same basis as the underlying exposure and on a settlement basis. Financial instruments entered into with no underlying exposure are accounted for on a mark-to-market basis.

Income Tax

The tax expense charged to the Statement of Financial Performance is the estimated liability in respect of the net surplus after allowance for permanent differences. This is the comprehensive basis for the calculation of deferred taxation. Future taxation benefits attributable to losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised.

The provision for current taxation is the estimated amount owing at balance date. Future taxation benefits attributable to timing differences are recognised in the financial statements only where there is virtual certainty that the benefits of the timing differences will be utilised by the Company. Where available, PGG Wrightson Group tax offsets are utilised.

Leasing Activities

Expenditure arising from operating lease commitments is expensed to earnings in the period incurred. Where the benefits expected to be derived are lower than the unavoidable costs of the lease, a provision is recognised.

Statement of Cash Flows

Certain cash flows have been netted in order to provide more meaningful disclosure. Where appropriate, interest flows compounding on to principal amounts have been treated as cash flows.

CHANGES IN ACCOUNTING POLICIES

Accounting policies have been applied on a basis consistent with the previous period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
2 INTEREST INCOME			
Finance receivables	18,284	3,142	9,325
Bank deposits	-	367	710
Interest Swaps	-	-	366
	18,284	3,509	10,401

3 INTEREST EXPENSE			
Client deposits and Current Accounts	8,079	38	2,800
Bonds	1,905	1,881	3,809
Amounts paid to Parent company	765	3	308
External funding	923	106	-
	11,672	2,028	6,917

4 SURPLUS BEFORE TAXATION			
Operating Expenses include:			
Salaries	1,750	727	896
Rental and operating lease costs	104	15	100
Bad debts written off/(Recovered)	330	-	-
Increase/ (decrease) in provision for doubtful debts			
General	100	-	(42)
Specific	(854)	-	424
Auditors remuneration - PricewaterhouseCoopers	25	-	3
Auditors remuneration - KPMG	-	-	-
Depreciation	39	32	70

Operating expenses include amounts that have been recharged from the Company's parent for rent and administration services.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
5 TAXATION EXPENSE			
Surplus before taxation	3,919	119	1,615
Taxation at 33 percent	1,293	39	533
Adjusted for:			
Non-deductible expenses	-	1	-
Net under provision in respect of prior periods	-	-	-
Taxation expense	1,293	40	533
The taxation expense consists of:			
Current taxation	1,293	40	659
Deferred taxation	-	-	(126)
	1,293	40	533

6 IMPUTATION CREDIT ACCOUNT

Balance as at 1 July	638	65	65
Taxation paid	408	105	638
Less utilised by the Consolidated Group	-	-	(65)
Balance as at end of period	1,046	170	638

PGG Wrightson Finance Limited is a member of the PGG Wrightson Limited Consolidated Group for income tax purposes.

7 CAPITAL

Paid in share capital (14,000,000 ordinary shares)	14,000	14,000	14,000
Shares issued	10,000	-	-
	24,000	14,000	14,000
Net Tangible Assets per Share	\$1.82	\$1.02	\$2.22

All shares carry equal voting rights and share equally in any surplus on the winding up of the Company.

8 CURRENT LIABILITIES

Bank overdraft	567	-	-
Client deposits - secured	193,484	15,990	186,359
Amounts owing to Parent	-	-	49,578
Accruals and other liabilities	917	971	1,614
Income tax payable	1,371	-	78
	196,339	16,961	237,629

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

9 NON-CURRENT LIABILITIES

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Term borrowing	52,000	-	-
Client deposits - secured	26,040	371	19,686
Bonds	45,216	45,216	45,216
	123,256	45,587	64,902

Both current and non-current secured client deposits are secured debenture stock consisting of fixed interest debt securities which are of equal ranking and are secured by a first ranking security interest over all the assets of PGG Wrightson Finance Limited in terms of a Trust Deed dated 7 October 2004. The interest rate for the secured debenture stock is fixed for the term of the investment at the time of application and is paid quarterly or as otherwise specified. Funding is sourced from within New Zealand.

Bonds comprise:	Outstanding (\$)	Coupon	Maturity
PGG Wrightson Finance Limited 2009	20,000,000	8.25%	20 May 2009
PGG Wrightson Finance Limited 2010	25,216,000	8.50%	20 May 2010

Both bonds are senior secured in terms of a Trust Deed dated 21 April 2005. They rank pari passu with secured deposits and bank funding with a 5% limitation on prior security. Interest is paid quarterly.

The Company has bank facilities of \$120,000,000 (31 December 2005 nil, 30 June 2006 nil). The facilities expire on the 24 April 2009 and it is not intended to repay any advances in the coming year.

Security stock has been issued to two banks as security for advances to the company. The Security Stock is Debenture Stock which secures all liabilities owed by the Company to the banks, including principal, interest and costs in terms of a Trust Deed dated 7 October 2004 and ranks equally with Debenture Stock.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

10 CURRENT ASSETS

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Receivables (note 10 (a))	216,840	41,331	235,787
Amounts owing by Parent	1,723	489	-
Income tax receivable	-	108	-
Cash and deposits	-	22,898	1,469
	218,563	64,826	237,256
(a) Receivables			
Finance receivables	216,200	41,446	236,013
Less provision for doubtful debts (note 10 (b))	(1,041)	(115)	(1,795)
Other receivables and prepayments	1,681	-	1,569
Total receivables	216,840	41,331	235,787

On 30 June 2006 the finance receivables, client deposits and client current accounts which were previously recorded in the Parent were transferred to PGG Wrightson Finance Limited.

(b) (i) Specific Provision for Doubtful Debts

Balance as at 1 July	(1,795)	(73)	(73)
Movement in provision	854	-	(424)
Transferred from parent	-	-	(1,298)
Balance as at end of period	(941)	(73)	(1,795)

(b) (ii) General Provision for Doubtful Debts

Balance as at 1 July	-	(42)	(42)
Movement in provision	(100)	-	42
Balance as at end of period	(100)	(42)	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
11 NON-CURRENT ASSETS			
Property, plant and equipment (note 11 (a))	246	1,665	284
Deferred taxation benefit (note 11 (b))	592	38	592
Finance receivables	144,443	10,348	96,022
	145,281	12,051	96,898
(a) Property, plant and equipment			
Cost:			
Plant and equipment	355	1,697	354
Total cost	355	1,697	354
Accumulated depreciation	(109)	(32)	(70)
Net book value			
Plant and equipment	246	1,665	284
Total net book value	246	1,665	284
Plant and equipment comprises computer hardware and software.			
(b) Deferred Taxation Benefit			
Balance as at 1 July	592	38	38
Current period credit	-	-	126
Transferred from parent	-	-	428
Balance as at end of period	592	38	592

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

12 AMALGAMATION WITH PGG FINANCE LIMITED

On 31 March 2006 PGG Finance Limited amalgamated with PGG Wrightson Finance Limited (formerly Wrightson Finance Limited). As a result of the amalgamation PGG Wrightson Finance Limited took control of the assets and assumed responsibility for the liabilities of PGG Finance Limited.

The effect of the amalgamation on the Company at 31 March 2006 was:

	2006 \$000
Other receivables and prepayments	422
Finance receivables	130,077
Cash and deposits	1,285
	131,784
less	
Clients' unsecured deposit and current accounts	71,486
Amounts owing to Parent	42,884
Accruals and other liabilities	1,026
Income tax payable	97
Net Assets	16,291

13 MATURITY OF MONETARY ASSETS AND LIABILITIES

	(Unaudited)					
	31 December 2006					
	Total	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
\$000	\$000	\$000	\$000	\$000	\$000	\$000
Assets						
Amounts owing by Parent	1,723	1,723	-	-	-	-
Finance receivables	359,602	189,485	25,674	55,285	83,784	5,374
	361,325	191,208	25,674	55,285	83,784	5,374
Liabilities						
Bank overdraft	567	567	-	-	-	-
Term borrowing	52,000	52,000	-	-	-	-
Client deposits	219,524	148,552	44,932	18,933	7,107	-
Bonds	45,216	-	-	-	45,216	-
	317,307	201,119	44,932	18,933	52,323	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

14 ASSET QUALITY

Non-accrual loans

Balance as at 1 July

Additions

Repayments

Balance as at end of period

Interest charged on impaired loans

Past Due Loans (arrears in excess of 3 months but not impaired)

Balance as at 1 July

Additions

Deletions from past due status

Balance as at end of period

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Balance as at 1 July	1,795	73	73
Additions	178	-	1,722
Repayments	(708)	(73)	-
Balance as at end of period	1,265	-	1,795
Interest charged on impaired loans	40	-	-
Balance as at 1 July	-	2,194	2,194
Additions	5,796	-	-
Deletions from past due status	-	(1,694)	(2,194)
Balance as at end of period	5,796	500	-

15 FINANCIAL INSTRUMENTS

(a) Nature of activities and management policies with respect to financial instruments

All activities and management policies with respect to financial instruments are carried out in accordance with treasury policies approved by the Board of Directors.

(i) Interest rate risk

Interest rate risk relates to the potential adverse impact of changes in market interest rates on the Company's future net interest income.

The Company is exposed to fluctuations in interest rates on its fixed loans, deposits and Bonds and where appropriate interest rate swaps, interest rate options and forward rate agreements are used to hedge the floating rate exposure.

There were interest rate contracts of \$150,916,000 at 31 December 2006 (31 December 2005 \$53,616,000 and 30 June 2006 \$162,816,000)

(ii) Credit risk

Financial instruments can only be acquired from a financial institution that has a Standard and Poor's credit rating of at least A+.

There are counterparty limits against approved financial institutions, which are monitored on a daily basis.

Credit risk exposure for finance receivables is best approximated by the finance receivable carrying amount.

(A) Security on finance receivables

Secured

Unsecured

Secured	360,643	27,251	332,035
Unsecured	-	24,543	-
	360,643	51,794	332,035

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

15 FINANCIAL INSTRUMENTS (cont)

Security is generally obtained over any assets purchased or refinanced by advances from PGG Wrightson Finance Limited. This often includes a mortgage over real estate. In addition the standard loan agreement that is used for every lending exposure includes a financing statement which gives PGG Wrightson Finance Limited the right to register, on the Personal Properties Securities Register, a charge on all the borrower's present and after acquired personal property. This in turn provides either a first ranking general security interest over all property belonging to each borrower (with the exception of real estate, ships and fishing quota), or in instances where a first ranking charge over the borrower's present and after acquired personal property already exists, a subsequent charge and a first ranking charge over goods specifically funded.

(D) Concentration of credit risk

The Company lends to the Agricultural sector.

(C) Concentration of exposures to individual counter-parties or groups of closely related counter-parties:

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Percentage of shareholders' equity:	No.	No.	No.
10 - 19	2	7	1
20 - 29	-	1	-
30 - 39	1	-	-
40 - 49	1	-	1
50 - 59	-	-	-
Over 60	-	-	1
Finance receivables with instalments more than three months in arrears as a % of monetary assets	1.95%	0.67%	0.54%
Amounts owing by the six largest borrowers as a % of monetary assets	15.50%	14.19%	16.05%
(D) Concentration of lending by geographical segment			
Northland	-	1,717	1,714
Auckland	10,817	-	1,004
King Country/Bay of Plenty/Waikato	30,313	9,078	31,214
Hawke's Bay/Gisborne	20,642	17,375	22,612
Manawatu/Taranaki	8,329	3,095	6,272
Wairarapa	5,635	3,579	3,227
Marlborough	21,283	1,725	14,663
Canterbury	113,425	12,205	111,832
Southland/Otago	150,199	3,020	139,497
	360,643	51,794	332,035

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

(iii) Liquidity risk

Liquidity risk arises from not having enough cash to meet financial obligations. This risk is managed by:

- ensuring any shortfall between maturing assets and liabilities is covered by committed undrawn credit facilities
- forecasting trend, seasonal and potential cyclical liquidity requirements.

(b) Fair value

The fair value of the following financial instruments differ from their carrying values shown in the Statement of Financial Position:

Interest rate swaps

Fair Value	(1,075)	134	(618)
Carrying value	-	-	-

The fair value of interest rate swaps are based on quoted market price.

All other financial instruments except finance receivables are carried at fair value. The fair value of finance receivables cannot be determined with an acceptable level of reliability within the constraints of timeliness and cost, because it is not practicable to consider all relevant factors to determine a fair value for each of them.

(c) Interest rate repricing analysis

	Weighted Average Interest Rate %	(Unaudited) 31 December 2006			
		Total	Up to 12	1 to 2	Over 2
			months	years	years
		\$000	\$000	\$000	\$000
Assets					
Amounts owing by Parent	7.85%	1,723	1,723	-	-
Finance receivables	10.41%	359,602	215,159	55,285	89,158
		361,325	216,882	55,285	89,158
Liabilities					
Bank overdraft	0.00%	567	567	-	-
Term borrowing	7.65%	52,000	52,000	-	-
Client deposits	7.41%	219,524	193,484	18,933	7,107
Bonds	8.39%	45,216	-	-	45,216
		317,307	246,051	18,933	52,323
Net on-balance sheet financial position		44,018	(29,169)	36,352	36,835
Off-balance sheet financial instruments					
Interest rate swaps		-	(45,516)	12,200	33,316
Total off-balance sheet financial instruments		-	(45,516)	12,200	33,316
Net repricing profile		44,018	(74,685)	48,552	70,151

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the period ended 31 December 2006

16 RECONCILIATION OF SURPLUS AFTER TAXATION WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	(Unaudited) Six Months Ended 31 Dec 2006 \$000	(Unaudited) Six Months Ended 31 Dec 2005 \$000	(Audited) Year Ended 30 June 2006 \$000
Surplus after taxation	2,626	79	1,082
Add/(deduct) non-cash items:			
Depreciation	39	32	70
Bad debts written off (net)	330	-	-
Increase/(decrease) in provision for doubtful debts	(754)	-	382
(Increase)/decrease in deferred taxation	-	-	(126)
	(385)	32	326
Add/(deduct) movement in working capital items:			
(Increase)/decrease in other receivables and prepayments	(112)	1,368	221
Increase/(decrease) in accruals and other liabilities	(698)	(1,264)	104
Increase/(decrease) in income tax payable/receivable	1,293	(66)	23
	483	38	348
Net cash flow from operating activities	2,724	149	1,756

17 COMMITMENTS

Credit related commitments:

Commitments to extend credit	15,282	28,021	15,801
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18 AMOUNTS OWING TO / FROM DIRECTORS

At balance date, no Director's had deposits with, or loans from, the Company (31 December 2005 nil, 30 June 2006 nil).

19 RELATED PARTY TRANSACTIONS

The Company has entered into certain transactions with its Parent company PGG Wrightson Limited as disclosed in notes 3, 4, 10 and 11.

The balance at the end of the period is disclosed in note 10.

20 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (31 December 2005 nil, 30 June 2006 nil).

21 EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant events subsequent to balance date.

22 ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL ACCOUNTING STANDARDS

In December 2002 the Accounting Standards Review Board (ASRB) formally announced that New Zealand reporting entities would be required to comply with New Zealand equivalents to International Financial Reporting Standards commencing on or after 1 January 2007. The ASRB also allowed the option of adopting NZ IFRS one or two years earlier.

Since this date New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) have been issued. In complying with these, New Zealand entities will be in compliance with IFRS. There are no key differences in accounting policies identified to date.

The Company has considered the impacts of NZ IFRS implementation, both from a reporting and an operational perspective. The objective of the Company is to ensure the conversion to NZ IFRS occurs within agreed and required timelines (under the Financial Reporting Act 1993), ensuring:

- Minimal operational impact on the Company; and
- All relevant parties are consulted.

The Company, in conjunction with its parent will adopt NZ IFRS and report for the first time under these standards for the year ending 30 June 2008. Upon adoption of NZ IFRS, comparative information presented in the financial statements will be restated to conform to the requirements of the new standards, and the financial impact of that adoption will be disclosed.

It is not possible at this time to estimate reliably all the impacts of the changes on the Company's reported financial performance and financial position. The actual impacts of adopting NZ IFRS may vary from the information presented, and the variation may be material.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Bill Baylis (Chairman)
Craig Norgate (Deputy Chairman)
Sir Selwyn Cushing
Richard Elworthy
Murray Flett
Brian Jolliffe
Sam Maling
Baird McConnon
Keith Smith
Bill Thomas

AUDITORS

KPMG
10 Customhouse Quay
PO Box 996
Wellington

SHARE REGISTRY

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road Takapuna
Private Bag 92 119, Auckland 1020
Shareholder Inquiries: +64 9 488 8777