Pyne Gould Corporation

New Zealand Exchange Announcement and Media Release

PGC posts another record result

Results for the year ended 30 June 2006

- Net profit after tax $66.3m - last year $30.2m
- Net operating profit $29.0m - last year $28.9m
- Dividend (fully imputed) 20 cents per share - last year 19 cents per share
- Record profits for both MARAC and Perpetual.

Financial results

Pyne Gould Corporation Ltd today reported an audited net profit after tax for the year ended 30 June 2006 of $66.3m, compared with $30.2m last year.

This profit includes a non-operating abnormal gain of $37.3m resulting from the merger of Pyne Gould Guinness with Wrightson to form PGG Wrightson. Last year non-operating items were $1.3m from the sale of surplus properties by Pyne Gould Guinness.

The net operating profit before abnormal items was $29.0m, compared to $28.9m last year.

“Both MARAC and Perpetual made substantial contributions to the overall group result. The contribution from PGG Wrightson was down on last year due to merger activity and generally slower trading conditions in the rural sector”, said PGC Chairman Sam Maling.

- MARAC reported a 5% increase in net profit to $24.2m.
- Perpetual achieved another record net profit of $3.0m.
- PGG Wrightson contributed $6.7m to the group profit.

Dividends

The directors have declared a final dividend of 11 cents per share, fully imputed for tax purposes. Together with the interim dividend of 9 cents paid in February, this brings the total dividend for the year to 20 cents, compared with 19 cents last year.

The interim dividend included a 1 cent special dividend passed through to Pyne Gould Corporation shareholders from the special dividend paid by Pyne Gould Guinness before the merger with Wrightson. Last year a special dividend of 1 cent was also declared.

MARAC

The year ended 30 June 2006 was another excellent one for the MARAC group. Net profit was up 5% to $24.2m, and finance receivables and operating lease vehicles reached $1.2bn, an increase of $135m.

“A high point of the year was MARAC Finance Ltd achieving an investment grade credit rating from international credit ratings agency Standard & Poor’s, making MARAC Finance New Zealand’s only non-bank owned finance company to achieve this grade. This reinforces MARAC’s standing in the market,” commented Managing Director Brian Jolliffe.

Commercial lending was again the strongest growth area, reflecting the strategic intention of the past several years to invest additional resources to expand this part of MARAC proportionally faster than any other area. The expansion into regional areas that was undertaken 12 months ago has been the foundation of much of the growth achieved this year.

The Commercial dealer business (financing plant and equipment through equipment suppliers) has also received strong management focus in recent times. The dealer network has been expanded considerably as has the diversity of items financed.

Overall Commercial finance receivables increased by 24% to $428m. This was achieved across all industry segments and throughout the country.

The selling and associated financing of motor vehicles in New Zealand continues to go through radical change. MARAC expects this trend to continue. As always, MARAC has focused and will continue to focus on the upper-end of the market, with high-quality vehicles and low-risk borrowers.

In the past vehicle loans made direct to customers (rather than through a dealer) were a very small part of MARAC's motor business. With the introduction of a client retention strategy for dealer-introduced customers together with the broadening of distribution channels, MARAC Direct has become an important part of the motor division.

Overall Motor finance receivables were down marginally to $376m.

The vehicle leasing business showed strong growth, with the total value of leases increasing by 10% to $69m. MARAC continues to take a conservative approach to the determination of residual values.

In the Marine and Leisure financing business, MARAC continued to focus on the comparatively new business of financing predominantly higher quality boats (sail and motor), and motor-homes and caravans. There has been a general slowdown in the marine and leisure market throughout the year in line with general consumer confidence trends. In the larger boat market, increasing fuel prices have also had a noticeable affect. This has made growth more challenging, so the increase in total finance receivables to $45m is pleasing.

MARAC’s Property business has been maintained at similar levels to those at half year, despite an overall softening in the property market. MARAC’s criteria for loans, coupled with internally imposed guidelines for total exposure, ensure that MARAC is not overly exposed to this market. Property finance receivables are $251m, up 22% on 2005.

MARAC Insurance, the newest business, commenced in February 2006 with $0.6m of gross premiums written in the first four months. The current insurance product is lifestyle protection insurance and is offered alongside loans for vehicles.

Credit quality throughout the business is a key contributor to this years result. MARAC's arrears position, one of the key determinants of quality in any finance company, ended the year where it started at a very good 0.5% of total finance receivables.

During the year MARAC changed to a dynamic method of assessing and accounting for bad and doubtful debts. It is a more modern and robust approach that uses actual business experience to assess the likelihood of loss. It is an ongoing process, performed regularly throughout the year, that more accurately reflects the quality of finance receivables held at any given point in time. This changeover has resulted in a reduction of $1.8m in the provision for bad/doubtful debts in 2006.

MARAC's investors have continued to strongly support the company despite an often negative spotlight on the industry in the later part of the year. The directors attribute this to MARAC's excellent reputation and the weight of its investment grade credit rating from independent ratings agency Standard & Poor's.

"Not withstanding the current environment there are opportunities for MARAC in all of its businesses, and there is good potential for further growth and increased profitability in 2007 and beyond" said Brian Jolliffe.

Perpetual

Perpetual's revenue grew 16% to $19.8m. Net profit after tax was $3.0m, up 32% on last year, with Perpetual Trust contributing $2.6m and Mortgage Express $0.4m. This is another record result for Perpetual; the second year in a row.

"Perpetual has undergone significant change in the past three years. The aim has been to improve customer service, focus activity in the key business areas, and grow revenue and ultimately profitability.

The benefits of this restructuring are now being realised through increased diversity in revenue streams and significant cost reductions", commented Brian Jolliffe.

Peter Baynes, who was principally responsible for refocusing the business on customer service and clarifying the strategic direction for the business, finished with Perpetual at the end of the financial year. Louise Edwards, who worked closely with Peter during the restructuring and refocusing of the business, has been appointed Chief Executive and took up the position on 1 July 2006.

Personal wealth management and advice, which provides trust, estate and asset management services for individuals and their families, experienced good growth during the year. The number of new and revised wills written was down slightly on the previous year. The number of estates distributed was also down slightly, but the value distributed was significantly higher. Funds under advice experienced growth of 6%.

The Corporate Trust division provides corporate trustee services for debt securities, securitisation, unit trusts, superannuation schemes, special partnerships and retirement villages. The business had a more challenging year but still delivered a 14% improvement in revenue, with funds under supervision now standing at $17.9bn.

Managed Funds were maintained at similar levels to the previous year. A review of all products resulted in the launching of two new funds late in the year, the Aria Fund and the New Zealand/Australia Share Fund.

With the sale of the assets of the Opio Forestry Fund now completed, following the sale of Nuhaka's assets in 2004, Perpetual's involvement in the management of forestry investment funds is now at an end.

Mortgage Express had a good year and achieved an increased profit. The change in commission structures which affected revenue was more than offset by an increase in new mortgage business.

Perpetual has recorded two consecutive years of record financial performance. While some revenue streams have come to end, the effort put in over the past few years to diversify revenue sources should enable ongoing further growth. The experienced management team that has lead this transition is firmly in place and the company is in a strong position.

PGG Wrightson Ltd

The company reported a net profit after tax of $27m for the year ended 30 June 2006. This is after amortisation of $10m and includes a net gain of $7m in non-recurring items.

PGG Wrightson contributed an operating profit of $6.7m, to the Pyne Gould Corporation group result, down from $9.5m last year.

During the year Pyne Gould Guinness (PGG), in which Pyne Gould Corporation had a 55% shareholding, merged with Wrightson to form PGG Wrightson. The newly formed company became an associate, with Pyne Gould Corporation's shareholding reducing from 55.5% to 22.2%. This investment now comprises 62.4m shares in PGG Wrightson and is carried at a value of $89.7m.

The merger earned Pyne Gould Corporation an abnormal gain of $37.3m. From an accounting rules perspective, Pyne Gould Corporation sold 33.3% of PGG, in return for 22.2% of Wrightson. The difference between the fair value of the consideration received for this shareholding and Pyne Gould Corporation's carrying value gave rise to this gain.

The results of PGG have been consolidated for the three months up to the merger at the end of September 2005, and then the results of PGG Wrightson have been accounted for using the equity method from 1 October.

PGG Wrightson is now fully established as a single business following a rapid but comprehensive merger programme.

Two key objectives were targeted throughout the merger process. These were to complete the merger quickly and to do so without any negative impact on client relationships or market share. Both have been achieved, and the synergy benefits are above the level initially anticipated. The full effect of the synergy gains resulting from the merger will be realised in 2007.

Trading conditions for PGG Wrightson were materially less favourable in the latter months of the financial year. The livestock, rural supplies, and seed and grain divisions were the most affected, while the finance and real estate businesses performed well.

Prospects for the rural sector are generally positive, now that the exchange rate is more favourable and industry confidence has increased. In addition, the company has a number of business improvement initiatives in place, particularly in the finance, insurance and real estate businesses. However, as always, climate conditions have the potential to again adversely affect the PGG Wrightson result.

Pyne Gould Corporation continues to fully support PGG Wrightson, and is confident that the benefits of the merger will continue to enhance the value of Pyne Gould Corporation's investment.

Summary and Outlook

Looking ahead, Sam Maling concluded that "The focus for MARAC is on delivering wider distribution for its products and services in markets that are changing and in some cases slowing. The independent acknowledgement of quality from Standard & Poor's provides a unique launch platform for the year ahead. Perpetual Trust is well positioned to take advantage of opportunities and changing market conditions, and again distribution of its products and services to wider customer segments is a key focus. In PGG Wrightson the merger is completed and attention has firmly turned to growing the business and delivering the promised benefits to customers and shareholders.

While the economic outlook for the year ahead is more subdued than has been experienced in recent years, Pyne Gould Corporation's businesses are in excellent shape with sound strategies in place for growth" he said.

29 August 2006

Dividend
Record date: 15 September 2006
Payment date: 25 September 2006

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ABOUT PYNE GOULD CORPORATION

Pyne Gould Corporation is a holding company for three separate businesses: MARAC and Perpetual, which are 100% owned subsidiaries, and PGG Wrightson, a 22% owned associate. Pyne Gould Corporation also owns its head office building in Christchurch.

MARAC consists of:

- MARAC Financial Services Ltd, which is the umbrella company for all the MARAC companies:
  - MARAC Finance Ltd – a motor vehicle, business, plant and equipment (commercial), marine and leisure, and property lending finance company
  - MARAC Securities Ltd – an arranger of structured finance solutions
  - MARAC Investments Ltd – a specialised niche investment company
  - MARAC Insurance Ltd – a provider of insurance products to MARAC clients.
- Nissan Finance New Zealand Ltd – a lender to the Nissan dealer network.

Perpetual consists of Perpetual Trust Ltd, a statutory trust company, and a 60% shareholding in Mortgage Express Ltd, a mortgage broking business.

Perpetual is a nationwide trustee company operating under its own Act of Parliament, passed in 1884. The company specialises in financial planning, managing investments, and providing professional trustee services to personal and corporate clients.

PGG Wrightson is New Zealand's leading rural services group, with national and international operations serving clients in agriculture, horticulture and other sectors. The group has 130 branches, under the *PGG Wrightson*, *Williams & Kettle* and *Fruitfed Supplies* brands.

PGG Wrightson is a leader in forage plant breeding for pastoral farming, with seed research and marketing operations in New Zealand, Australia and Uruguay.

Nationwide businesses comprise livestock and wool broking, farm input supplies, real estate, rural finance and farm insurance services.

The group also includes businesses in farm consulting and training; irrigation and pumping systems; feed supplement supply to dairy producers.