



*NZX & Media Release  
26 August 2008*

## **Pyne Gould Corporation net profit up 22% to a record \$44.8m**

### **All three of Pyne Gould Corporation businesses achieved increased profits for the year**

- Pyne Gould Corporation today reported that net profit after tax for the year ended 30 June 2008 was up 22% to a record \$44.8m. This compares to \$36.7m achieved last year.
- MARAC, up 6% at \$27.9m, Perpetual Trust up 26% at \$3.7m, and PGG Wrightson contribution up 75% at \$15.8m, all produced record results.

“The significant improvement in profitability achieved by all of our businesses in the current environment is a testament to the way the company does business” said Sam Maling, PGC’s Chairman. “The merits of a prudent business strategy and strong corporate governance supported by experienced boards and management have been well demonstrated again this year” he said.

The directors have declared a fully imputed final dividend of 13 cents per share. This will be paid on 3 October 2008. Following the interim dividend of 10 cents paid in March this takes the annual dividend to 23 cents per share, an increase of 2 cents.

The group result was determined under International Financial Reporting Standards (IFRS) for the first time. Last years comparative figures have been restated.

### **MARAC: strong performance despite finance sector and wider credit market issues.**

The MARAC Finance group achieved a net profit after tax of \$27.9m, an increase of 6%. Net operating income rose 17% to \$73.5m. Operating costs to net operating income at 36% were down marginally on last year.

“MARAC’s result was particularly pleasing against a backdrop of the wider finance sector performance and global and local credit market conditions” said Brian Jolliffe, Managing Director.

On the funding side the focus was on continuing to strengthen and diversify MARAC’s funding sources and increase liquidity:

- MARAC’s investment grade credit rating from Standard & Poor’s was reconfirmed;
- While investors generally have become more reluctant to invest in finance company offerings, MARAC’s reinvestment rate was maintained at normal historical levels of around 63% in the year under review;

- The securitisation programme which commenced in August 2007 has provided a new funding facility of \$300m;
- A new syndicated bank facility of \$480m with all of New Zealand's major banks was finalised, an increase of \$80m on previous individual facilities;
- After balance date a 5 year secured bond program raised \$104.2m providing greater diversification and increasing liquidity further.

“MARAC’s liquidity was \$260m at 31 July 2008. This is a much higher level than the company traditionally holds but in the current difficult market environment is considered to be a prudent step” Jolliffe said.

On the lending side, total financial receivables rose 8% to \$1.4bn. This is a slower growth rate than in previous years and all occurred in the first half. In the second half of the year MARAC focussed on meeting the needs of existing clients and foregoing some growth opportunities. Finance receivables continue to be well spread both regionally and also by the type of asset financed.

Instalment loan arrears to total receivables remained relatively constant at 0.5%. Collectively impaired assets, which are assets with an increased risk on collection, increased from 7.4% to 11.8% of total finance receivables. Individually impaired assets, being those which the company believes will not be collected in full, amount to 1.4% of total finance receivables and are fully provided for.

Impaired asset expense was \$5.7m in the current year compared to the historically low \$1.1m in the corresponding period last year.

#### **Perpetual Trust: another strong performance**

Revenue grew by over 10% to \$16.9m. Operating expenses also increased by 9% giving an overall net profit after tax of \$3.7 m, up 26% on last year.

The company's corporate trust division continued its strong performance with a 15% increase in revenue for the year. While the issues facing the finance sector contributed to higher than normal revenue in that area, there was also significant revenue growth in the managed funds sector and in the retirement village sector, especially from multi-village operators.

Total funds under advice through Perpetual Trust increased 11% in 2008 to \$980m at year end. The Pegasus Investment Fund (a superannuation fund) which offers a tax efficient retirement savings vehicle recorded strong growth, up by over \$6m during the year.

The personal wealth management division experienced growth across all seven offices, with record numbers of wills written, new trusts being established and trustee appointments as well as a record number of personal asset management appointments. The number of estates administered has remained constant.

The investment advisory part of the business has seen a net 23% growth in client numbers. “These results set the business up well for future years” commented Jolliffe.

### **PGG Wrightson: contribution up 75% on last year**

PGG Wrightson (PGW) made a net profit after tax of \$73.2m, compared to \$40.6m in the same period last year. This resulted in a contribution to PGC of \$15.8m, compared to \$9.0m last year.

On a more comparative basis, excluding capital gains, other one off items and the earnings from NZ Farming Systems Uruguay, net profit after tax was \$39.2m, up 35% on last year. The company's performance shows the benefits of the merger coming through, notwithstanding trading conditions were not entirely favourable during the year.

In July 2008 PGW announced a proposal to acquire a 50% shareholding in Silver Ferns Farms (formerly PPCS). The proposal is essentially a partnership between PGW's livestock procurement business and Silver Fern Farms processing and marketing business, resulting in an integrated supply chain model that will be able to deliver enhanced returns to farmers. Pyne Gould Corporation supports the proposal and believes it will add value to our investment in PGW.

### **New Director for Pyne Gould Corporation**

George Kerr has today been appointed a director of Pyne Gould Corporation Limited and its subsidiary companies MARAC and Perpetual Trust.

Commenting on the appointment, Chairman Sam Maling said "The board had been keen to acquire specific skills in the broader financial services area and George clearly fits those criteria. In addition he has a real affinity with the business through family association and is also the corporation's major shareholder."

### **Summary and Outlook:**

The merits of a focused business model, strong corporate governance and experienced management was aptly demonstrated during the year. Despite a difficult operating environment, PGC's businesses continued to thrive and delivered improved results for shareholders.

"The support given to our businesses – from our shareholders, investors in MARAC, bankers, suppliers and service providers, is greatly appreciated" said Sam Maling.

The company has weathered the storm that engulfed many during the year and came through virtually unscathed. We have a strong financial position and experienced management in place. The difficult environment continues and is likely to have some effect on profitability in the short term. We have a robust but conservative strategy in place and still expect to be able to report a result in line with last year.

26 August 2008

Sam Maling  
Chairman

Brian Jolliffe  
Managing Director

### **For further information please contact**

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### **Additional information about Pyne Gould Corporation Limited**

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

#### **MARAC Finance Group** consists of:

- MARAC Financial Services Ltd, which is the umbrella company for all the MARAC group companies:
  - MARAC Finance Ltd;
    - a Consumer division consisting of motor vehicle, marine and leisure financing and motor vehicle leasing;
    - a Business division consisting of plant & equipment and business financing, property financing and Ascend Finance ;
  - 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 Trust** consists of:

- A Corporate Trust business. This division provides trustee services for investment products, including unit trusts, securitisation structures, group investment funds, superannuation schemes, debt securities and local authority funding. They also act as statutory supervisor for retirement villages and forestry partnerships;
- A Personal Client Services business. This division provides trust, estate planning, investment advice and asset management services to individuals and their families;
- A Funds Management business. This division provides a range of managed investment products for Perpetual Trust clients and to external investors.

#### **PGG Wrightson** consists of:

- A Rural Services business. This division consists of livestock, wool, rural supplies, Fruitfed supplies and irrigation & pumping services;
- A Financial Services business. This division consists of finance, real estate, insurance and funds management services;
- A Technology Services business. This division consists of seeds & grain, nutrition, animal health, training and consultancy, South America.