



**Chairman's Address to
Annual Meeting of Shareholders
31 October 2008**

Our result for the year ending 30th June 2008 was another good one, all the more significant given the market conditions over that period.

Our Group net profit after tax was up at \$44.8m. That enabled us to increase the dividend to 23c per share.

And all three of our businesses reported record results:-

- Net profit for MARAC of \$27.9m
- Net profit for Perpetual of \$3.7m
- Contribution from PGGW of \$15.8m

This slide shows a comparison of net profit after tax and before abnormals year on year 2005 to 2008. Overall the result we are reporting on today shows a 22% improvement over 2007.

And the comparative material for the dividend payments over the same period shows the year on year increase now up to 23c per share comprising the 10c per share we paid for the interim dividend and a final dividend of 13c per share all fully imputed for tax.

Overall a good result in the circumstances and I wish to pay tribute to the staff throughout our businesses for their determined efforts in what were increasingly difficult conditions as the year wore on.

For MARAC I think it is worth reflecting on the confidence which this business continues to enjoy from its clients and depositors.

This is no accident. Brian Jolliffe and his executive team have worked extremely hard to protect MARAC's integrity and reputation in what was for many finance companies a year which saw the curtains fall on their business. For MARAC to have won through in the way that it has is testimony to the people who work for us.

And things were no easier for Perpetual Trust either. Its corporate trust team have been well and truly tested. So too, for the financial advisory part of this business. Difficult and volatile market conditions prevailed particularly over the last 2 quarters, and Louise Edwards and her team need to be congratulated for an excellent result in the circumstances.

Despite the doom and gloom, despite these testing times, our businesses have come through remarkably well all things considered.

Opportunities for both MARAC and Perpetual are now starting to emerge. We are well placed to benefit from these where the strategic fit is right and where we are convinced that there is value for our shareholders.

We recently announced that PGC is to seek a banking licence. We are well down the track with this. A draft application has been lodged, and we have had an encouraging response. We have a number of issues to work through and we are

engaging with the Reserve Bank over these. When approval is given, and it is when, not if in our view, we will become the first publicly listed New Zealand owned bank.

The proposed structure is simple. MARAC Finance will be amalgamated with PGC to become the new bank. Perpetual Trust will remain a wholly owned subsidiary of the new Bank and will retain all of its statutory privileges under its enabling Act.

This is not some flash in the pan. I have been reminding you regularly now for some years that our central focus is on financial services. Nor is our application a reaction to the extraordinary market conditions in which we find ourselves today. We have in fact been planning towards this goal since 2004.

But recent events have given greater urgency to implementing the proposal.

The concept is to form a specialist bank with real expertise and differentiation in the financing of small and medium businesses in New Zealand, focused as we are at present around fixed asset financing. Yes, we will add other services as appropriate, but asset financing is what we know and do best and we will build the business around that.

It will also be a bank which includes a unique private banking proposition based around Perpetual Trust's existing business. Some key features are:-

- The business case is compelling.
- We distance ourselves from perceptions around the finance company sector.
- We expect the new environment to improve our retail funding and our competitiveness.

- Reserve Bank scrutiny and compliance will be good for the business and our credibility in the market place.
- Our Bankers are positive and supportive of the proposal. We are no threat to the High Street banks because we are in a different part of the market.
- And integrated services which we intend to provide will give us a significant point of difference in the market. The business model of a bank offering trust and personal investment services is not novel either, it happens elsewhere around the world.

In MARAC we have built one of the best financial services businesses of its type in New Zealand today. We need to protect that business and we need to make sure that it is best placed to cope with the fast changing business conditions which we are now experiencing. The world has changed on us and events of recent times amply demonstrate the need for us to adjust our modus operandi. And so it is the unanimous view of your Board that moving to the banking licence is the right step for PGC and will deliver a business platform from which the company can grow into the future.

From discussions we have had with the Reserve Bank so far it is almost certain that we will be required to divest our interest in PGG Wrightson. In this sense the new bank needs to be pure play.

There are good business reasons why this needs to be so. Foremost must be our ability to grow and protect the business of the new bank. Surviving the turbulent financial market conditions of recent days has been all about funding and liquidity. Most of you will be aware that MARAC operates today with a high level of liquidity in its business. That has been the completely right strategy for us. But as we are presently configured, it is a strategy which creates tension for us because the

initiatives in PGG Wrightson which we have supported as completely right for that business and its farmer clients, also make demands for capital.

And looking into the future we do not expect that situation to change. And so we have to rationalise things, but we are in no rush to do so. Our present timing contemplates that we will have the banking licence in place later in this financial year. But if events require it we have some flexibility around this timing. There has been some market speculation that we are about to offload our interest in PGGW. We have no such plans and divestment will not happen without a carefully thought through strategy which secures the best outcome for PGC shareholders.

One of the options we have is for some form of in specie distribution of those shares to PGC shareholders. We are still working through that possibility and others and it is too soon for me to confirm just what the outcome will be. Rest assured you will be told as soon as the decisions have been made.

I move that the Annual Report for the year ended 30th June 2008 be received and I will ask Brian Jolliffe to speak to you now to second that motion, to tell you a little more about how the businesses performed in the year under review and to give you a heads up on where we are expecting to be at the end of the current year.

Managing Director's Address

Back to Chairman

As we move into the current year there is much work to be done and we have already made initial changes to cope. Brian Jolliffe has taken overall responsibility for setting up the Bank and for the transition of the business into the new structure.

David Battersby steps up to the position of Chief Operating Officer at MARAC where he has the day to day operational responsibility for most of that business.

I am also announcing today that Brian Jolliffe has indicated to the Board that it is his intention to step down as Managing Director at the end of this financial year.

Brian and Gail have made that choice for lifestyle reasons. He is at heart a MARAC man, he is not leaving us for anyone else.

The timing will give Brian the opportunity to get the Bank ready, and to help with the smooth transition to his successor. His guidance will help us stay firmly on the rails through this process.