



## **NZX and Media Release**

### **“Pyne Gould Corporation – Another record result”**

#### **Key Results for the year ended 30 June 2007**

- A 6% increase in group net profit to \$30.6m
- A 10% increase in net profit for MARAC to \$26.5m
- A 39% increase in net profit for Perpetual Trust to \$3.6m
- A contribution of \$5.8m from PGG Wrightson
- An increased dividend of 21 cents per share

#### **Financial Results**

Pyne Gould Corporation today reported an audited net profit after tax for the year ended 30 June 2007 of \$30.6m, an increase of \$1.6m (6%) on the net operating profit of \$29.0m achieved last year.

Last year's bottom line result of \$66.3m included a non-operating abnormal gain of \$37.3m resulting from the merger of Pyne Gould Guinness with Wrightson to form PGG Wrightson. There were no abnormal items in the current year.

Both of the financial services businesses – MARAC and Perpetual Trust– achieved strong growth and record results:

- MARAC achieved a 10% increase in net profit to \$26.5m, and recorded a 14% growth in finance assets to \$1.3bn.
- Perpetual Trust achieved a 39% increase in net profit to \$3.6m, and recorded an 8% growth in revenue to \$15.5m.

The rural servicing business – PGG Wrightson (a 22% shareholding) – continued to develop its New Zealand business and expanded its operations in Australia and Uruguay:

- PGG Wrightson contributed \$5.8m to PGC (last year \$6.7m), and successfully launched NZ Farming Systems Uruguay.

#### **Dividend**

The directors have declared a final dividend of 12 cents per share, fully imputed for tax purposes. Together with the interim dividend of 9 cents paid in March this brings the annual dividend to 21 cents, compared with 20 cents last year.

## **MARAC**

MARAC grew further in the year, broadened the base of its business and established new distribution channels. Net profit was \$26.5m and finance assets reached \$1.3bn. Interest margins remained under pressure throughout the year.

### Business Division

The decision to invest in regional expansion over recent years has delivered further results in the current year. In an increasingly competitive environment growth was maintained, with overall plant and equipment receivables increasing 16% with more than 50% of all new business coming from outside of the Auckland region.

In early 2007 Ascend Finance commenced, targeting a different market segment to the traditional MARAC market. Represented in Northland, Auckland, Hamilton, Tauranga, Palmerston North and Dunedin, early results are encouraging.

The property business grew over 20% to reach a level in excess of \$300m.

### Consumer Division

In Motor Vehicle financing the continuing move toward franchise and late model used vehicle dealers saw both business volumes and loan size increase over the second half of the financial year. Over 60% of the business written during this period was sourced from franchise dealers as the new vehicle market has remained strong.

MARAC Direct has continued its development over the past 12 months. The Kiwibank relationship gained traction in the second half of the year and now accounts for 25% of the business written in MARAC Direct.

The development of i-finance and the relationship with ACP Media's Autotrader places MARAC in a strong position as the internet continues to develop.

The Insurance business has further developed in line with early expectations.

### Credit

The quality of MARAC's finance receivables continues to be strong. The result is an impaired asset charge against profit of \$0.5m compared to \$1.7m last year.

### Funding

During the year MARAC Finance continued to enjoy support from retail investors, with high reinvestment rates and a good inflow of funds from new investors at competitive rates. The investment grade rating from Standard & Poor's stood the company in good stead in what was a difficult market.

For some time the company has been looking at options to diversify its funding base. Following year end the company entered into a securitisation arrangement with Westpac Banking Corporation. This has provided the company with access to a third source of funds, at competitive pricing.

### **Perpetual Trust**

Perpetual Trust achieved revenue growth to \$15.5m and a record net profit of \$3.6m. Two new executive roles were created in the senior management team – Head of Corporate Trust and Head of Investments.

### Corporate Trust

The company's corporate trust division achieved a 10% increase in revenue for the year. Funds under supervision now total over \$19 billion.

The revenue growth is due to a combination of new clients and more business from existing clients.

### Funds Management

Opio Forestry Fund and several smaller managed funds were closed during the year as part of a strategic review. Despite these closures, fees from managed funds were up nearly 5% on last year and overall funds under management increased by 10% to \$328 million.

### Personal Client Services

The focus on family trusts or "living services" has resulted in a record number of new trusts being written in the year. Additionally, the number of estates administered during the year was up on previous years, but the values of those estates were down from last year which resulted in a slight revenue decrease. The number of new wills written and wills revised during the year increased significantly.

Investment advisory had good growth throughout the year; client numbers have increased 20%.

### **PGG Wrightson**

PGG Wrightson Ltd made a net profit after tax and before amortisation of \$41.4m, 10% higher than the \$37.6m in the previous twelve months. Operating earnings (earnings before interest, tax and amortisation) increased from \$54.4m to \$63.8m.

Bottom line net profit after tax was \$26.2m (\$27.0m last year). PGG Wrightson contributed \$5.8m to Pyne Gould Corporation.

The management structure was refined to focus on three business groups – Rural Services, Financial Services and Technology Services – and at the District level to combine the benefits of national scale and local teamwork for the best interests of clients.

Operating conditions deteriorated during the year, driven by the impact of the rising New Zealand dollar and the flow-on effects to reduced product prices at the farm and orchard gates. Farmer confidence decreased as a consequence and on-farm investment contracted.

During the year the company successfully launched New Zealand Farming Systems Uruguay, raising \$169m from the initial public offering and subsequent placements. PGG Wrightson holds an 11% shareholding, obtained as part payment for three farms sold to the company.

PGG Wrightson has already released full details of their results to the market.

## **Summary and Outlook**

The solid performance recorded in 2007 reflects the company's focus of concentrating on its core businesses and key competences, supported by a strong organic growth strategy, to achieve improved results.

MARAC had another robust year in what was a difficult operating environment with rising interest rates and pressure on margins. The investments made in recent years in new businesses, regional coverage and web technology plus the recent establishment of a securitisation program to further diversify funding will enable the company to achieve further growth.

For Perpetual Trust the outlook for the coming year is positive. The work done in recent years improving customer service, training staff, developing new products and overall business development is producing good results in both the personal and corporate businesses. Perpetual is well positioned to take advantage of general market conditions and legislative changes and we expect to further build on this year's success.

PGG Wrightson had a satisfactory year and increased its investment in its core businesses. While the outlook for the 2008 year is less certain, the company is well positioned to perform due to the reduction in cost base over the past two years and the adoption of strategies to capture the positive outlook for food pricing.

Directors remain focused on enhancing value in all of the businesses and remain confident that further growth and improvement in profit can be expected in the year ahead.

28 August 2007

### **Dividend:**

Record date: 14 September 2007

Payment date: 25 September 2007

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

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** consists of:

- MARAC Financial Services Ltd, which is the umbrella company for all the MARAC 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.