

Viewpoint

Pyne Gould Corporation Limited Newsletter

March 2008

2008 off to a great start

Welcome to our first newsletter for 2008, and I am delighted to be able to lead it with some excellent news on PGC's interim result. For the six months to 31 December 2007 all three of our divisions achieved increased earnings and the interim dividend was raised to 10 cents. Looking ahead to the end of June 2008, we are confident that net profit after tax will be up on the 2007 result. You'll find further highlights on our interim result inside this newsletter, and your copy of PGC's interim report is enclosed.



Sam Maling
Chairman
Pyne Gould Corporation



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Financial Calendar

Half-yearly results and interim dividend announcement for 2008	26 February 2008
Interim dividend payment	28 March 2008
Year-end	30 June 2008
Year-end results announcement	26 August 2008
Share register closes for final dividend	12 September 2008
Annual report mailed	22 September 2008
Final dividend payment	26 September 2008
Annual meeting	31 October 2008

The new Wills Act - what does it mean for you?

On 23 August the new Wills Act was passed, bringing one of New Zealand's oldest and most unwieldy pieces of legislation into the 21st century.

Perpetual Trust Client Relationship Manager Jeff Reed says the new legislation came into effect on 1 November 2007 and has replaced the 1837 UK Act which, apart from being old, had to be read in conjunction with several other Acts making it cumbersome to apply. The new Act makes it easier for the courts to interpret wills, particularly if they contain errors.

According to Associate Justice Minister Clayton Cosgrove, who recently made a statement about the new Act, the old fashioned language and numerous changes and modifications made to the original Act over the past 170 years meant that the previous legislation was "confusing and unnecessarily complicated".

He says the new Act does not radically change the law but instead modernises it. For example, the new Act reduces the risk of a will maker's wishes being undermined by a poorly drafted or badly executed will.

"We can all think of the complications that could potentially arise if the wishes of the deceased are not properly interpreted," Jeff says. "A poorly drafted or executed will may be contested in court and is capable of using up valuable estate funds while the court tries to read, interpret and gather evidence."

Jeff says if you already have an up-to-date will, there is no need to change it. "Generally, the changes will only affect wills made after the Act came into force. However we still strongly recommend that you regularly review your will, at least every five years, to incorporate recent changes to your life and assets."

The new Act includes powers for the High Court to correct errors and use external evidence to interpret wills.

These powers also apply to wills made before the Act came into force. However, the new powers will not destabilise existing wills. Instead, they will give the High Court the power to validate wills that have been badly drafted or poorly executed. This will ensure that the deceased's wishes are not undermined.

There are also a number of new developments in the area of relationships, which must be understood by anyone writing a will.

They are:

- "Marriage" now extends to civil unions, in automatically revoking a past will (unless the will is made in contemplation of the marriage or civil union).
- The rule that the dissolution of a marriage cancels provisions in respect of a former spouse now extends to civil union partners.
- Previously, if a person who had a formal separation order in force died intestate (without a will) their estranged spouse was unable to claim against the estate. If, however, the deceased had a valid will, the estranged spouse was still able to make a claim. The new Act resolves this anomaly by providing that an estranged spouse or civil union partner will be disinherited under their former spouse's or partner's will if there was a separation order (made by the Family Court) in force at the time. This is not to be confused with a separation agreement. Also, it does not apply to de facto relationships.

We still recommend that you remake your will if you separate from your spouse or partner.

Does this mean you can make a will without instructing a professional?

Prior to the law changes, a person did not have to take legal advice before making a will. Certain formalities had to be satisfied for a will to be valid, but it often made disposing of property complicated. Consulting a professional under the previous Act was seen as being sensible to ensure nothing was overlooked and that the will maker's intentions were set out correctly.

Jeff says this continues to be the case under the new Act. "The Act does make the law clearer and more accessible, and it is easier to dispose of property. However, we believe it is still important that you seek advice."

Perpetual Trust will draft your will for free, if you appoint the company as executor, so it is a good opportunity to take advantage of our specialist knowledge in this area.

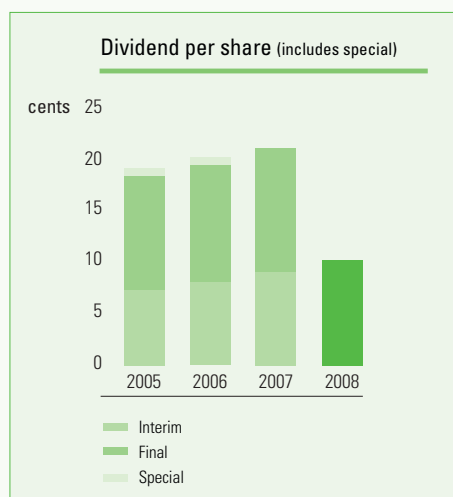
The above article first appeared in Perpetual Trust's *Experience* Newsletter – December 2007.



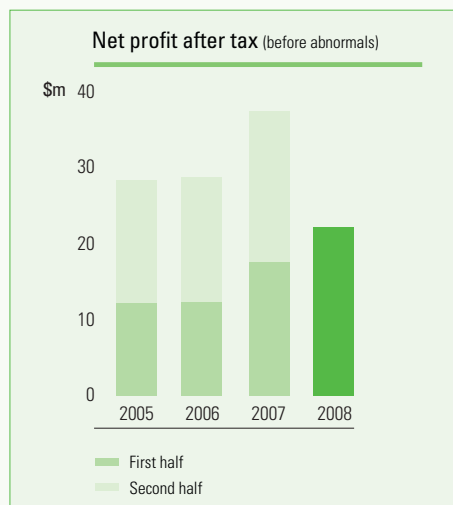
Perpetual Trust

Interim results show PGC in excellent health

Pyne Gould Corporation's net profit after tax for the six months to 31 December 2007 was \$22.1m. This is an increase of 23% over the \$17.9m achieved for the first six months of the 2007 financial year. The fully imputed interim dividend of 10 cents per share will be paid on 28 March 2008. Last year an interim dividend of 9 cents per share was paid.



The directors are very pleased to see such continued strong growth and this augurs well for another increased profit for the full year to 30 June 2008.



Here are some of the highlights from our three divisions.

MARAC: strong performance against finance company sector trends

The MARAC Finance group achieved another excellent half-year net profit after tax of \$14.0m, up 11% on the 2007 interim result. This flowed on from a 20% growth in net operating revenue.

Recent issues in the finance company sector have been well publicised. There are a number of features that distinguish MARAC from other finance companies and which have presented significant opportunities for MARAC in the current environment. We have seen a marked increase in loan applications and have been able to pick and choose those that meet our quality criteria. This has led to an 11% increase

in total financial receivables to \$1.5b. Focusing on high quality loans has seen our instalment loan arrears remain relatively constant at a low 0.5% of total receivables. Impaired asset expense was \$1.8m in the current period compared to the abnormally low \$0.7m in the corresponding 2007 interim period.

On the deposit side, MARAC has maintained investor confidence and this was assisted by confirmation of MARAC's investment grade credit rating from Standard & Poor's earlier in September 2007. While investors generally have become more reluctant to invest in finance companies, MARAC's reinvestment rate has remained steady. A reduction in the level of new investments received resulted in a decline in total retail debentures on issue. This challenging situation resulted from the current market environment, and we are working to combat it through several initiatives.

- During the half year MARAC received additional new facilities from its bankers.
- The securitisation programme which began in August 2007 has provided new funding of \$300m.
- We are presently finalising a new syndicated bank facility with all of New Zealand's major banks. This facility, together with other existing funding, will provide sufficient funding and flexibility for future growth in the 2008 year and will further increase MARAC's liquidity and funding diversification.

There are a number of features of our MARAC business that mark us as different and are the foundation of our success. These include:

- a loan portfolio that is diversified across many types of borrowers and securities, as well as spread across New Zealand
- a regular positive cash flow of around \$70m each month
- a diversified funding base with securitisation, retail debenture funding and wholesale bank facilities
- an investment grade credit rating from Standard & Poor's
- having no inter-company or related party loans
- highly experienced and long-serving senior management.

Perpetual Trust: another strong performance

Perpetual Trust had a strong half year with net operating profit after tax of \$1.8m, up 19% on the same period last year.

Revenue has increased 17% against last year, and all business areas have contributed to this result.

New trusts and investment advisory client growth once again account for a substantial part of our growth. The writing of wills, both new and revised, continues to be a focus and is an investment in the future.

In the Corporate Trust division, revenue growth during the six months was achieved from gaining more business from existing clients, launching new products and winning new business. Increased market share of the retirement villages sector has been achieved; this will continue to be a key focus for the future.

PGG Wrightson: contribution up 66% on last year

The PGG Wrightson result, which was announced on 19 February, showed that the benefits from creating a broad-based nationwide rural services business are now being realised.

PGG Wrightson made a net profit after tax of \$34.6m, compared to \$20.6m in the same period last year. This resulted in a contribution to PGC of \$7.5m, compared to \$4.6m last year.

Tim Miles recently succeeded Barry Brook as CEO. Barry Brook will remain with PGG Wrightson as Group General Manager South America.

New Zealand Farming Systems Uruguay successfully raised further funds through its second capital instalment. It became an NZX-listed company and joined the NZX 50 with effect from 1 February 2008. PGG Wrightson holds an 11% shareholding in the company.

Looking ahead

World markets, international credit-related issues and local finance company sector issues continue to provide challenging business conditions but also significant opportunities. We do not expect this to change in the short term.

For us it is business as usual, and our focus continues to be on the core activities which have been the key to our success in recent years, continuing our conservative approach.

We also expect broader opportunities to arise in the current environment and if these fit our stringent criteria we will pursue them.

PGC remains well placed to further grow its business. At this stage we are confident that for the full year to June 2008, net profit after tax will be higher than last year.

Sam Maling
Chairman
Pyne Gould Corporation



Exclusive offer for PGC Shareholders

As a PGC shareholder, you'll enjoy exclusive offers from companies within the PGC Group. With MARAC, you always receive 0.5% higher than the rate available to the public on MARAC's term deposit products.

Bearing this in mind, we are pleased to enclose a copy of the latest MARAC investment statement. It's a document that keeps you informed about investing with MARAC. In it, you'll find:

- Information about what goes into making MARAC a different kind of finance company;
- Information on what MARAC does with your money and how well MARAC is tracking overall (pages 4, 5 & 8);
- Details of MARAC's \$300m securitisation programme (page 9); and
- Information on the recently launched MARAC Capital Drawdown Term Deposit (page 7).

Special PGC Shareholder rate

10.00% p.a.
for 18 months with interest quarterly.

As a PGC Shareholder, MARAC is offering you a special term deposit* rate of 10.00% p.a. for 18 months with interest quarterly. If you'd like to take advantage of it, simply fill out the investment form enclosed and post it to MARAC together with your investment amount. The minimum investment is \$1,000.

Any questions? Call MARAC's investment team on 0800 26 27 22.

If there's anything more you'd like to know about MARAC's investment opportunities, please don't hesitate to call the investment team.

They are available any time from 8am – 5.30pm Monday to Friday and are very happy to help.

Brian Jolliffe
Managing Director
MARAC



MARAC

*Deposits are secured by first ranking debenture stock, subject to prior permitted charges (currently none) and claims given priority by legislation. Neither Pyne Gould Corporation nor any other entity guarantees any securities offered or the return payable by MARAC Finance Limited.



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Readers are urged:

1. to seek specific advice on any particular matter from a qualified professional person and
2. not to rely solely on this text.



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