

# Viewpoint

Pyne Gould Corporation Limited Newsletter

January 2010



2009 has been one of the more challenging years in the history of PGC. Impairments in MARAC's property development book necessitated a capital raising (see inside for more detail) in order to repair its balance sheet. Despite MARAC's property development losses, PGC was able to raise over \$270m, which is a testament to the strength of the company's core businesses.

As part of the capital raising we now have many new shareholders whom we welcome. We are also grateful for the support of our loyal shareholders in what have been very trying times.

The focus of the Group is now able to turn to 'business as usual'. Good progress has been made - Perpetual Asset Management is now established and creating opportunities for growth. In MARAC, we continue to occupy and develop a strong market position in vehicle financing, and plant and equipment finance in particular. Your management team is committed to rebuilding value, and is determined to move forward in the New Year.

On behalf of everyone at PGC, I wish you a happy holiday season.

**Jeff Greenslade**  
Chief Executive Officer

## INSIDE

Changes to  
the board

**PAGE 2**

Keep up to  
date with  
company  
news

**PAGE 2**

Capital raising  
a success

**PAGE 3**

Special offers  
for PGC  
shareholders

**PAGE 4**

# Changes to the board

At our Annual Meeting at the end of October, the company advised that a review of the composition of the boards of Pyne Gould Corporation (PGC), MARAC and Perpetual Trust was being undertaken.

At that time it was anticipated that this review would be completed by the end of November, with a Special Shareholder Meeting prior to Christmas to approve the new appointees to the PGC board.

While good progress has been made, and we are close to making recommendations to shareholders, the review is not yet complete. We expect to finalise the board appointments early in the New Year and hold a Special Shareholder Meeting as soon as practicable to seek your approval of the changes.

In the meantime, Jeff Greenslade has been appointed to the PGC board as Managing Director.

Richard Elworthy and Stephen Montgomery, who advised their intention to stand down at the Annual Meeting, officially retired after the board meeting on 18 December 2009. Richard concludes nearly 40 years' service to PGC and Stephen has been a director of PGC, MARAC and Perpetual Trust for 11 years.

The board would like to express its sincere thanks to both Richard and Stephen for the valuable contributions they have made to the company over the years and in particular the part they played in the recent capital raising.

I also announced my intention to retire but will remain as Chairman of the PGC board until the Special Shareholder Meeting is held; however I have stepped down from the boards of MARAC and Perpetual Trust, and stood down from the board of PGG Wrightson at the end of October.

Pending completion of the board review, Bruce Irvine will be Interim Chairman of MARAC and Bryan Mogridge will be Interim Chairman of Perpetual Trust.

As part of complying with the non-bank deposit taking regime, we are required to appoint two independent board members to MARAC and we hope to be in a position to make some announcements soon. We also intend to nominate a second director to be considered for appointment to the board of PGC Wrightson as my replacement.

**Sam Maling**  
Chairman

## Keep up to date with company news at [www.pgc.co.nz](http://www.pgc.co.nz)

PGC's website contains a wealth of information about the company, designed specifically to keep you, our shareholders, up to date and well-informed about your investment. You can find:

- latest releases to the market
- our financial results
- details of our business activities
- board and management biographies.

### Sign up for PGC's latest news

Did you know that you can sign up to have the latest PGC news emailed directly to you at the same time as it's publicly released? Rather than reading it in the paper or hearing it on the grapevine, you can have it sent straight to your inbox.

To set this up, go to [www.pgc.co.nz](http://www.pgc.co.nz). Run your mouse over "News" and you'll see "Sign up for PGC alerts". Click there. That will take you to a simple online form. Fill in your details and then choose to receive any or all of our:

- news or NZX announcements
- results, reports and presentations
- shareholder newsletters.

### Monthly shareholder email update

Next year we plan to start sending a monthly shareholder email update. So fill in the online form now, select shareholder newsletters and you'll receive the first issue when this initiative begins.

### Online shareholder services

There is also a Shareholder Centre on our website where you'll find a number of online shareholder services. Here you can change your contact details, view your PGC shares, and much more.

If there is further information you'd like to be able to access through PGC's website, please email us at [info@pgc.co.nz](mailto:info@pgc.co.nz) and we'll try to accommodate your request.

**Sarah Woodman**

Marketing and Communications Manager



# Capital raising a success

One of the goals of the capital raising was to ensure that the capital raised was sufficient to meet the Group's foreseeable capital requirements in light of the challenges we face. It was important to get this right and we believe we have.

The capital raising consisted of three stages:

- a six-for-one rights issue which raised \$237m
- a placement to institutions and habitual investors raising \$30m
- a share purchase plan which raised \$5.9m.

The total amount raised was \$272.9m.

Through the support of many of our long-standing shareholders as well as a number of new shareholders, PGC is now well-positioned to take advantage of the many growth opportunities that exist in financial services, trustee services and asset management.

The proceeds from the capital raising have been allocated as follows.

- \$125m was utilised to partially fund the ultimate purchase of certain MARAC property loans by Real Estate Credit (a PGC Group company). The intention is that these loans will be recovered, sold or transferred to the Torchlight Credit Fund LP, releasing cash back to PGC.
- \$35m of capital has been injected into MARAC which together with the proceeds from the sale of certain MARAC property loans is expected to ensure that MARAC will comply with the proposed non-bank deposit taker regime and be well-positioned to apply to become a registered bank.\*
- All bank debt at PGC has been fully repaid.
- \$33m has been used to take up PGC's rights in PGG Wrightson Limited's rights issue, maintaining our shareholding in that company.
- \$4.5m has been used for Equity Partners Asset Management Limited's rights issue.

After meeting all fees associated with the capital raising, approximately \$25m has been retained by PGC for investment in existing activities, including the asset management strategy, and to position the Group to capitalise on any value-enhancing consolidation opportunities that may arise in the finance sector.

While numerous consolidation opportunities are evident, we need to be disciplined in the application of this surplus capital to ensure it derives the best return for you, our shareholders.

## Delivering on expectations

In seeking investor support for the capital raising, management outlined two key initiatives that we believe will deliver significant growth to shareholders over time:

1. the banking strategy; and
2. the development of a best of breed portfolio and asset management business.

Capital will be allocated to these businesses based on our view of their ability to generate value (cash and growth).

## MARAC

MARAC's balance sheet (after the capital raising) has never been stronger and we believe it will have sufficient capital to comply with the soon-to-be-introduced non-bank deposit taker regime.

MARAC has renewed its focus on core activities in motor vehicle, plant, equipment and working capital financing to individuals and small to medium-sized businesses.

MARAC is firmly focused on regaining an investment grade credit rating. Once this is achieved, the goal will be to apply to become a registered bank\*. This has the potential to create significant value for MARAC and ultimately PGC shareholders. The pathway to becoming a bank is clear in our minds, but the review process is complex, involving both a qualitative and quantitative assessment. This means we are unable to set a definite timeframe for achieving this goal. There is also no certainty that MARAC will be able to meet all of the relevant criteria set by the Reserve Bank of New Zealand for becoming a registered bank.

That said, we will continue to pursue opportunities to accelerate the process and are working closely with the rating agency, Treasury and the Reserve Bank.

## Perpetual Asset Management

Perpetual Asset Management Limited (PAM) is the wholly owned asset management business of PGC.

PAM has also been active since the capital raising, igniting the Torchlight Credit Fund LP (Torchlight).

PGC has provided PAM with seed funding in the form of a \$15m line of credit to Torchlight. PAM expects to retain a cornerstone investment in Torchlight.

Another part of the growth strategy for the funds management business is providing retirement planning services to New Zealanders. This will attract new customers to the Group, as well as offer another service to MARAC and Perpetual customers.

## PGG Wrightson

PGC has invested \$33m to take up its rights in PGG Wrightson Limited. We carefully weighed up this action against a range of other opportunities and are satisfied that it will result in enhanced value.

PGC's shareholding in PGG Wrightson Limited is approximately 18.3% post its capital raising, and we will play a full role in the ongoing governance. We intend to nominate a second director to be considered for appointment to the board of PGG Wrightson Limited following Sam Maling's resignation, joining Bruce Irvine.

## Looking ahead

PGC is well-positioned to take advantage of the significant consolidation and investment opportunities that have and will continue to present themselves and, in turn, add value to your shareholding.

We are fortunate to have an experienced, highly skilled and capable team, the capital resources (thanks to your support) and a clear strategy to see the PGC Group and its associated businesses through this challenging environment.

We look forward to keeping you up to date as we continue to deliver on promises and hopefully exceed your expectations.

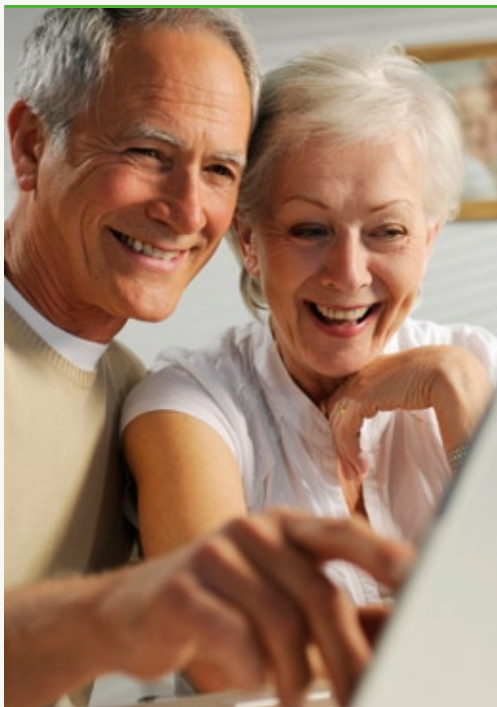
## Jeff Greenslade

Chief Executive Officer

\* Neither Pyne Gould Corporation Limited nor MARAC Finance Limited is a registered bank under the Reserve Bank of New Zealand Act 1989.

# Special offers for PGC shareholders

As a PGC shareholder, you can enjoy special offers on services from companies within the PGC Group.



## MARAC<sup>®</sup>

### 0.5% p.a. above public rates for Term Deposits

You'll receive an interest rate that is 0.5% p.a. higher than the rate offered to the public on MARAC Term Deposits.

For current public rates, an Investment Statement or to organise your MARAC Term Deposit, visit [www.marac.co.nz](http://www.marac.co.nz) or call MARAC's investment team on 0800 26 27 22. Minimum investment \$1,000.

MARAC Term Deposits are First Ranking Secured Debenture Stock, subject to prior permitted charges (currently none) and claims given priority by legislation. Pyne Gould Corporation Limited nor any other entity guarantees any securities offered or the return payable thereon by MARAC Finance Limited. This offer does not apply to the MARAC PIE Fund. The New Zealand Crown Deposit Guarantee may or may not apply to your MARAC investment. Contact MARAC's investment team for more information.

  
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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.



## Perpetual Trust

### Receive tickets to the Ellerslie Flower Show or a year's magazine subscription



If you invest \$5,000 or more into the Mortgage Fund, or set up a new power of attorney or trust before 31 January 2010, you'll receive two any day tickets to the Ellerslie Flower Show (valued at \$80) in Christchurch or a year's magazine subscription of your choice for *NZ Gardner*, *NZ House & Garden*, *Life & Leisure* or *Cuisine*. For more information visit [www.perpetual.co.nz](http://www.perpetual.co.nz) or call Perpetual on 0800 737 738.

  
Pyne Gould Corporation