

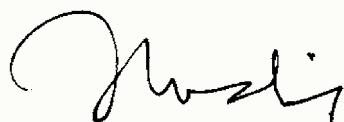
Viewpoint

Pyne Gould Corporation Limited Newsletter

October 2007

Welcome to Viewpoint

For some time we've been thinking about ways in which we can improve communication to shareholders to let you know about the company's activities, results and newsworthy events. The result is *Viewpoint*, our newsletter for PGC shareholders. In it you'll find information and news from our businesses, as well as general interest topics. We hope you enjoy reading it, and please feel free to contact us on 03 365 0000 or info@pgc.co.nz if you have any suggestions for articles in future editions.



Sam Maling
Chairman



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MARAC moves ahead with securitisation



Our finance company subsidiary – MARAC Finance Limited – recently entered into a securitisation arrangement. This provides MARAC with a third source of funds, alongside its existing retail debenture programme and wholesale bank lines provided by four trading banks.

This diversification, which allows access to three streams of funding, means PGC's shareholders and MARAC's investors can be even more sure of MARAC's **strength and stability**. The diversification will support MARAC's **continued growth** as a leading New Zealand finance company.

The securitisation programme will mean no change in the way MARAC does business with its customers – both investors and borrowers.

What is securitisation?

To provide you with some background, most finance companies rely heavily on one or possibly two sources of funding. Nearly all finance companies raise funds through the traditional retail debenture market from investors. Bank funding remains a popular second option. Now, while having two sources of funding is good, having three is far

more reliable. So just as MARAC has spread its portfolio of loans, it has now diversified its funding through securitisation.

Securitisation for MARAC has been on the drawing board for more than five years, and has come to fruition over the last six months. It allows MARAC to access more cost-effective funding from wholesale finance markets (institutional borrowing is generally at lower rates than retail and wholesale borrowing). It should also insulate MARAC from fluctuations in the retail debenture market and make the company less reliant on traditional bank funding lines. So, overall, it will enable MARAC to remain **competitive and more resilient to market changes**.

Because of the quality of the loan book that MARAC is securitising and the company's track record in quality lending and credit processes, Standard & Poor's have assigned the securitisation vehicle their top short-term rating of A1+.

How securitisation works

Securitisation is a form of financing whereby MARAC sells some of its loans to a special-purpose entity, a trust, for cash. That trust raises funds against the pool of loans it

has bought from MARAC. Because the pool of loans is diverse and the trust is not looking to raise funds to the full value of the assets purchased, the trust attracts a high credit rating. This high credit rating means that it can borrow against the loans at very competitive interest rates. The funds borrowed by the trust are then paid to MARAC for the purchase of the loans.

Here are the key points of MARAC's securitisation programme.

- On 17 August 2007 a loan pool with a value of \$311m was sold by MARAC to MARAC ABCP Trust 1 (the Trust), which was set up specifically for the securitisation arrangement. The loan pool comprised commercial, motor vehicle and marine loans.
- The proceeds of the sale received by MARAC from the Trust were used to pay off \$291m of liabilities from banks secured under the MARAC debenture stock trust deed, with the balance invested by MARAC in the Trust by way of a subordinated loan.
- Further loans may be sold into and/or purchased from the Trust by MARAC from time to time.
- MARAC continues to administer the loans on behalf of the Trust and continues to receive any profit (or losses) associated with the pooled loans.
- The accounting treatment for the loan pool sold to the Trust requires that they continue to appear in MARAC's financial statements. Accordingly, a single set of MARAC financial statements is presented for the parent company, consolidated group and the guaranteeing group.
- Despite this presentation in the financial statements, the loans sold to the Trust are set aside for the benefit of investors in the Trust and no longer form part of MARAC's total tangible assets over which the secured debenture stock offered under MARAC's Prospectus is secured.
- The directors note that the securitisation will not materially prejudice the interests of investors secured under the MARAC debenture stock trust deed. In fact securitisation will be beneficial to MARAC through the ability to access alternative funding avenues which provide additional funding flexibility to manage liquidity and improve operational resilience.

If you have any questions on securitisation, please feel free to contact Stuart Mainwaring, MARAC's Funding Manager on 0800 26 27 22 or stuart.mainwaring@marac.co.nz, and he will be happy to give you more information.

Alan Williams
Chief Financial Officer – MARAC

PGC Update

PGC's Board of Directors is delighted to once again be able to report another year of growth and improved performance by PGC's businesses. You can find full details in the 2007 Annual Report we recently mailed to you.

Changes to reporting standards

Looking forward, 2008 will see a change in the way PGC reports its results, as we are now required to use International Financial Reporting Standards (IFRS). This will mean some changes in the way our revenues and expenses are recorded and consequently a change in the reported net profit. The main differences will be the spreading of MARAC's fee income and brokerage costs, the fair valuing of interest rate derivatives, and the impairment testing of investments.

PGC Investments

PGC itself is a holding company for investments in MARAC, Perpetual Trust and PGG Wrightson, plus PGC's Christchurch office building. At 30 June 2007 the total value of PGC's investments was \$203m, which was financed by debt of \$20m and shareholders' funds of \$183m.

Farewell to Tim Saunders

During the 2007 year we farewellled Tim Saunders from the board. His 23 years' service was exemplary and is sadly missed.

Sam Maling

Chairman – PGC

Financial Calendar

Year-end	30 June 2007
Year-end results announcement	28 August 2007
Share register closes for final dividend	15 September 2007
Annual report mailed	20 September 2007
Final dividend payment	25 September 2007
Annual meeting	1 November 2007
Half-yearly results and interim dividend announcement for 2008	February 2008
Interim dividend payment	March 2008

www.pgc.co.nz - now even better

Viewpoint is just part of our plan to improve communication with our shareholders – we also decided to upgrade our website, and we're delighted with the result. We know that more and more people use the internet as a way to get information, and we wanted to make it

easy for anyone to find out what they need to know about PGC and our businesses. We also wanted to make more online services easily available to our shareholders. So when you have a few spare minutes, please have a look at our new website at www.pgc.co.nz.

Here are some of the new features you'll find:

- a summary of our history and all our current businesses;
- directors' biographies;
- links to recent annual reports and shareholder meeting documents;
- more frequently asked questions, with more comprehensive answers;
- quick links that take you straight to the most popular areas;
- regular updates of news and the latest announcements;
- links to online investor services through our share registry;
- web casting of important presentations and meetings – so if you can't attend you can watch them online;
- a smarter, more modern look; and
- plainer language for better clarity and easier reading.

We are very interested to know what you think of the new website. Please call us on 03 365 0000 or email info@pgc.co.nz if you'd like to share any comments.

Brian Jolliffe

Managing Director – PGC





Standard & Poor's reaffirms MARAC's investment grade credit rating

MARAC has been committed to helping New Zealanders with finance and investments for over 50 years. We've been there through the good times and the bad, and in recent months there have been some turbulent times for the finance industry. MARAC's business even through these tough times is in good shape, and this was recently backed up by Standard & Poor's reaffirmation of MARAC's investment grade credit rating following the announcement of the annual results.

Standard and Poor's referred to MARAC's "sound lending volume growth, continued strong asset quality, and maintenance

of its operational efficiency". Standard & Poor's also noted the current volatile finance environment, but felt that MARAC's "spread of funding sources, which includes committed bank lines from four banks, a recently introduced securitisation program, and retail debentures, will enable the company to contend with these challenges".

MARAC continues to go from strength to strength – and is certainly planning on helping New Zealanders with finance and investments well into the future.

Brian Jolliffe
Managing Director – MARAC



Perpetual's success recognised

We are delighted to report that PGC's subsidiary Perpetual Trust Limited was a finalist in the 2007 Champion Canterbury Awards. These awards, now in their fifth year, celebrate the excellence, passion and success of business in the Canterbury Region. There are six categories in the awards, each split into small enterprise and medium/large enterprise subcategories.

Perpetual Trust was nominated in the "Champion Service/Retail Medium/Large Enterprise" section. In this category, the 40 business and community leaders on the judging panel looked for the "smartest provider of retail services, professional service, infrastructure or utilities in helping

the community to thrive and prosper".

As part of the judging process, Perpetual Trust provided information on their points of difference, the key characteristics of their business, including their innovation, creativity, excellence in business practice, and unique positioning in Canterbury.

The winner of the category, announced on 13 September, was Canterbury Waste Services Ltd. We congratulate them on their success, and are proud of Perpetual's achievement in reaching the finals of these prestigious awards.

Brian Jolliffe
Managing Director – PGC





Finance industry outlook

The 2008 financial year has started well for all of PGC's businesses, with results so far being in line with our expectations.

You will no doubt have read or seen media reports on the recent failure of a number of finance companies. This has placed a spotlight on the industry, and caused a certain amount of concern for investors. These events have had little impact on our subsidiary company MARAC Finance, due to its strong foundation and excellent reputation in the finance marketplace.

MARAC lends in a widely diversified range of sectors, including commercial plant and equipment, business, property development, motor vehicles (also leasing), and marine and leisure. In addition, MARAC has a diversified funding base, with three streams of funding – from retail investors, the banks and a new securitisation programme (see the article on page 2). As noted on page 4, MARAC's strength and stability is affirmed by an investment grade credit rating from international credit rating agency Standard & Poor's.

MARAC has also invested in regional expansion, web technology and new initiatives (such as Ascend Finance and the relationship with KiwiBank). These, along with MARAC's diversification, all ensure it is well placed for the future, despite the current market.

Brian Jolliffe
Managing Director - PGC



Special offer exclusive to PGC shareholders

As a PGC shareholder, you can enjoy special offers on our products and services from companies within the PGC group. Each issue of *Viewpoint* will feature current special offers, exclusive to our PGC shareholders. You can also find these on our website at www.pgc.co.nz.

MARAC
MEANS FINANCE

Term deposit special offer

9.8%
p.a.
for 12 months

with quarterly interest
(this rate is 0.5% higher than
the rate available to the public).
Minimum investment is \$1,000.

Phone MARAC on freephone
0800 26 27 22 for your First
Ranking Secured Debenture
Stock* Investment Statement.

*Subject to prior permitted charges (currently none) and claims given priority by legislation.
Pyne Gould Corporation nor any other entity guarantees any securities offered or the return payable thereon 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.



Pyne Gould Corporation