

## PGC Chairman's AGM Address 1 November 2007

When I spoke to you last year we were expecting further growth in the business and an improvement in operating profit for the June 07 year. And that turned out to be the case.

**(Slide 1).** We have reported this year a nett profit after tax of \$30.6m. That enables us to pay a dividend now increased to 21c per share. And that is on the back of record results again from both MARAC and Perpetual Trust. In MARAC's case a 10% increase to \$26.5m and for Perpetual a 39% increase to \$3.6m. PGG Wrightson was down on the previous year with a contribution of \$5.8m but still a year in which much hard work was done in the business to position it for the future.

**(Slide 2).** Overall we were able to lift nett profit by 6% on the previous year's record result.

And the graph shows you where we have come from over the last 5 years, spectacular growth in 04 and 05, slightly flatter growth over the last 3 years. **(Slide 3).** And a similar story with the dividend.

I have two observations about this result.

Firstly it was achieved despite more difficult trading conditions for both MARAC and PGG Wrightson. Secondly we enjoyed another record contribution from Perpetual Trust. This business continues to impress with a steady year on year improvement.

In MARAC's case, the outcome also reflects the positioning of that business at the quality end of the market where the margins are finer. We make no apology for that, it has been a deliberate strategy on our part.

For PGG Wrightson, tougher operating conditions for our farmer clients directly impact on the bottom line.

I wish to acknowledge at the outset the very significant contribution which those who work for us make to the collective result. A key ingredient is their dedication and skill at all levels within these organisations. There are too many for me to mention by name but a number are here today and a number will be known to shareholders. On behalf of the shareholders, let me record our thanks to the staff for yet another record result for Pyne Gould Corporation.

Brian will tell you more in a minute about how each of these businesses has performed.

So where are we headed in the current year?

We believe there is every reason for optimism in our business.

MARAC is a leader in its field, and the business model has proven sound notwithstanding volatility in credit markets.

We attribute this volatility to two distinct causes, firstly, global credit issues, which have affected all businesses and bank customers, and which have led now to increased interest rates across the board, and for some, a review of their facilities.

At MARAC, we have relationships with all of the major New Zealand banks and we continue to enjoy their complete confidence. That is no accident. For us it has been business as usual albeit with some re-pricing of risk.

The second factor has been the loss of confidence in the finance company sector. The last 10 years has seen a proliferation of finance companies in the New Zealand market and with virtually no barriers to entry, these businesses come now in all shapes and sizes.

For the serious players, and MARAC is one of the most serious players in this sector, our focus has been to demonstrate that our business is very different to most in this sector.

It is different because of the way it is run. We have a high level of governance in the business, with some very experienced Directors around the board table, and we have a team of people under Brian Jolliffe who are the best in their field. These key people have been with us now for some years, and it has been their collective effort which has taken MARAC to the top of the class. Our modus operandi has been described as “Bank like”. Our people are absolutely focused on customer service. A customer recently remarked that our people know as much about his business as he did himself,

possibly more. That is how we have survived and grown. That is how we intend to continue.

And the MARAC business is different because of what it does. This is a diversified business. It has moved significantly from where we started in the days of Finance & Discounts. It is diversified geographically (now nationwide and growing strongly in the provinces) and diversified in terms of the range of financial services which it has to offer. Along side the traditional strong business lines which we have developed, MARAC has added insurance, invoice financing and e-business.

And MARAC is also different because of who it does business with. We now partner with companies such as Case, Nissan and Kiwibank amongst other major suppliers.

And it is different because of who we are. PGC and before it, Pyne Gould Guinness Limited, have been providing financial services since 1919 and through every business cycle we have experienced since then. So people trust us. And that experience and reputation coupled with a strong balance sheet gives us a real position of strength.

If you want a second opinion on all of this then I invite you to have a look at the latest Standard and Poor's Review, carried out as recently as a month ago, and which has endorsed our investment grade rating once again, notwithstanding the vicissitudes of the market. You can access a Summary of this Review on the MARAC website.

We also believe that Perpetual Trust is well positioned to take advantage of developments in the Corporate Trust area. Our Corporate Trust team includes dedicated business professionals who provide essential services in the securities area which is actively under change. That activity is overseen by a Corporate Trust Board which operates with full delegated authority from the Board of Directors. That ensures confidentiality for the client and complete integrity in decision making in each individual case. We are fortunate to have a highly qualified group of professionals on that Board, all with significant experience in this field at a national level. The Chairman is Keith Familton, previously a senior commercial partner and Chairman of Bell Gully.

We see other opportunities for Perpetual as well, in both its Managed Funds business and Personal Wealth Management.

And we have confidence too, that our Rural Services Investment, PGG Wrightson, is well placed to take advantage of the upside from dynamic change in agri-business which we anticipate over the next few years. First and foremost that business needs to deliver on the merger benefits for its farming clients. Much progress has been made but as always there is more that can be done. Secondly the business needs to cope with the bigger picture as well. And you will be aware of some of the company's initiatives in both South America and in Australia. So we see this investment in Rural Services as one which will add value for our shareholders in the medium term.

Richard Elworthy has stepped down as a Director from the PGG Wrightson Board following the AGM. That was part of our arrangement with RPI to reduce the size of the Board, down now to eight Directors from the twelve we started with. Richard's

contribution to the Rural Services business through its various phases will be well known to most of you. On behalf of shareholders let me record our thanks to him for this exemplary service. Your continuing Directors at PGG Wrightson will be Brian Jolliffe and myself. We will continue to meet regularly with our RPI counterparts, Baird McConnon and Craig Norgate, to ensure that business objectives remain aligned. We enjoy a close working relationship with RPI and we have no difficulty with the shared control structure under the Shareholders Agreement.

There has also been a change of Chair at PGG Wrightson. Craig Norgate takes over from Bill Baylis. Let me record our thanks to Bill for his inspiring leadership, first with the merger of PGG Reid Farmers and more recently the merger with Wrightsons. In my opinion he was absolutely the right man to lead us through those changes.

But now the requirements for the business are different, and at a board level there is a strong case for better harnessing the energies and expertise of people such as Craig Norgate and Brian Jolliffe. We believe the restructure will achieve that.

Ladies and Gentlemen I move that the Annual Report be adopted and have pleasure in asking Brian Jolliffe to second the motion.