



**PYNE GOULD CORPORATION  
2010 ANNUAL MEETING  
29 OCTOBER 2010**

**CHAIRMAN'S ADDRESS: BRUCE IRVINE**

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**Slide 1**

Good afternoon ladies and gentlemen, I am Bruce Irvine, Chairman of Pyne Gould Corporation. Welcome to the Annual Shareholders Meeting for 2010.

**Slide 2 – Directors in Attendance**

Before beginning the meeting I would like to introduce you to your Board and members of the senior management team. All of the directors are present today.

Jeff Greenslade our Managing Director  
George Gould  
George Kerr  
Bryan Mogridge  
And John Harvey and Michelle Smith, directors of MARAC

**Slide 3 – Senior Management in Attendance**

Our senior executives are also present today.

Sean Kam, Chief Financial Officer  
Craig Stephen, Chief Investment Officer  
Mark Mountcastle, Chief Risk Officer  
Colin Hair, Company Secretary  
Chris Flood, General Manager Consumer for MARAC  
John Duncan, Chief Executive Officer of Perpetual Group  
Patrick Middleton, Chief Operating Officer of Perpetual Group

**Slide 4 – Meeting Formalities**

***Notice of Meeting***

The Company Secretary has confirmed that the Notice of Annual Meeting has been circulated to shareholders in terms of the Company's Constitution and as required by the Companies Act, and the meeting has been properly convened.

**Quorum**

Our Constitution provides for a quorum of not less than twelve shareholders to be present in person or by proxy. I declare that we have a quorum.

**Apologies****Proxies**

I advise that a total of 240 valid Proxies covering 289,431,857 shares, which is 37.4%, have been received for this meeting.

**Minutes**

I advise that the minutes of the last Annual Meeting held on 30 October 2009 and the Special Meeting held on 4 March 2010 were confirmed at a subsequent directors' meeting and are available for inspection at the front desk along with the interests register.

**Annual Financial Statements**

The Financial Statements and Auditors Report are set out in the Annual Report.

Additional copies are available here today.

Before I ask you to receive the Annual Report, I would like to make a few comments on the year. Sean Kam and Jeff Greenslade will also provide commentary.

**Slide 6 – Key Events**

This is my first year as Chairman and I am especially keen that you go away from this meeting with a good understanding of what has happened in your business over the last 12 months, and what our plans are for the future.

In many ways, this has been a historic year for the Company.

It has not all been good. We have had to deal with the outfall of the Global Financial Crisis and we have had to further adjust the values on our balance sheet (in particular the property assets). We then had to sure up our position through a capital raising that was painful for many of our longstanding and loyal shareholders.

However, during that capital raising last year we had a clear focus on what we needed to do including:

- Strengthening our balance sheet.
- Employing top people – I have just introduced our new executive team to you. They are a high calibre team who will be able to confront the challenges of the future.
- Putting processes and people in place to ensure the mistakes we made in the past are not repeated and to ensure investor and shareholder interests are protected.

In addition, we needed to reposition on our core strengths, being plant and equipment and motor vehicle lending.

We are now well down the track in transitioning our finance operation towards becoming a bank<sup>1</sup>. We have our balance sheet in good shape. We have been maintaining significant liquidity, diversifying revenue streams (particularly the development of our Wealth Management business in the Perpetual Group) and we have maintained a strong focus throughout the year on cash flow and operating profitability.

We are in the right place to confront the challenges of the future and are getting the support of rating agencies, politicians and the industry generally for the consolidation of the industry sector. We'll then be pursuing bank registration.

We now have a financial services group based around MARAC, Perpetual, Torchlight and PGW. And we are undertaking a number of initiatives in the consolidation of the industry which we will expand on during the course of the meeting.

### **Slide 7 – Annual Result Overview**

Sean Kam will expand on the financial results for the year. I will just provide highlights.

The net profit after tax of \$22m exceeded the PFI set out in the capital raising document. All of the divisions of the business had satisfactory performance.

Contributions to the profit were MARAC \$14.3m, Perpetual \$4.5m and PGW \$3.9m.

### **Slide 8 – Strategy**

We have been positioning your business so we can ultimately become a “banking”<sup>1</sup> group. MARAC and Perpetual are core to this strategy. I will discuss this further later in this presentation.

In addition, we have established a private equity arm known as Torchlight. This generated valuable revenue and income for the Group in the year just gone. We are now reviewing whether Torchlight fits in the Group over the longer term. In the meantime, it continues to contribute to Group profitability.

During the year we also participated in the recapitalisation of PGG Wrightson. We continue to be a supportive cornerstone shareholder in PGW as that company also evolves its business. Again we will continue to consider our options with respect to that business moving forward but at present we see further upside value in that investment.

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<sup>1</sup> Neither PGC, MARAC nor Perpetual is a registered bank. No merged entity will be a registered bank until it has been registered as such under the Reserve Bank of New Zealand Act 1989.

## **Slide 9 – Milestones**

We have achieved a number of milestones in the 12 months just past.

In particular I would point out to you:

- AA Insurance joint venture;
- Torchlight capital raise;
- Promotion to NZX50; and
- The “Heartland“ merger proposal, which I have indicated will be covered later by both Jeff and myself.

## **Slide 10 – Board**

The Group’s governance has been restructured. George Gould joined myself, Jeff Greenslade, George Kerr and Bryan Mogridge on the PGC Board. The same directors are also on the Perpetual Board. John Harvey and Michelle Smith have joined the MARAC Board and meet the requirements of independent directors under the new non-bank deposit taker regulations.

All three new directors have added great value to your Group boards.

During the year (and after the recapitalisation), we also saw the retirement of Sam Maling, Richard Elworthy, Warwick Steel and Stephen Montgomery. I would like to acknowledge the energy and commitment that those four retiring directors put into your Company over many years.

## **Slide 11 – Operational Performance**

After the problems that arose (in particular) with the property development loans, we have made a number of changes operationally.

- Exit property development loans;
- New risk framework; and
- Introduction of “bank like” policies and procedures.

Which leads us into the “Heartland” proposal.

## **Slide 12 – Heartland - Why do it?**

Let me read this slide. “Your Board considers “Heartland” to be the single greatest value enhancing proposition for shareholders at this time.”

### **Slide 13 – What is “Heartland”?**

Heartland will deliver a business which will have in excess of \$2bn in assets and have approximately \$300m in equity. Initially, you will own 71% of this new entity.

It is a business that we envisage will:

- Be the only listed New Zealand controlled bank (if ultimately banking registration is granted).
- Provide credit for Heartland New Zealand.
- Have a Standard & Poor’s investment grade credit rating.
- Provide a full service, customer focused offering.

### **Slide 14 – Shareholder Benefits**

You will be asked to vote on this proposal at the end of November. Material will be sent to all of you in the next week. We have registered the offer documents with the Companies Office today.

Your Board will be seeking your support. We believe the benefits to you as shareholders are significantly greater than standing alone. These benefits will be clearly outlined in the offer documents you receive.

### **Slide 15 – Indicative Merger Implementation Timetable**

The key dates in the merger timetable are:

- As PGC shareholders, you will get the opportunity to vote on the proposal on the 26 November 2010
- Final court approval to the scheme of arrangement should be provided on the 16 December 2010
- The effective merger date is 7 January 2011
- A listing of the new entity is proposed for February 2011.

### **Slide 16 – Governance**

The new Board of the merged entity has five representatives from PGC and two each from CBS and SCBS.

As previously noted, you will initially hold 71% of the shares in this new entity.

### **Slide 17 – Executive Team**

The executive team also has a number of PGC / MARAC people on it. The executive team and their proposed roles are outlined in the slide. Your Board believes that this team has the capability of delivering on the promise of the new financial services entity that I described earlier, and ultimately in driving a banking group when and if banking registration is granted.

I note in particular that your Managing Director will also be the Managing Director of the new “Heartland” entity.

### **Slide 18 – Market Conditions**

The global economic recovery is continuing albeit slowly. Markets are now more liquid and prices no longer reflect the extreme levels of risk aversion evident during the financial crisis. The recovery to date has centred in a number of emerging economies with robust demand in Asia in particular, together with higher commodity prices, seeing the outlook for the New Zealand economy improve.

However, the global recovery is uneven and potentially fragile. Ongoing de-leveraging by banks has reduced access to credit, with lending conditions tight, especially for businesses. Credit demand also remains weak as households and firms reduce their own levels of debt.

Against this backdrop, and as a result of many of the structural and strategic changes made by your Board and management, we believe PGC / MARAC are well placed to support the domestic economic recovery.

Forward indicators suggest non-performing loans for the sector may be close to plateauing, with the outlook for profits improving as a result. Funding conditions in our sector have generally improved although it is highly competitive as banks have increasingly focussed on the retail space as required by the Reserve Bank’s new prudential liquidity policy.

Additionally, the Crown’s retail deposit guarantee scheme has been extended to allow parts of the non-bank lending sector to put their businesses on a more secure footing, or to exit.

The role of niche financiers such as PGC / MARAC (and Heartland in the future) will play an important role in funding activities outside the primary product profile of banks and assist the recovery of the New Zealand economy.

### **Slide 19 – Group Outlook**

Your Board sees great potential in the expansion of the Perpetual business. We see considerable growth in both Funds Under Management and Funds Under Advice.

With Torchlight, as previously noted, this has proved to be a beneficial acquisition. However, the fit with our future strategic direction needs to be reviewed.

With PGW, we remain a committed shareholder but are constantly reviewing our position.

### **Slide 20 – Group Outlook**

Our aspiration for MARAC, as noted, is to form a cornerstone of the new Heartland strategy. Jeff will provide more information on this in his presentation.

### **Slide 21 – PGC Post-Merger**

Your Board has announced that it is to undertake a strategic review. This will involve our approach to dealing with Torchlight, PGW shares, and our holding in the new Heartland entity. We will come back to you with the outcome of that review should it result in a significant change in direction. Jeff again goes into more detail on this.

### **Slide 22 – Dividend**

Your Board is pleased to announce that we intend to pay a dividend in the current year. The details of the dividend are:

- 1.5 cents per share fully imputed
- Record date 19 November 2010
- The dividend reinvestment plan will apply to this dividend.

I would now like to hand over to Sean Kam.

### **Slide 43 – Questions**

Thank you Sean and thank you Jeff. Before I ask for the Annual Report to be received I would like to open the meeting up to questions on the Annual Report and the presentation provided. Are there any questions?

### **Slide 44 – Business of the Meeting**

We now move to the business of the meeting.