

**Pyne Gould Corporation acquisition signals new strategic focus  
on Banking & Asset Management; MARAC to divest property lending**

**21 July 2009**

Pyne Gould Corporation Limited ("PGC") announced today that the group has taken an important step towards becoming New Zealand's only publicly listed banking and asset management company.

**Asset Manager Acquired**

PGC has entered into an agreement to acquire an established New Zealand based asset management firm, Equity Partners Asset Management Limited ("EPAM") from a company controlled by George Kerr. George is a PGC director and associated with Pyne Family Holdings Limited, PGC's largest shareholder.

EPAM is focussed on infrastructure and credit. It currently manages Equity Partners Infrastructure No.1 Limited ("EPIC") and owns a 10% cornerstone stake in that company. EPIC holds international infrastructure investments including investments in Thames Water and Moto International Holdings Limited – refer Appendix 2. In addition EPAM is developing a real estate credit fund – Torchlight Credit Fund.

The purchase price payable by PGC is \$18 million, and is subject to the conditions in Appendix 1.

EPAM will become part of a new PGC group company, Perpetual Asset Management Limited to be chaired by George Kerr. This company will both manage and own cornerstone shareholdings in major funds, initially focussed on infrastructure and real estate credit assets and, in time, other asset classes including agri-business.

The development of this major asset management arm for PGC will enable the group to offer a comprehensive suite of financial services to all clients and stakeholders across the PGC group.

**MARAC Property Development Loans to be Divested**

As part of its strategy to apply to become a bank, MARAC Finance Limited ("MARAC") intends to cease lending on development property. MARAC has retreated from this market and will continue this withdrawal by divesting its remaining impaired or likely to be impaired property loans, expected to involve approximately \$160m, to PGC at face value, subject to obtaining all necessary approvals. Accordingly, MARAC's balance sheet will not be impacted by any impairment on these loans.

As PGC pays cash to MARAC for the loans over time, MARAC will invest this cash in Government and bank securities to underpin liquidity and surplus cash may be available for selected acquisition opportunities that arise.

Torchlight Credit Fund, once established, intends to acquire these loans from PGC together

with other specific strategy property credit assets it has identified, as seed assets for the real estate asset backed credit fund.

To allow Torchlight to acquire these loans at fair market value PGC will take a one-off charge to its 30 June 2009 results to reflect the impairments, expected to be approximately \$60-\$65m after tax (being an additional approximately \$43m after tax to the \$22m after tax charge taken at the half year to 31 December 2008). Final details will be released when PGC reports its annual results in late August.

### **PGC has two major divisions that comprise:**

#### **MARAC**

MARAC intends applying for a banking licence this year and it is expected, if the application is successful, to grow to become a mid-sized New Zealand bank catering to the needs of private individuals and SME's. It is intended to build on MARAC's expertise in the SME sector and expand the range of services provided to these customers, such as working capital products and utilising the products and services available through Perpetual Asset Management and Perpetual Trust.

MARAC's asset and SME lending has continued to deliver strong results through the market downturn with minimal impairments. The property lending being divested has borne almost the full brunt of the downturn.

#### **Perpetual Trust and Perpetual Asset Management**

Perpetual Trust currently provides its clients with a wide range of services which will continue as usual. The new company, Perpetual Asset Management, will develop an asset management business across a range of specialist asset classes.

Perpetual Asset Management will hold the management contract for each of its funds and a cornerstone stake to ensure alignment with other investors in the funds. Each fund will be established as a "best of breed" building block designed to meet long term investment objectives of Perpetual clients and clients of other financial institutions.

The purchase of EPAM positions Perpetual Asset Management with an already substantial infrastructure fund.

Torchlight Credit Fund will specialise in real estate asset backed credit across a range of sectors including commercial and residential. Torchlight has already identified a number of specific strategic property credit assets in addition to MARAC's non-SME property assets. Perpetual Asset Management sees the New Zealand property sector as a classic counter-cyclical opportunity with very significant value creation potential for a patient investor. Assuming Torchlight successfully secures the portfolio of MARAC assets and the other specific strategic property credit assets it has identified, it is likely to be the largest fund of its type in New Zealand.

#### **Update of PGC's shareholding in PGG Wrightson**

PGC's approximately 20% stake in PGG Wrightson is to be retained and may be considered as a long term seed asset for a significant agri-business fund.

#### **Chairman's comments**

PGC Chairman Sam Maling commenting on the major new initiatives announced today said:

"2009 marks not only Perpetual Trust's 125<sup>th</sup> anniversary, but also the 75<sup>th</sup> jubilee of PGG Trust. I can think of no better way to mark these proud milestones than with a transformative set of initiatives which, I believe, will mark Pyne Gould Corporation as one of New Zealand's foremost and comprehensive financial service providers for the next 100 years.

While PGC has not been immune to the impacts of the credit crisis, our conservative approach to lending and discipline of having no related party lending has ensured that the losses we have suffered are comfortably within the Group's capital capability. It is also true that for strong companies like PGC, these clouds do have a silver lining.

We are fortunate to have someone of George Kerr's calibre agree to drive this asset management strategy for the group. George brings more than 20 years of success and experience in asset management on both sides of the Tasman and shares PGC's view that this is a time of considerable opportunity for consolidation across both banking and asset management."

Commenting on the proposed Torchlight Credit Fund, Perpetual Asset Management future chairman George Kerr noted, "Property lending will continue to be a core part of the New Zealand financial system despite the savage realignment in values during this part of the cycle. What is clear is these assets need very patient capital and highly specialised expertise to realise their full value. Often traditional lending institutions find it impossible to be patient at low points in the cycle as their lending structures don't allow it. A fund that not only understands lending but also the underlying property can achieve excellent returns for its investors and that's the opportunity Torchlight has been established to take."

Once the Board of PGC has determined the appropriate level of capital required by MARAC to support a banking licence and the medium term capital requirements of the asset management business, subject to obtaining all necessary approvals it will execute a capital expansion programme in which current shareholders will have the opportunity to participate. George Kerr, an associated person of Pyne Family Holdings, PGC's largest shareholder, has indicated to PGC his willingness, subject to finalising an underwriting agreement on arms' length terms and obtaining PGC shareholder approval, to play a major role in underwriting the capital expansion programme.

**Note:**

George Kerr is the great great grandson of FH Pyne who founded Pyne & Co in 1887.

**For further information please contact:**

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## APPENDIX 1

On 20 July 2009 Perpetual Asset Management Limited (**Perpetual Asset Management**), Equity Partners Asset Management Holdings Limited (**EPAMH**), Galt Nominees Limited (**GNL**) and George Kerr entered into an agreement (the **Agreement**) for sale and purchase of shares pursuant to which Perpetual Asset Management agreed to acquire all of the shares in Equity Partners Asset Management Limited (**EPAM**) from EPAMH for a purchase price of NZ\$18 million. The purchase price is subject to a post-completion adjustment based on net tangible assets of EPAM (excluding its investments). If there has been any impairment to EPIC's investment in Thames Water or a change in accounting treatment in relation to that asset as at 30 September 2009, further adjustment to the purchase price is possible up to a maximum of NZ\$1.5 million.

Perpetual Asset Management has agreed to pay a deposit to EPAMH of NZ\$900,000. The deposit is non-refundable if Perpetual Asset Management is unable to secure finance (see condition 2 below) or satisfy all the conditions precedent to full draw down of such finance (see condition 3 below) or if Perpetual Asset Management terminates the Agreement for a material adverse change or fails to complete.

GNL has agreed to guarantee the obligations of EPAMH under the Agreement.

The Agreement is conditional upon:

1. EPAMH obtaining the consent of Equity Partners Infrastructure Company No.1 Limited (**EPIC**) to the change of control in Equity Partners Infrastructure Management Limited (**EPIM**), a wholly-owned subsidiary of EPAM – to be satisfied within 30 business days of the date of the Agreement.
2. Perpetual Asset Management obtaining and documenting such loan facilities as it requires for the purposes of funding the acquisition of the EPAM shares (the **Finance Facilities**) – to be satisfied within 45 business days of the date of the Agreement.
3. Perpetual Asset Management fulfilling all conditions precedent to full draw down of the Finance Facilities - to be satisfied by completion.
4. EPAMH obtaining the written approval of National Australia Bank to the change of control of EPIM – to be satisfied within 30 business days of the date of the Agreement.

Completion must occur no later than 6 October 2009 (or such other date as agreed between EPAMH and Perpetual Asset Management).

The Agreement may be terminated by Perpetual Asset Management in the event of there being a material adverse change relating to EPAM, EPIM or EPIC. The Agreement also includes a non-compete covenant under which EPAMH and its related companies and George Kerr personally each agree not to compete with the New Zealand business of EPIC.

The purchase of EPAM does not require the shareholder approval of Pyne Gould Corporation Limited under the NZSX Listing Rules in respect of related party transactions because the Aggregate Net Value is below the relevant threshold referred to in the NZSX Listing Rules.

## APPENDIX 2

### EPAM MOTO Announcement

22 June, 2009

#### **FINANCIAL CLOSE OF ACQUISITION OF INTEREST MOTO INTERNATIONAL HOLDINGS LIMITED ("MOTO")**

Equity Partners Infrastructure Company No. 1 Limited (EPIC) today announced it has agreed to acquire a 17.49% stake in Moto International Holdings Limited for a consideration of £19.7 million. The acquisition price represents an EV/EBITDA multiple of 10.3x 2008 pro-forma EBITDA.

Moto is the leading motorway service area (MSA) operator in the UK, with 64 sites and 38 per cent market share. Moto provides UK motorists with essential 24/7 refuelling services, parking and bathroom facilities as well as food and retail outlets. Moto operates under an established, stable regulatory regime which ensures motorists have access to adequate services at well located MSAs to maximise safety and prevent congestion.

According to EPIC Chairman, Mr Don Walker, "Moto's investment profile represents significant value for our investors. We are impressed by Moto's strong management team and their proven track record of business growth.

"As part of our investment, and to ensure the alignment of our shareholders' interests with that of Moto, EPIC will be represented on the board. We look forward to working with the team at Moto," he said.

Mr George Kerr, Chairman of Equity Partners Asset Management said, "Since acquiring an interest in Thames Water we have looked at over 50 infrastructure investments, on behalf of EPIC. Moto is a stand-out opportunity for EPIC, particularly given the supportive regulatory regime. We are very happy with the acquisition."

For further information, please contact:

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#### **About Moto**

Moto is the leading motorway service area operator in the UK. Across its 64 sites, Moto provides 24/7 refuelling services, parking and bathroom facilities as well as food and retail outlets to approximately 120 million people each year.

#### **About EPAM**

Equity Partners Asset Management (EPAM) is a private New Zealand based investment and asset management firm. Equity Partners focus is infrastructure and credit. Equity Partners is a cornerstone investor in the funds alongside other investors – meaning its interests are aligned with those of the investor.

#### **About EPIC**

Equity Partners Infrastructure Company No 1 Limited ( EPIC) is the only New Zealand based vehicle providing access to an investment in Thames Water – the largest water and wastewater company in the UK.

**Additional information about PGC**

Pyne Gould Corporation is a holding company for three separate businesses: MARAC and Perpetual Trust, which are 100% owned subsidiaries, and PGG Wrightson, a 20.7% owned associate.

**MARAC Finance Group** consists of:

- MARAC Financial Services Ltd, which is the umbrella company for all the MARAC group companies. These include:
  - MARAC Finance Ltd;
    - a Consumer division consisting of motor vehicle leasing, and motor vehicle, marine and leisure financing
    - a Business division consisting of plant and equipment, and business financing, property financing, and Ascend Finance
  - MARAC Securities Ltd – an arranger of structured finance solutions
  - MARAC Investments Ltd – a specialised niche investment company
  - MARAC Insurance Ltd – a provider of insurance products to MARAC clients.

For further information on MARAC, visit [www.marac.co.nz](http://www.marac.co.nz)

**Perpetual Trust** consists of:

- a Corporate Trust business. This division provides trustee services for investment products, including unit trusts, securitisation structures, group investment funds, superannuation schemes, debt securities and local authority funding. They also act as statutory supervisor for retirement villages and forestry partnerships
- a Personal Client Services business. This division provides trust, estate planning, investment advice and asset management services to individuals and their families
- a Funds Management business. This division provides a range of managed investment products for Perpetual Trust clients and to external investors.

For more information on Perpetual Trust, visit [www.perpetual.co.nz](http://www.perpetual.co.nz)

**PGG Wrightson** consists of:

- a Rural Services business. This division consists of livestock, wool, rural supplies, fruited supplies, and irrigation and pumping services
- a Financial Services business. This division consists of finance, real estate, insurance and funds management services
- a Technology Services business. This division consists of seeds and grain, nutrition, animal health, training and consultancy, South America.

For more information on PGG Wrightson, visit [www.pggwrightson.co.nz](http://www.pggwrightson.co.nz)

**Additional information about Equity Partners Asset Management (EPAM)**

EPAM, is a New Zealand asset management firm owned privately by related interests of PGC director George Kerr. EPAM currently manages Equity Partners Infrastructure No.1 Limited, which holds various infrastructure investments including Thames Water and Moto International Holdings Limited.

For more information on EPAM, visit [www.epam.co.nz](http://www.epam.co.nz)