Pyne Gould Corporation

NZX & Media Release
26 February 2008

All three Pyne Gould Corporation divisions post increased net earnings for the six month period and interim dividend raised to 10 cents

- Pyne Gould Corporation today reported that net profit after tax for the six months to the 31 December 2007 was up 23% to $22.1m. This compares to the $17.9m achieved in the corresponding period last year.

- MARAC, up 11% at $14.0m, produced another excellent half-year result. The Perpetual Trust net operating profit after tax at $1.8m was up 19% on last year's result. PGG Wrightson contributed $7.5m, compared to a contribution of $4.6m last year.

- The directors have declared a fully imputed interim dividend of 10 cents per share. This will be paid on 28 March 2008. Last year an interim dividend of 9 cents per share was paid.

- The group result was determined under International Financial Reporting Standards (IFRS) for the first time.

MARAC: strong performance against the trend of finance company sector

The MARAC Finance group achieved another excellent half year net profit after tax of $14.0m on the back of a 20% growth in net operating revenue.

Total financial receivables rose 11% to $1.5bn in the six months.

Recent issues in the finance company sector have been well documented. This environment has presented significant opportunities for MARAC which are reflected in this result.

On the lending side of the business, we have seen a marked increase in loan applications and we have been able to pick and choose those that meet our quality criteria.

The business division grew strongly in the first half with receivables increasing 17%. A primary driver of the growth was the maturing of our expanded regional distribution which has broadened MARAC to a true national business.

Ascend Finance also produced solid results and vindicated our decision to develop a division that pursues higher return business across the commercial, consumer and property sectors outside of the major metropolitan areas.

Our property lending has also shown some growth with liquidity in the wider property finance sector enabling MARAC to complete transactions which meet our strict criteria of strong credit profiles and superior returns.

On the back of resilient consumer demand and a strong new vehicle sector, MARAC has also continued to perform strongly across our consumer division. Our distribution networks, which now include both i-finance and Kiwibank Vehicle Finance, continue to expand.

Instalment loan arrears to total receivables remained relatively constant at a low 0.5%. Impaired asset expense was $1.8m in the current period compared to the abnormally low $0.7m in the corresponding period last year.

On the deposit side, MARAC has maintained investor confidence assisted by reconfirmation of MARAC's investment grade credit rating from Standard & Poor's earlier in the half year. While investors generally have become more reluctant to invest in finance company offerings, MARAC's reinvestment rate has been maintained within normal historical levels throughout the half year. A reduction in the level of new monies received resulted in a decline in total retail debentures on issue. This challenge stemming from the current market environment has been balanced with several initiatives:

- During the half year MARAC received additional new facilities from its bankers.

- The securitisation programme which commenced in August 2007 has provided new funding of $300m.

- We are presently finalising a new syndicated bank facility with all of New Zealand's major banks. This facility, together with other existing funding in place, will provide sufficient funding and flexibility for future growth in the 2008 year and will further increase MARAC's liquidity.

There are a number of features of the MARAC business which distinguish it from most other finance companies. These points of difference are pivotal to our success and include:

- A broad and diversified spread of assets covering small and medium businesses, high ticket item consumer goods (average new loan size $20k) and property. Geographical spread is in line with the New Zealand business and consumer population. All loans are domiciled in New Zealand and secured against New Zealand assets.
- Of the $1.5bn of assets, $1bn is subject to regular monthly principal and interest payments. This generates a regular positive cash flow of circa $70m each month.

- A diversified funding base with securitisation, retail debenture funding and wholesale bank facilities. These diversifications allow MARAC to manage asset and liability management proactively.
- An investment grade credit rating from Standard & Poor's.
- Our focus on credit quality has had MARAC's instalment loan arrears levels almost consistently below 0.5% since 2005 when MARAC commenced regularly publishing these figures. This has flowed to a low impaired asset expense (bad debts) through this period.
- No inter-company or related party loans.
- Existing Senior Management have all been in their roles for five years or longer.

Perpetual Trust: another strong performance

Perpetual Trust had a strong half year with net operating profit after tax of $1.8m, up 19% on the same period last year.

Revenue has increased 17% against last year, spread across all business areas. Fund management fees have increased 9%, corporate trust revenues 12.5% and personal client advisory revenues 23%.

New trusts and investment advisory client growth, accounts for a substantial part of the year on year revenue improvement. The writing of wills, both new and revised, continues to be a focus and is an investment in the future.

In the Corporate Trust division, revenue growth during the six months was achieved from gaining more business from existing clients, launching new products and winning new business. Increased market share of the retirement villages sector has been achieved; this will continue to be a key focus going forward.

Funds under management have grown slightly over the past six months. The new funds, Aria and NZ Share Fund continue to show steady growth.

PGG Wrightson: contribution up 66% on last year

The PGG Wrightson result which was announced to the market on 19 February showed that the benefits from creating a broadly based nationwide rural services business are now being realised.

PGG Wrightson made a net profit after tax of $34.6m, compared to $20.6m in the same period last year. This resulted in a contribution to PGC of $7.5m, compared to $4.6m last year.

The company has recently announced the appointment of Tim Miles to succeed Barry Brook as CEO. Barry Brook will remain with PGG Wrightson as Group General Manager South America.

New Zealand Farming Systems Uruguay successfully completed its funds raising through its second capital instalment. It became a NZX listed company and joined the NZX 50 with effect from 1 February 2008. PGG Wrightson holds an 11% shareholding in the company.

Summary and Outlook: strong performance to continue

The six months to December 2007 has resulted in an improved financial result and increased dividend to our shareholders.

World markets, international credit related issues and local finance company sector issues continue to provide challenging business conditions but also significant opportunities. We do not expect this to change in the short term.

For us it is business as usual, and our focus continues to be on those core activities which have been the key to our success in recent years continuing our conservative prudent approach.

We also expect broader opportunities to arise in the current environment and if these fit our stringent criteria we will pursue them.

The Company remains well placed to further grow its business. At this stage we are confident that for the full year to June 2008, net profit after tax will be ahead of last year.

26 February 2008

Sam Maling	Brian Jolliffe
Chairman	Managing Director