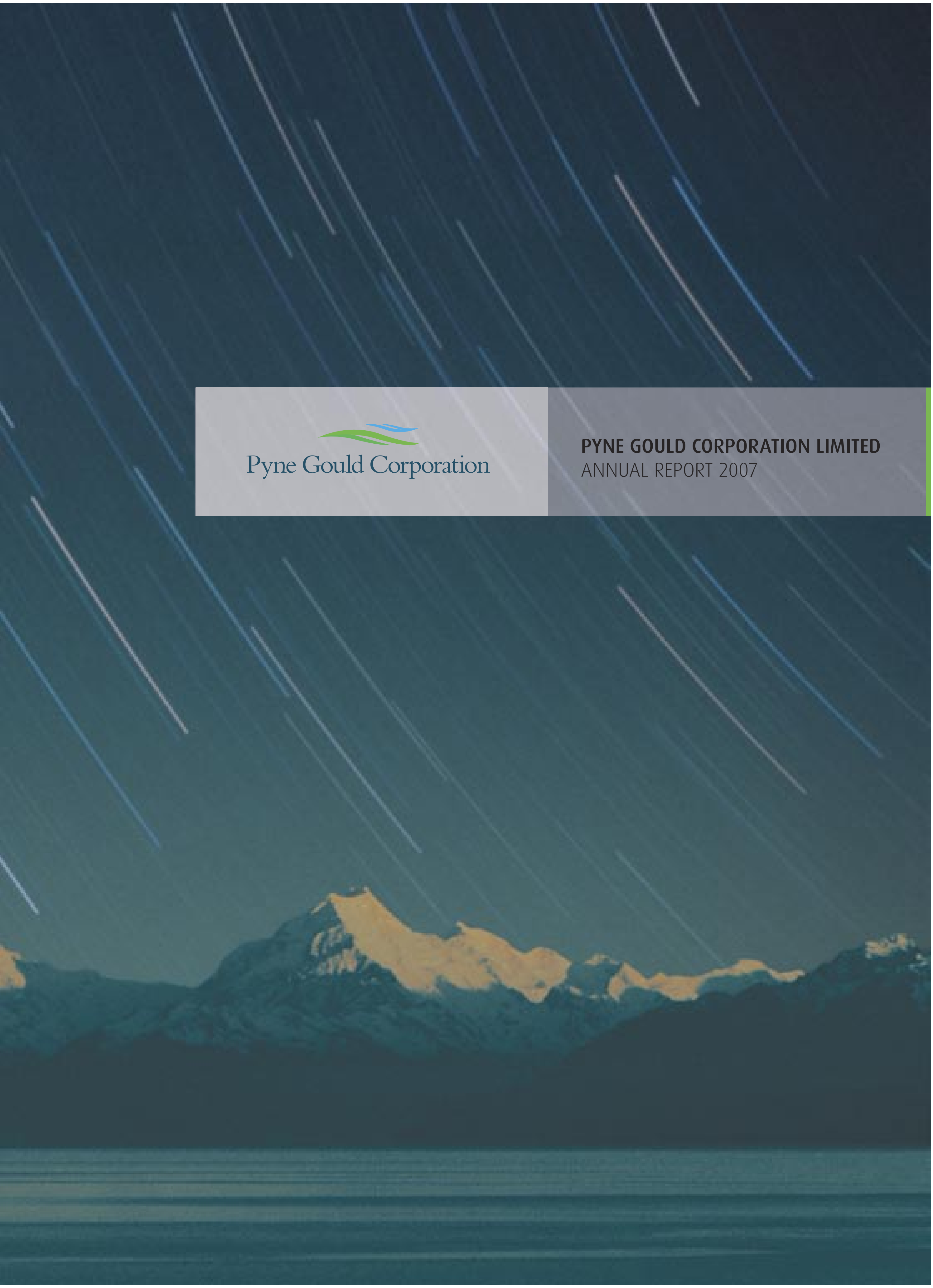

Pyne Gould Corporation

PYNE GOULD CORPORATION LIMITED
ANNUAL REPORT 2007


Heritage within the land.
Performance through our people.
Opportunity for the future.

Pyne Gould Corporation

Pyne Gould Corporation Limited
Annual Report 2007

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HISTORY

Since our inception, Pyne Gould Corporation has focused on two areas of business – rural services and financial services which includes trustee services. Over time we have developed and strengthened those businesses through acquisitions, amalgamations and growth, which has led to PGC becoming the successful company it is today.

Rural Services – PGG Wrightson

Pyne Gould Guinness (PGG) was formed in 1919, with the merger of three Canterbury stock and station companies:

- Gould, Beaumont & Co which was established in 1851
- Pyne & Co, which operated from offices in Cashel St Christchurch from 1887
- Guinness & Le Cren Ltd, which began business in Timaru in 1891.

The newly merged PGG became a substantial farm financier, wool broker, and agent and attorney for investors.

In 1988 Pyne Gould Corporation acquired a 40% shareholding in Reid Farmers Ltd, a Dunedin-based rural servicing company. In 2001 Pyne Gould Corporation sold PGG to Reid Farmers, with the merged company trading as Pyne Gould Guinness Ltd. Pyne Gould Corporation held a 56% shareholding in the merged company.

In 2005 Pyne Gould Corporation facilitated the merger of PGG with Wrightson Ltd to form PGG Wrightson Ltd. Pyne Gould Corporation retains a 22% shareholding in PGG Wrightson. For more information on PGG Wrightson, please see their website www.pggwrightson.co.nz

Financial Services – MARAC

Lending has always been an important part of the rural services business. Pyne Gould Corporation built on this experience with the acquisition of Finance & Discounts Ltd (F&D) in 1959. F&D, established in Christchurch in 1936, was a lender to motor vehicle dealers and purchasers.

Allied Finance Ltd, an Auckland-based company was acquired in 1992. Allied had started operations on Auckland's North Shore in 1952 as a vehicle rental firm, later expanding into motor vehicle lending. In 2000 Pyne Gould Corporation acquired MARAC Finance Ltd, an Auckland-based finance company, and also Frontline Finance Ltd of Dunedin.

In 2003, the strength and history of all the finance company businesses were amalgamated under the name MARAC. For more information on MARAC, please see their website www.marac.co.nz

Trustee Services – Perpetual Trust

Services offered by PGG following its formation in 1919 included acting as a financial agent for farm investors. Later this developed into attorneyships and the administration of deceased estates. In 1934 a special private member's bill was introduced to Parliament to allow PGG to act in this role and the Trust Department was formed. In 1987 the Trust Department of PGG was split out into a separate company – PGG Trust Ltd.

In 1996 Pyne Gould Corporation acquired AMP Perpetual Trustees, which had been established in 1884 in Dunedin. Then in 1998 PGG Trust was amalgamated with AMP Perpetual Trust to form Perpetual Trust, which still operates under its own Act of Parliament as a statutory trustee company. For more information on Perpetual Trust, please see their website www.perpetual.co.nz

INVESTOR INFORMATION

Shares

Pyne Gould Corporation shares are listed on the NZX, the main board of the New Zealand Exchange, under the ticker "PGC". Transfers and settlement are handled electronically by means of the FASTER system, which means that the company does not issue share certificates. Shareholders receive a statement from the share registrar, which records any movements in their shareholding and the balance of shares held.

Dividends

The company's objective is to distribute between 55% and 65% of reported net profit (before unusual and non-recurring items) and to attach full imputation credits to the extent that they are available. Dividends are paid twice yearly: an interim dividend in March and a final dividend in September.

Website

You can find more information on the company's recently updated website www.pgc.co.nz

Financial Calendar

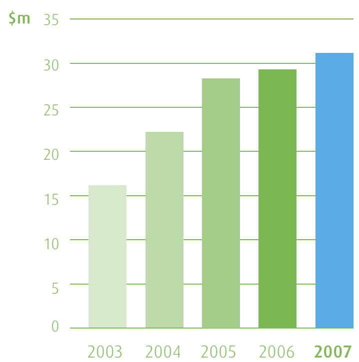
Year-end	30 June 2007
Year-end results announcement	28 August 2007
Share register closes for final dividend	15 September 2007
Annual report mailed	20 September 2007
Final dividend payment	25 September 2007
Annual meeting	1 November 2007
Half-yearly results and interim dividend announcement for 2008	February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

ANNUAL HIGHLIGHTS

- A 6% increase in group net profit to $30.6m.
- A 10% increase in net profit for MARAC to $26.5m.
- A 39% increase in net profit for Perpetual Trust to $3.6m.
- A contribution of $5.8m from PGG Wrightson.
- An increased dividend of 21 cents per share.

Dividend per share

Net profit after tax
(before abnormals)



FIVE YEAR SUMMARY

Key financial results		2006	2005	2004	2003
Net operating profit		$29.0m	$28.9m	$22.6m	$16.0m
Abnormal items		$37.3m	$1.3m	$3.4m	$0.0m
Net profit		$66.3m	$30.2m	$26.0m	$16.0m
Total assets		$1,287m	$1,421m	$1,243m	$1,083m
Shareholders' funds		$220m	$174m	$161m	$146m
Dividend		20.0c	19.0c	15.5c	10.0c
Return on average shareholders' funds		14.7%	17.2%	14.7%	11.3%

SAM MALING
Chairman

BRIAN JOLLIFFE
Managing Director

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

On behalf of the Board of Directors, we are delighted to once again be able to report another year of growth and improved performance by PGC's businesses.

In the last five years your company has almost doubled profits and more than doubled dividends. It has also increased shareholders' funds by nearly 60%, while maintaining a strong financial position.

2007 Financial Results

The net profit after tax for the year ended 30 June 2007 was $30.6m, an increase of $1.6m (6%) on the net operating profit of $29.0m achieved last year.

Last year's bottom line result of $66.3m included a non-operating abnormal gain of $37.3m resulting from the merger of Pyne Gould Guinness with Wrightson to form PGG Wrightson. There were no abnormal items in the current year.

Key financial results	This year	Last year
Net operating profit	$30.6m	$29.0m
Abnormal items	$0.0m	$37.3m
Net profit	$30.6m	$66.3m
Dividend	21.0c	20.0c
Return on average shareholders' funds	13.6%	14.7%

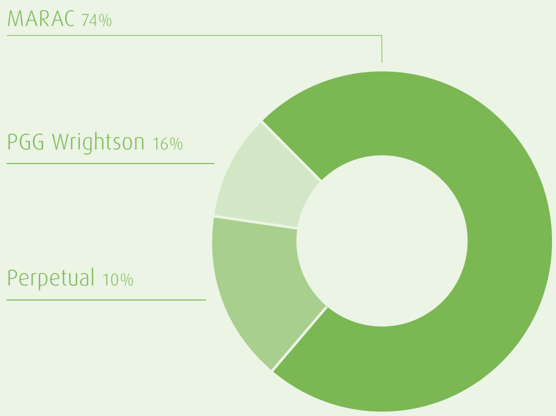
Both our financial and trustee service businesses – MARAC and Perpetual Trust – achieved strong growth and record results:

- MARAC achieved a 10% increase in net profit to $26.5m, and recorded a 14% growth in finance assets to $1.3bn.
- Perpetual Trust achieved a 39% increase in net profit to $3.6m, and recorded an 8% growth in revenue to $15.5m.

Our rural servicing business – PGG Wrightson (a 22% shareholding) – continued to develop its New Zealand business and expanded its operations in Australia and Uruguay:

- PGG Wrightson contributed $5.8m to PGC (last year $6.7m).
- It successfully launched NZ Farming Systems Uruguay.

Net contribution to PGC



Earnings per share
(before abnormals)

Dividend
Your directors have declared a final dividend of 12 cents per share, fully imputed for tax purposes. When added to the interim dividend of 9 cents paid in March, this brings the annual dividend to 21 cents, a pleasing increase on the 20 cents paid last year.

You will receive your final dividend for 2007 on 25 September.

Directors
Tim Saunders resigned from the board in October 2006. Tim had served the company for more than 23 years and was a substantial contributor over that time. His record and contribution as a director were exemplary.

The company now has seven directors and the Remuneration and Appointments Committee has started the process of finding an additional director to join the board.

At this year's annual meeting Stephen Montgomery and Bryan Mogridge retire by rotation, and both are offering themselves for re-election.

Management and Staff
In all the company's businesses, staff are key to our success and to the achievement of our goals. As always, the quality of our staff has been a strong contributor to the company's performance and achievements during the year. Their commitment secured record financial results for PGC's businesses in a competitive market.

Shareholders
Many of our shareholders are descendants of Pyne Gould Guinness's original founding families. Over the years other investors have acquired shares, as have staff, former staff and customers. Today we have around 2,300 shareholders.

Pyne Gould Corporation does not appear on the New Zealand Stock Exchange Top 50 Index. This isn't due to size as we are around the 20th largest company on the Exchange – but is because in the main our shareholders prefer to hold onto their shares. We appreciate the loyalty that you demonstrate to your company, and assure you that we do not take this loyalty for granted.

We have recently revamped our website with our shareholders in mind. The new website provides more information and useful services. We invite you to visit the new website at www.pgc.co.nz and please feel free to send us your comments or suggestions.

MARAC grew further in the year as it broadened the base of its business and established new distribution channels.

Net profit was $26.5m and finance assets reached $1.3bn.

MARAC

MEANS FINANCE

HIGHLIGHTS

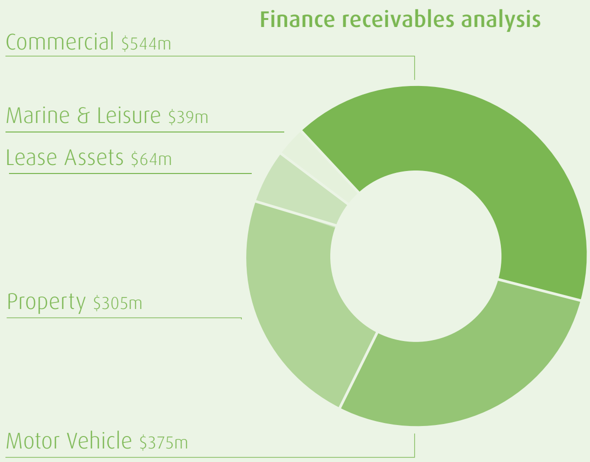
- A record profit result despite slightly reduced interest margins.
- The development of a new business with Ascend Finance and the strengthening of partnership arrangements in the Consumer division.
- The development and implementation of a new website with many more services available to investors and borrowers.

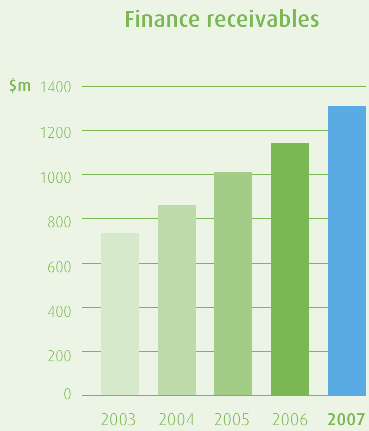
BRIAN JOLLIFFE
Managing Director

MARAC consists of:

- MARAC Financial Services Ltd, which is the umbrella company for all the MARAC companies:
  - MARAC Finance Ltd:
    - a Business division consisting of plant & equipment and business financing, property financing and Ascend Finance
    - a Consumer division consisting of motor vehicle, marine and leisure financing and motor vehicle leasing
  - 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.
- Nissan Finance New Zealand Ltd – a lender to the Nissan dealer network.

Key financial results	**This year**	Last year
Net operating profit	$26.5m	$24.2m
Finance receivables and operating lease vehicles	$1,327m	$1,162m
PGC investment	$168.3m	$154.3m
Return on investment	15.8%	15.7%





Business Division

Commercial

The decision to invest in regional expansion over recent years brought more benefits in 2007, and we were pleased to see more than 50% of all new business coming from outside the traditionally strong Auckland market. The business finance market is very competitive, but MARAC maintained excellent growth, with overall plant and equipment receivables increasing by 16%.

Our vendor or dealer-introduced business continues to expand, and we have diversified into new industry sectors.

Invoice Financing

This division is now well-established in the marketplace and within MARAC's own operating systems. This gives us an excellent foundation to aim for faster growth in 2008.

Property

The property business grew over 20% to a total of more than $300m. During the year we reviewed the requirement that property development loans could not exceed 20% of MARAC's total loans. The board agreed to increase this threshold to 25%. At June 2007 property development loans were 18.8% of total loans.

Ascend Finance

In early 2007 Ascend Finance began operating as a new division of MARAC, targeted at a different market segment to the traditional MARAC market. Ascend Finance is represented in Northland, Auckland, Hamilton, Tauranga, Palmerston North and Dunedin. Early results are encouraging and this division shows good potential for growth in the future.

Consumer Division

Motor (Includes Nissan Finance)

MARAC's commitment to franchise and late model used vehicle dealers saw both business volumes and loan size increase over the second half of the financial year. Over 60% of the business written during this period came from franchise dealers as the new vehicle market remained strong. MARAC continues to offer the broadest range of products and services in this very competitive vehicle finance market.

The development of i-finance and the relationship with ACP Media's Autotrader places MARAC in a strong position as the internet becomes ever more popular for purchasing vehicles.

Direct

MARAC Direct has continued its development over the past 12 months. The continued strengthening of our relationship with Kiwibank now accounts for 25% of the business written in MARAC Direct. This relationship has plenty of growth potential and will remain a focus of both MARAC and Kiwibank in the mid term.

Vehicle Leasing

The New Zealand vehicle lease market is very competitive. MARAC continues to take a conservative approach to calculating residual values, using independent assessment methods that accurately reflect market conditions.

Marine and Leisure

The focus of this comparatively new business has been on financing predominantly higher-quality boats (sail and motor), motor-homes and caravans. The stronger New Zealand dollar has stimulated the larger new vessel market. Conversely the high value, late model secondhand market has slowed somewhat and the trailer boat market is challenging.

Insurance

This business has developed in line with early expectations and retail premiums of $2.2m were written during the year.

Credit

MARAC has strived to maintain the quality of its loans, and we are more than satisfied with the results. Instalment arrears at year-end were just 0.41% (last year 0.46%). When combined with the relationship ledgers, the provisioning outcome was 0.54% of the total finance receivables (last year 0.79%). This flowed through to a reduced impaired asset charge against profit of $0.52m compared to $1.6m last year.

Funding

During the year we were delighted with the loyalty of MARAC investors as a majority reinvested their funds on maturity. MARAC was also able to attract new funds at competitive rates. The investment grade credit rating from Standard & Poor's gave MARAC a solid foundation in a difficult market.

For some time we have been looking at options to diversify the funding base further and fund the continuing growth in loans. Currently 60% of MARAC's funding is from retail investors and 40% comes from wholesale facilities provided by a number of banks.

Following year-end MARAC entered into a securitisation arrangement with Westpac Banking Corporation. This has provided a third source of funds at competitive pricing.

Perpetual Trust achieved revenue growth to $15.5m and a record net profit of $3.6m.

Perpetual Trust

HIGHLIGHTS

- A record year for Perpetual Trust across all business areas.
- Two new executive roles were created in the senior management team – Head of Corporate Trust and Head of Investments.
- Mortgage Express was sold.

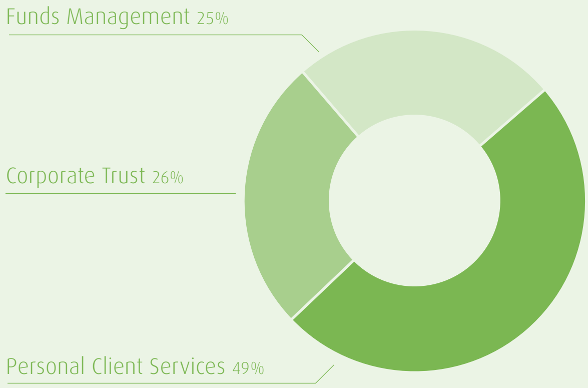
LOUISE EDWARDS
Chief Executive

Perpetual Trust consists of:

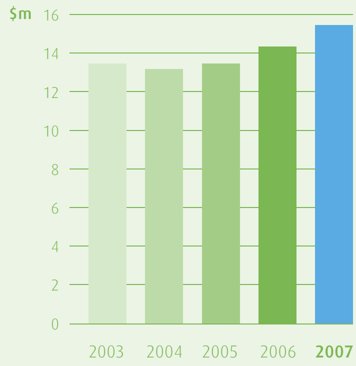
- A Corporate Trust business. This division provides trustee services for investment products, including unit trusts, securitisation structures, group investment funds, superannuation schemes, debt securities and local authority funding. They also act as statutory supervisor for retirement villages and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

Key financial results	**This year**	Last year
Net profit	$3.6m	$2.6m
Revenue	$15.5m	$14.4m
PGC investment	$7.6m	$7.0m
Return on investment	47.7%	42.9%

Revenue analysis



Revenue



Corporate Trust
Perpetual's Corporate Trust division achieved a 10% increase in revenue for the year. Funds under supervision now total over $19bn.

The revenue growth came both from new clients and increased business from existing clients.

The key factors in Perpetual's success were the continued implementation of a business plan which focuses on strong customer service and employing people who can execute the plan.

With the Retirement Villages Act coming fully into effect, and growth in the managed funds sector, the opportunities for business growth for the coming year look positive.

Funds Management
Opio Forestry Fund and several smaller managed funds were closed during the year as part of a strategic review. Despite these closures, fees from managed funds were up nearly 5% on last year and overall funds under management increased by 10% to $328m.

The company's flagship fund, the Perpetual Trust Mortgage Fund, achieved good growth during the year. Aria and the New Zealand/Australia Share Fund, the two newest funds, have had steady inflows throughout the year. These funds are part of the company's strategy to take advantage of the managed fund tax changes that occur in October this year.

Personal Client Services
The focus on family trusts or "living services" has resulted in a record number of new trusts being written in the year. Additionally the number of estates administered during the year was up on previous years, but the values of those estates were slightly down from last year which resulted in a slight revenue decrease. The number of new wills written and wills revised during the year increased significantly on past years.

Investment advisory had good growth throughout the year and client numbers increased by 20%. Total funds under advice increased 21% from a combination of market growth and net cash inflows.

Growth continues in this core area of the business, driven by development of external distribution channels and provision of additional services to clients.

Mortgage Express
During the year the 60% investment in Mortgage Express was sold. With recent changes in this sector and the strong growth of alternative distribution channels, this business was no longer of strategic importance to Perpetual Trust.

PGG Wrightson continued to develop its New Zealand business and expanded its operations in Australia and South America.

Pyne Gould Corporation

HIGHLIGHTS

- PGG Wrightson contributed $5.8m to Pyne Gould Corporation.
- The company successfully promoted the establishment of a farm based fund in Uruguay.
- Changes were made to the management structure to bring focus to the three business groups.

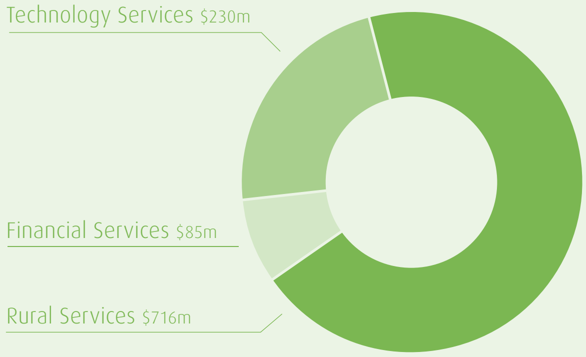
BARRY BROOK
Chief Executive

PGG Wrightson consists of:

- A Rural Services business, consisting of livestock, wool, rural supplies, Fruitfed supplies, and irrigation and pumping services.
- Financial Services, incorporating finance, real estate, insurance and funds management services.
- A Technology Services business, which consists of seeds and grain, nutrition, animal health, training and consultancy, and South American operations.

Key financial results	This year	Last year
Net profit – company	$26.2m	$27.0m
Net profit – to PGC	$5.8m	$6.7m
PGC investment	$90.4m	$89.7m
Return on investment	6.4%	7.5%

Revenue analysis



Revenue

Company Performance

PGG Wrightson Ltd made a net profit after tax and before amortisation of $41.4m, which was a pleasing 10% higher than 2007's profit of $37.6m. Operating earnings (earnings before interest, tax and amortisation) increased from $54.4m to $63.8m.

Bottom line net profit after tax was $26.2m ($27.0m last year).

Operating conditions deteriorated during the year, driven by the impact of the rising New Zealand dollar and the flow-on effects to reduced product prices at the farm and orchard gates. Farmer confidence decreased as a consequence and on-farm investment contracted.

During the year PGG Wrightson successfully launched New Zealand Farming Systems Uruguay, raising $169m from the initial public offering and subsequent placements.

PGG Wrightson holds an 11% shareholding, obtained as part-payment for three farms sold to the company.

Rural Services

Livestock trading was affected by the decline in confidence in the sheep and cattle sectors – numbers and prices were down on the previous year. A dairy livestock agency was established in Victoria, Australia and achieved strong initial support from clients.

The strength of the New Zealand dollar reduced market prices for wool, resulting in a high pass at auction. PGG Wrightson's bale intake was at similar levels to previous years and the jointly owned New Zealand Merino Company continued to perform well.

The rural supplies business maintained sales in a very competitive environment influenced by the declining returns from sheep and beef farming. Improved terms of trade negotiated for a range of products were passed on to clients.

Fruitfed supplies performed strongly, maintaining market share and margins in an environment of strong competitor activity. A specialist horticultural supplier was acquired, enabling expansion into the vegetable market.

Financial Services

PGG Wrightson Finance expanded its loan portfolio by 22% to $402m. Margins were lower, partly as a result of lower yielding term loans making up a greater proportion of total loans.

The real estate division increased its market share, with sales of over 2,200 properties totalling $1.5bn. The business was expanded into Victoria, Australia.

The insurance division had a very successful year.

PGG Wrightson was contracted to provide the farm management services for New Zealand Farming Services Uruguay. The initial focus was on land acquisition and the introduction of new pastures, fencing and water supply systems.

Technology Services

The seeds business remained the largest contributor to PGG Wrightson's earnings. Sales were maintained in tight market conditions in New Zealand, and expanded in Australia despite the impact of drought in the eastern states. Growth continued in South America.

A number of acquisitions were made in South America to expand the business in that region.

SUMMARY AND OUTLOOK

The solid performance in 2007 reflects the merits of PGC's strategy of concentrating on the core businesses and key competencies, supported by a strong organic growth strategy, to achieve improved results.

MARAC

MARAC had another strong year in what was a difficult operating environment with rising interest rates and pressure on margins. The investments made in recent years in new businesses, regional coverage and web technology plus the recent establishment of a securitisation programme to further diversify funding will enable further growth in both revenue and profit.

Perpetual Trust

It has been a good year for Perpetual Trust; the third consecutive year of record financial performance. The outlook for the coming year looks positive. The work done in recent years focusing on improving customer service, training staff, developing new products and overall business development is producing good results in both the personal and corporate businesses. Perpetual Trust is well positioned to take advantage of general market conditions and legislative changes to further build on this year's success.

PGG Wrightson

PGG Wrightson had a satisfactory year and increased its investment in its core businesses. While the outlook for 2008 is less certain, the company is well positioned due to the reduction in the cost base over the past two years and the strategies put in place to benefit from the positive outlook for food pricing.

Your directors remain focused on enhancing value in all of the businesses and remain convinced that further growth and improvement in revenues and profit can be expected in the year ahead.

S R MALING
Chairman

B J JOLLIFFE
Managing Director

28 August 2007

BOARD OF DIRECTORS

The wholly owned subsidiaries of PGC, MARAC Finance and Perpetual Trust, operate as autonomous companies with their own boards. The boards of these companies comprise the same directors as PGC.

SAM MALING
Chairman
LLB, AF Inst D

Sam Maling was appointed to the board in 1996 and was last re-elected in 2005. Sam has been Chairman since 1999. He is Chairman of the Remuneration and Appointments Committee, a member of the Audit Committee and a director of PGG Wrightson.

Sam is a Christchurch-based barrister and was a partner with Lane Neave for over 25 years, including four years as Executive Chairman. He is currently Chairman of the Institute of Directors Accreditation Board.

BRIAN JOLLIFFE
Managing Director

Brian Jolliffe joined MARAC Finance as Chief Executive in 2000. In July 2005 he was appointed Managing Director of both MARAC and PGC, and joined the board. Brian is also Chairman of Perpetual Trust and Nissan Finance, Chairman of the Credit Committee, and a director of PGG Wrightson. He is the only non-independent director, and as the Managing Director he is not subject to re-election.

Before joining MARAC Brian held a number of senior management positions with ANZ Bank and board positions with ANZ Bank, UDC Finance and Esanda Fleet.

RICHARD ELWORTHY
Independent Director
BCom, CA, F Inst D

Richard Elworthy has been on the board since 1991 and was last re-elected in 2005. He is a member of the Audit and Credit Committees and a director of PGG Wrightson. He is retiring from the board of PGG Wrightson at their October 2007 annual meeting.

Richard joined Pyne Gould Guinness in 1969. In 1987 he was appointed Group Financial Controller of PGC and Managing Director in 1991. He retired as Managing Director in June 2005.

BRUCE IRVINE
Independent Director
BCom, LLB, FCA, AF Inst D

Bruce Irvine has been a director of Perpetual Trust since 1996 and was appointed to the PGC board in 2003. He was last re-elected in 2006. Bruce is Chairman of the Audit Committee.

Bruce has been a partner of Deloitte for the past 19 years, the last 12 as managing partner of the Christchurch office. He specialises in corporate finance, including valuations, financing, organisational structures, treasury management, business sale and purchase, due diligence and risk management.

BRYAN MOGRIDGE
Independent Director
BSc

Bryan Mogridge became a director of MARAC in 1992 and was appointed to the PGC board in 2003. He is standing for re-election in 2007. Bryan is a member of the Credit and the Remuneration and Appointments Committees.

He has 20 years' experience in chief executive and senior management positions, along with governance experience as a director of NZSX-listed companies since 1984.

STEPHEN MONTGOMERY
Independent Director
BA

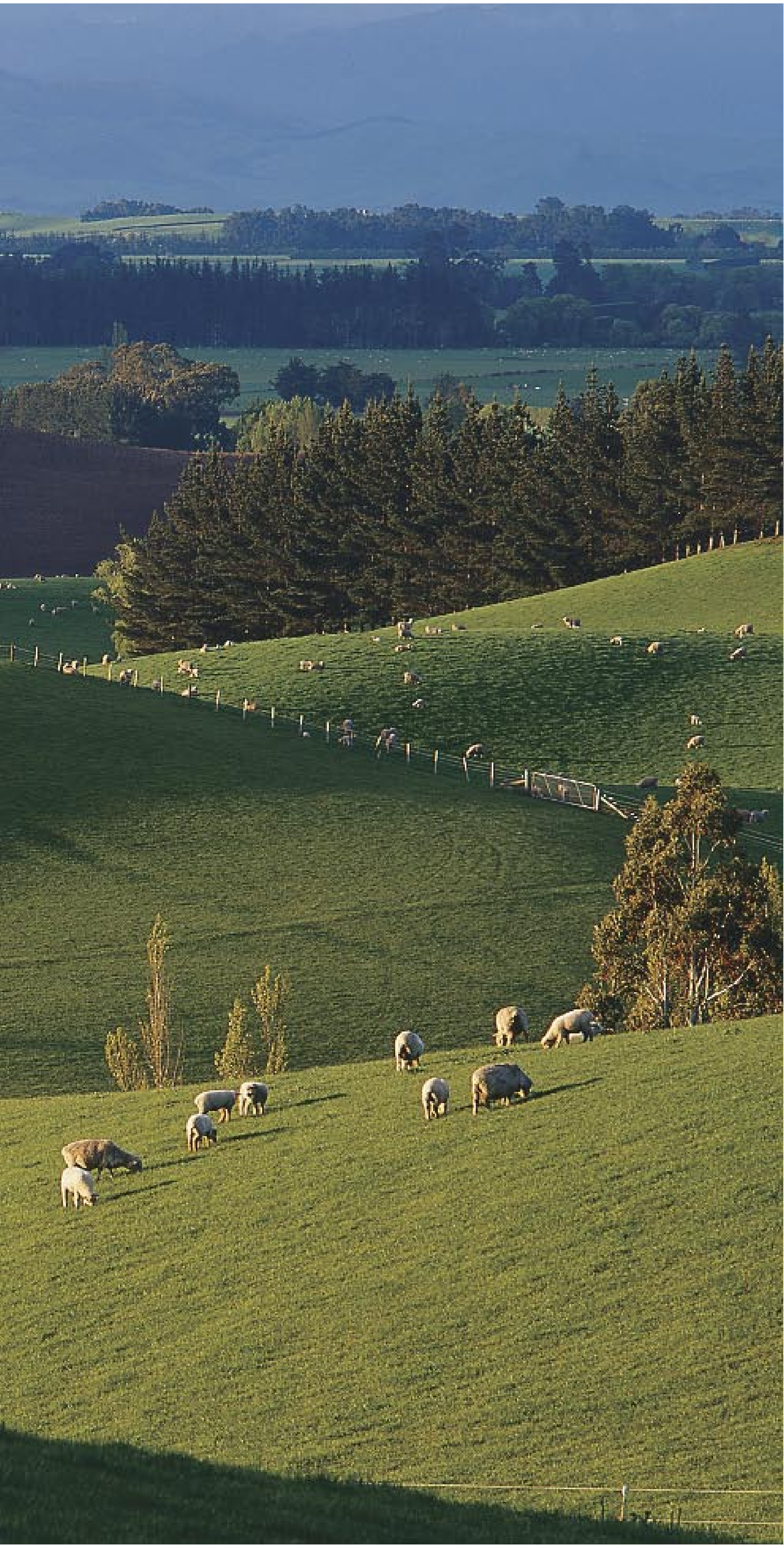
Stephen Montgomery has been a director since 1998. He is standing for re-election in 2007. He is a member of the Remuneration and Appointments Committee.

Stephen's career has included a variety of fixed-interest, futures and equity securities roles within the New Zealand and Australian financial markets.

WARWICK STEEL
Independent Director
BAgSc, MSc

Warwick Steel became a director of MARAC in 1992 and joined the PGC board in 2003. He was last re-elected in 2006. Warwick is a member of the Audit and Credit Committees.

He has experience in the finance, stockbroking and investment markets, and currently owns and operates a manufacturing business in Auckland.



FINANCIAL STATEMENTS & STATUTORY REPORTS

For the year ended 30 June 2007

CORPORATE GOVERNANCE

The board and management of Pyne Gould Corporation are committed to ensuring that the company maintains corporate governance practices in line with current "best practice".

The board, to ensure it governs in accordance with the requirements of the company's constitution, has established policies and protocols which comply with the corporate governance requirements of the New Zealand Exchange (NZX) Listing Rules and which are consistent with the principles contained in the NZX Corporate Governance Best Practice Code.

The company considers it has complied with that code for the year ended 30 June 2007.

Role of the Board

The board of directors is responsible for the management, supervision, direction and corporate governance of the company. The board establishes the company's objectives, strategies and overall policy framework within which the business is conducted. The day-to-day management of the company is delegated to the Managing Director of Pyne Gould Corporation and MARAC Finance, and the Chief Executive of Perpetual Trust. The board monitors and reviews management's performance in carrying out this delegation.

The board met 14 times during the year ended 30 June 2007.

Board Membership, Size and Composition

The constitution provides that the number of directors must not be more than 10 nor fewer than three, but subject to these limitations the size of the board is determined from time to time by the board.

The board currently comprises seven directors, being a non-executive Chairman, the Managing Director and five non-executive directors.

The Remuneration and Appointments Committee is responsible for making recommendations to the board regarding the number of directors and the composition of the board. It determines the selection criteria and ensures the board has the appropriate mix of skills and experience to meet the company's needs.

A director is appointed by ordinary resolution of the shareholders, although the board may fill a casual vacancy in which case the appointed director retires at the next annual meeting but is eligible for re-election. Nominations for election as a director may be made by shareholders up until two months before the date of the annual meeting.

At each annual meeting, one-third of the directors retire from office by rotation. If they wish to continue they may stand for re-election. Bryan Mogridge and Stephen Montgomery are standing for re-election at this year's annual meeting. The Managing Director, as an executive director, is not subject to retirement by rotation.

Independence of Directors

A director is considered to be independent if that director is not an executive of the company and if the director has no direct or indirect interest or relationship that could reasonably influence, in a material way, the director's decisions in relation to the company.

The board has determined that all current directors, other than the Managing Director Brian Jolliffe, are independent directors.

Richard Elworthy was Managing Director until early July 2005. As he now holds no executive position in the company, he is considered to be independent. Bruce Irvine is the managing partner of Deloitte's Christchurch office. Deloitte provides some accounting services to the company. As the fees paid for these services are not material, he is considered to be independent.

Board Performance Assessment

The board undertakes an annual review of the board's, board committees' and individual directors' performance. This is to ensure it has the right composition and appropriate skills, qualifications, experience and background to effectively govern the company and monitor the company's performance in the interests of shareholders.

The last review was undertaken in July 2007.

Directors' Remuneration

Total remuneration available to non-executive directors is determined by shareholders. The current aggregate amount of $600,000 per year was approved by shareholders in 2005.

At the annual meeting the company will seek shareholders' approval to increase the aggregate of fees to $700,000. There are no immediate plans to increase the level of individual directors' fees.

Individual directors' fees paid for the year ended 30 June 2007 were $120,000 for the Chairman and $60,000 for each non-executive director. These fees were last changed in 2005.

Additional fees are paid to directors who are members of board committees. The level of these fees was reviewed during the year. Due to the additional workload and responsibilities of the committees these fees were increased. Members of the Audit and Credit Committees now receive $15,000 and the Chairman of the Audit Committee $20,000. Members of the Remuneration and Appointments Committee receive $3,000 and the Chairman $4,000.

The total remuneration (including all non-cash benefits and retirement allowances) received by each director who held office in the company during the 30 June 2007 year, in accordance with section 211(1) of the Companies Act 1993, was as follows.

Director	Remuneration
R F Elworthy	$90,000
B R Irvine	$80,000
B J Jolliffe	$822,590
S R Maling	$139,000
B W Mogridge	$75,000
S C Montgomery	$67,000
T E C Saunders	$89,166*
W J Steel	$90,000

* Includes retirement allowance.

CORPORATE GOVERNANCE

The company's policy is to pay directors' fees in cash. There is no requirement for directors to take a portion of their remuneration in shares. There is no requirement for directors to hold shares in the company.

Prior to 1 July 2004, the company had a policy of paying retirement allowances to directors. These allowances are no longer payable to new directors.

Those directors in office at the time of this change are entitled to a retirement allowance in respect of their service up to 30 June 2004. At the annual meeting the company intends to seek approval from shareholders that this retirement allowance be converted into shares in the company. These shares will be held in trust until the director retires from the board.

Board Committees
The board has three permanently constituted committees to assist the board by working with management in specific areas of responsibility and then reporting their findings and recommendations to the board. Each of these committees has terms of reference which have been determined by the board. These terms of reference set out the committees' objectives, membership, procedures and responsibilities. Details of these terms of reference are available on the company's website. Other ad hoc board committees are established for specific purposes from time to time.

Audit Committee
The role of the Audit Committee is to assist the board in:

- discharging its financial reporting and regulatory responsibilities
- ensuring that the ability and independence of the external auditor to carry out its statutory audit role is not impaired
- maintaining effective internal audit and internal control systems.

The current members of the Committee are Bruce Irvine (Chairman), Richard Elworthy, Sam Maling and Warwick Steel.

The board has determined that Bruce Irvine meets the requirement of being a "financial expert" in accordance with the Committee's terms of reference.

Remuneration and Appointments Committee
The role of the Remuneration and Appointments Committee is to:

- oversee a formal and transparent method of recommending director remuneration to shareholders
- assist the board in establishing remuneration policies and practices for the company and in discharging its responsibilities for reviewing and setting the remuneration of the Managing Director, the Chief Executive of Perpetual Trust and senior executives
- assist the board in reviewing the board's composition and the competencies required of prospective directors, identifying prospective directors, developing succession plans for the board and making recommendations to the board accordingly.

The members of the Committee are Sam Maling (Chairman), Stephen Montgomery and Bryan Mogridge.

Credit Committee
The board has delegated responsibility for overseeing certain aspects of MARAC's credit function. The role and areas of responsibility of this Committee are to:

- approve changes in lending prudential guidelines and major credit policies
- approve discretions and onward delegation guidelines for the next level of management
- consider and determine proposals exceeding management's discretions
- receive and review reports on credit quality, risk management and policy and procedure adherence
- consider and approve provisioning policies and specific provisions.

The members of the Committee are Brian Jolliffe (Chairman), Richard Elworthy, Bryan Mogridge and Warwick Steel.

Corporate Trust Boards
Perpetual Trust has independent Corporate Trust boards established under the Trustee Companies Act which are responsible for discharging that company's fiduciary obligations and duties in respect of its corporate trust business. These duties include the acceptance of appointments as trustee or statutory supervisor for corporate trust clients, the performance of all duties and the exercise of discretions under those appointments, and overseeing corporate trust compliance monitoring processes and procedures. The Corporate Trust boards comprise independent members, none of whom are directors of Pyne Gould Corporation or any of its subsidiary companies.

Current members of the Corporate Trust boards are Keith Familton (Chairman), Euan Abernethy and Keith Rushbrook.

Buying and Selling Company Shares
All directors and officers of the company are required to obtain consent before buying or selling shares in the company and to certify that their decision to buy or sell shares has not been made on the basis of inside information. Shares can only be bought or sold within restricted periods immediately after the announcement of the company's annual and interim financial results. This policy is in accordance with the Insider Trading (Approved Procedure for Company Officers) Notice issued under the Securities Markets Act 1988.

CORPORATE GOVERNANCE

Share Dealings by Directors

Sam Maling and Stephen Montgomery, as trustees of staff share purchase schemes were issued 61,438 new shares and transferred 76,381 shares to beneficial owners during the year ended 30 June 2007.

Brian Jolliffe was issued 24,838 shares under the terms of the Managing Director's Share Purchase Scheme.

Stephen Montgomery acquired 50,000 shares in August 2006 at an average price of $4.05 per share.

Shares held by Directors

The following table sets out the shares in which directors and associated persons held a relevant interest at 30 June 2007.

		2007		2006	
		Director	Associated Persons	Director	Associated Persons
S R Maling	Beneficial	96,334	7,480	96,334	7,480
	Non-beneficial	275,270	-	290,213	-
R F Elworthy	Beneficial	535,782	32,000	535,782	32 000
B R Irvine	Beneficial	15,000	-	15,000	-
B J Jolliffe	Beneficial	65,966	-	41,128	-
B W Mogridge	Beneficial	20,000	-	20,000	-
S C Montgomery	Beneficial	162,000	-	112,000	-
	Non-beneficial	275,270	-	-	-
W J Steel	Beneficial	-	25,000	-	25,000

FIVE YEAR SUMMARY

Financial performance	**2007**	2006	2005	2004	2003
Operating revenue	191,125	291,973	460,543	418,803	405,776
Net profit before abnormal items	30,636	28,987	28,853	22,567	16,048
Net profit after taxation	30,636	66,316	30,171	25,963	16,048
Ordinary dividend	20,584	18,612	17,626	13,701	9,787
Financial position					
Shareholders' equity	231,439	220,169	174,258	160,517	145,564
Represented by:					
Total assets	1,444,174	1,286,569	1,420,646	1,243,425	1,083,344
Liabilities	1,212,735	1,065,915	1,195,621	1,034,589	891,882
Minority interests	-	485	50,767	48,319	45,898
Net assets	231,439	220,169	174,258	160,517	145,564
Ratios					
Earnings per share before abnormal items	31.3c	29.6c	29.5c	23.1c	16.4c
Earnings per share	31.3c	67.7c	30.8c	26.6c	16.4c
Rate earned on average shareholders' funds before abnormal items	13.6%	14.7%	17.2%	14.7%	11.3%
Rate earned on average shareholders' funds	13.6%	33.6%	18.0%	17.0%	11.3%
Ordinary dividend	21.0c	19.0c	18.0c	14.0c	10.0c
Dividend per share (incl special dividend)	21.0c	20.0c	19.0c	15.5c	10.0c
Net tangible assets	214,726	198,818	142,393	123,834	104,550
Net tangible assets backing per share	$2.19	$2.03	$1.45	$1.27	$1.07

Ratios are adjusted for the two for one share subdivision undertaken in October 2004.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the company and the group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the company and the group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Board of Directors of Pyne Gould Corporation Limited authorise the financial statements set out on pages 29 to 48 for issue on 28 August 2007.

S R MALING Chairman	B J JOLLIFFE Managing Director

28 August 2007

STATEMENT OF FINANCIAL PERFORMANCE For the year ended 30 June 2007

		GROUP		HOLDING COMPANY	
		2007	2006	**2007**	2006
	NOTE	$000	$000	$000	$000
Total operating revenue	**4 - 8**	191,125	292,030	23,297	67,444
Operating surplus before taxation	**4 - 12**	44,342	81,686	18,296	61,928
Taxation	13	13,676	14,199	(998)	(916)
Operating surplus after taxation		30,666	67,487	19,294	62,844
Minority interests		(30)	(1,171)	-	-
Net surplus after taxation		30,636	66,316	19,294	62,844
Net surplus after taxation by segment					
Financial Services		26,534	24,171		
Trustee Services		3,643	2,623		
Rural Services		5,813	6,693		
Other Operations		(5,354)	(4,500)		
Net surplus after taxation before abnormal gain		30,636	28,987		
Abnormal gain		-	37,329		
Net surplus after taxation		30,636	66,316		

STATEMENT OF FINANCIAL POSITION As at 30 June 2007

		GROUP		HOLDING COMPANY	
	NOTE	**2007** $000	2006 $000	**2007** $000	2006 $000
Assets					
Current assets	14	7,842	7,913	291	232
Finance receivables	15	1,259,513	1,092,802	-	-
Operating lease vehicles	17	64,307	68,908	-	-
Non current assets	18	1,453	1,245	110,942	110,473
Investment in associate	19	89,231	89,662	89,231	89,662
Intangible assets	20	16,713	21,351	-	-
Property, plant and equipment	21	5,115	4,644	2,761	3,094
Total assets		1,444,174	1,286,525	203,225	203,461
Liabilities					
Current liabilities	22	33,084	36,518	1,958	2,022
Borrowings	23	1,179,651	1,029,353	17,500	17,600
Total liabilities		1,212,735	1,065,871	19,458	19,622
Equity					
Share capital	24	85,373	85,130	85,373	85,130
Retained earnings	25	146,066	135,039	98,394	98,709
Shareholders' equity		231,439	220,169	183,767	183,839
Minority interests		-	485	-	-
Total equity		231,439	220,654	183,767	183,839
Total equity and liabilities		1,444,174	1,286,525	203,225	203,461

STATEMENT OF MOVEMENTS IN EQUITY For the year ended 30 June 2007

Equity at beginning of year		220,654	225,025	183,839	141,400
Net surplus after taxation					
Attributable to holding company shareholders		30,636	66,316	19,294	62,844
Minority interests		30	1,171	-	-
Total recognised revenues and expenses for the year		30,666	67,487	19,294	62,844
Contribution from owners:					
Share capital issued	24	243	164	243	164
Total contribution from owners		243	164	243	164
Distribution to owners:					
Movements in minority interest (excluding deconsolidation)		-	(103)	-	-
Dividends paid	25	(19,609)	(20,569)	(19,609)	(20,569)
Total distribution to owners		(19,609)	(20,672)	(19,609)	(20,569)
Deconsolidation of subsidiary		(515)	(51,350)	-	-
Equity at end of year		231,439	220,654	183,767	183,839

STATEMENT OF CASH FLOWS For the year ended 30 June 2007

		GROUP		HOLDING COMPANY	
	NOTE	**2007** $000	2006 $000	**2007** $000	2006 $000
Cash flows from operating activities					
Cash was provided from:					
Interest received		127,969	118,259	-	-
Operating lease revenue received		22,999	22,551	-	-
Fees and other income received		34,310	36,629	417	397
Rental and fees received from subsidiaries		-	-	1,492	2,105
Receipts from customers		-	55,944	-	-
Taxation refunded		-	-	787	949
Interest and dividends received from subsidiaries		-	-	15,250	20,111
Dividends received from associate		6,244	2,498	6,244	2,498
Total cash provided from operating activities		**191,522**	**235,881**	**24,190**	**26,060**
Cash was applied to:					
Interest paid		85,903	76,706	1,593	1,477
Payments to suppliers and employees		37,318	99,317	3,101	3,530
Net GST paid		743	897	-	-
Taxation paid		12,753	13,302	-	-
Total cash applied to operating activities		**136,717**	**190,222**	**4,694**	**5,007**
Net cash flows from operating activities	26	**54,805**	**45,659**	**19,496**	**21,053**
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of operating lease vehicles		15,766	11,629	-	-
Proceeds from sale of property, plant and equipment		29	13	-	10
Effect of Pyne Gould Guinness Ltd deconsolidation		-	83,317	-	-
Effect of Mortgage Express Ltd deconsolidation		1,312	-	-	-
Advances from subsidiaries		-	-	-	2,994
Total cash provided from investing activities		**17,107**	**94,959**	**-**	**3,004**
Cash was applied to:					
Increase in finance receivables		168,804	131,832	-	-
Purchase of operating lease vehicles		27,845	33,005	-	-
Purchase of property, plant and equipment		1,759	7,914	47	111
Increase in investments		-	17,710	-	-
Advance to employee share purchase scheme		170	104	170	104
Total cash applied to investing activities		**198,578**	**190,565**	**217**	**215**
Net cash flows (applied to) / from investing activities		**(181,471)**	**(95,606)**	**(217)**	**2,789**
Cash flows from financing activities					
Cash was provided from:					
Increase / (decrease) in borrowings		149,664	116,678	(100)	(3,442)
Increase in share capital		243	164	243	164
Total cash provided from financing activities		**149,907**	**116,842**	**143**	**(3,278)**
Cash was applied to:					
Dividends paid to minorities		-	4,339	-	-
Dividends paid		19,609	20,569	19,609	20,569
Total cash applied to financing activities		**19,609**	**24,908**	**19,609**	**20,569**
Net cash flows from/(applied to) financing activities		**130,298**	**91,934**	**(19,466)**	**(23,847)**
Net increase / (decrease) in cash held		**3,632**	**41,987**	**(187)**	**(5)**
Opening cash balance		(4,756)	(46,743)	(42)	(37)
Closing cash balance	27	**(1,124)**	**(4,756)**	**(229)**	**(42)**
Represented by:					
Cash and bank balances		(1,124)	(4,756)	(229)	(42)

1. Statement of accounting policies

The financial statements presented are the consolidated financial statements of the group comprising Pyne Gould Corporation Limited and its subsidiaries and associate.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The company is an issuer under the Financial Reporting Act 1993.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

(a) Principles of consolidation
The group financial statements including those of the holding company and its susidiaries are accounted for using the purchase method. Subsidiaries are entities that are controlled, either directly or indirectly by the holding company. All inter-group balances and gains and losses on transactions between group companies have been eliminated.

(b) Associate companies
These are companies in which the group has a substantial long term investment and has a significant influence on their commercial and financial decisions. Associate companies are accounted for using the equity method.

(c) Investments
Investments in companies are recorded at cost. All other investments are stated at the lower of cost and net realisable value.

(d) Property, plant, equipment and depreciation
Land and buildings are recorded at cost less accumulated depreciation. Plant and equipment is recorded at cost less accumulated depreciation. Property, plant and equipment other than land are depreciated on a straight line basis, at rates which will write off cost less estimated residual values over their estimated economic lives as follows:

Buildings	50 years
Plant and equipment	1 - 13 years

(e) Finance and trade receivables
Finance and trade receivables are stated at their estimated realisable value. Bad debts are written off against operating surplus in the year in which they become evident. An estimate based on the experience of each company in the group is also made for doubtful debts. No finance receivables are reclassified as investments.

(f) Operating lease vehicles
Operating lease vehicles are stated at cost less accumulated depreciation. Current year depreciation and profits or losses on the sale of operating lease vehicles are included as part of the operating surplus. Operating lease vehicles are depreciated on a straight line basis over their expected life after allowing for any residual values. The estimated lives of operating vehicles vary up to 5 years. Vehicles held for sale are not depreciated but are tested for impairment.

(g) Borrowings
Borrowings are recorded in the statement of financial position at their outstanding principal balances plus accrued interest.

(h) Interest and funding expense
Interest on borrowings is accounted for on an accruals basis. Other funding expenses are expensed when incurred.

(i) Revenue recognition
Interest on finance receivables (including finance leases) is recognised using the actuarial method. Revenue from operating lease receivables is apportioned over the term of the operating lease by the straight line method. Lending fees on rebatable fee loans are recognised on a systematic basis over the life of the loan. All other lending fees are recognised in full when a loan is drawn down. Dividends received from associates are applied to the carrying value of the investment in associate. Other dividends are recognised in revenue when the group is entitled to the dividend.

(j) Intangible assets
(i) Goodwill - Goodwill arising on the acquisition of subsidiary and associate companies is amortised over the years of expected benefit up to a maximum of 20 years.

(ii) Perpetual Trust statutory right and brand - This is stated at cost less amortisation to date, with the cost being amortised over 20 years.

(iii) MARAC brand - This is stated at cost less amortisation to date, with the cost being amortised over 20 years.

(k) Taxation
The income taxation expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and taxation rules. The group follows the liability method of accounting for deferred taxation making allowance for permanent differences. This is the comprehensive basis for the calculation of deferred taxation. Future income taxation benefits attributable to timing differences and taxation losses are recognised in the financial statements only when there is virtual certainty of realisation.

(l) Goods and services tax
As the group is predominantly involved in providing financial services, only a proportion of GST paid on inputs is recoverable. The non-recoverable proportion of GST is treated as an expense.

(m) Statement of cash flows
The statement of cash flows has been prepared using the direct method modified by the netting of certain cash flows, in order to provide more meaningful disclosure. Cash and cash equivalents consist of cash and liquid assets used in the day to day cash management of the group.

(n) Financial instruments
Off balance sheet financial instruments are entered into to reduce exposure to fluctuations in interest rates. The financial instruments are subject to the risk that market values may change subsequent to their acquisition however such changes would be offset by corresponding, but opposite, effects on the physical items being hedged. Gains and losses on interest rate risk instruments used to hedge assets and liabilities are brought into account on an accrual basis over the life of the underlying hedged asset or liability.

(o) Impaired assets and past due assets

Impaired assets consist of non-accrual assets and restructured assets. Non-accrual assets are any assets where there is a significant doubt about the collectability of the amounts owing. Restructured assets are any assets where the group expects to recover all amounts owing although the original terms have been changed due to the counterparty's difficulty in complying with the original terms of the contract and the amended terms are not comparable with similar new lending.

Past due assets are any assets which have not been operated by the counterparty within its key terms for at least 90 days and which are not impaired assets.

Specific provisions are made against impaired assets where full recovery of principal and interest is not considered probable.

Specific provisions are identified by reviewing counterparty exposures and the associated risk of loss. Interest on these assets is accounted for on a cash basis.

A collective provision for bad and doubtful debts is maintained to cover non identified possible losses and latent risk inherent in the overall portfolio of advances and other lending transactions. This is assessed having regard to the level of potential credit risk inherent in the overall loan portfolio based on arrears, historic losses, recovery trends and current and projected economic conditions.

Bad debts specifically provided for are written off against specific provisions. Amounts required to bring the provisions to their assessed levels are taken to the statement of financial performance. Any recoveries of amounts previously provided for are taken to the statement of financial performance.

(p) Financial guarantee contracts

Where companies in the group enter into financial guarantee contracts to guarantee the indebtedness of other companies within the group, they are considered to be insurance arrangements and accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

(q) Comparative balances

Where necessary comparative amounts have been reclassified so that the information corresponds to the classification presented for the current year.

(r) Changes in accounting policies

There have been no significant changes in accounting policies during the year.

2. Subsidiary companies

The principal subsidiary companies and their activities included in the financial statements are as follows:

	% Held at 30 June 2007	% Held at 30 June 2006
MARAC Finance Limited - motor vehicle and commercial financing	100%	100%
MARAC Securities Limited - arranging structured finance	100%	100%
Nissan Finance New Zealand Limited - motor vehicle financing	100%	100%
MARAC Investments Limited - property and commercial financing	100%	100%
MARAC Insurance Limited - insurance services	100%	100%
Perpetual Trust Limited - trustees and executors, corporate trustees and funds management	100%	100%
Mortgage Express Limited - arranging mortgage finance	-	60%

3. Associate company

	% Held at 30 June 2007	% Held at 30 June 2006
PGG Wrightson Limited	22.2%	22.2%

During the 2006 financial year Pyne Gould Guinness Limited merged with Wrightson Limited to form PGG Wrightson Limited and consequently changed status from a subsidiary to an associate. Former associates of Pyne Gould Guinness Limited are now part of PGG Wrightson Limited.

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
4. Interest revenue				
Finance receivables other than impaired assets	125,955	116,038	-	-
Fixed interest debt securities	42	17	-	-
Cash and bank deposits	256	177	-	-
Advances inter-group	-	-	-	199
Total interest revenue	126,253	116,232	-	199
5. Operating lease revenue				
Operating lease revenue	23,160	22,551		
Total operating lease revenue	23,160	22,551		
6. Other revenue				
Dividend revenue	-	-	15,500	19,912
Sales revenue	-	75,253	-	-
Fee and other income	35,899	35,137	492	611
Other inter-group income	-	-	1,492	2,105
Total other revenue	35,899	110,390	17,484	22,628
7. Equity accounted earnings of associate				
Share of associate's income before taxation	8,922	7,510	8,922	7,510
Share of associate's taxation	(3,109)	(1,982)	(3,109)	(1,982)
Equity accounted earnings of associate	5,813	5,528	5,813	5,528
Add back associate's goodwill amortisation	2,499	1,874	2,499	1,874
	8,312	7,402	8,312	7,402
Amortisation of goodwill included in carrying amount of associate	(2,499)	(1,874)	(2,499)	(1,874)
Total equity accounted earnings of associate	5,813	5,528	5,813	5,528
8. Abnormal gain	-	37,329	-	39,089

In September 2005 Pyne Gould Guinness Limited issued 168.9 million shares to the former shareholders of Wrightson Limited to purchase 100% of that company. The accounting impact of the transaction was to reduce the group's shareholding in Pyne Gould Guinness Limited from 55.5% to 22.2% and to acquire a 22.2% holding in the business of Wrightson Limited. The transaction resulted in the recognition of an abnormal gain within the group of $37,329,000.

The results of Pyne Gould Guinness Limited were consolidated for the three months to 30 September 2005. From 1 October 2005 the results of PGG Wrightson Limited have been accounted for using the equity method.

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
9. Interest expense				
Interest expense	85,721	77,230	1,455	1,596
Other funding costs	2,362	2,305	-	(77)
Total interest expense	88,083	79,535	1,455	1,519
10. Operating lease expense				
Depreciation on operating lease vehicles	15,570	14,832		
Direct operating lease costs	1,495	1,781		
Loss on sale of operating lease vehicles	1,271	57		
Total operating lease expense	18,336	16,670		
11. Cost of sales	-	59,133		

	GROUP		HOLDING COMPANY	
	2007	2006	**2007**	2006
	$000	$000	$000	$000
12. Operating expenses				
Amortisation of intangible assets	645	645	-	-
Amortisation of goodwill	2,548	3,203	-	-
Depreciation - buildings	335	331	335	331
Depreciation - plant and equipment	925	1,318	40	41
Impaired asset expense	514	1,682	-	-
(Gain) / loss on disposal of assets	(13)	73	5	-
Audit fees	173	168	24	30
Fees for other services provided by the auditors	151	73	42	34
Directors' fees and retirement allowances	582	666	582	562
Rental costs	1,198	1,012	33	61
Other operating expenses, including staff costs	33,306	45,835	2,485	2,938
Total operating expenses	**40,364**	**55,006**	**3,546**	**3,997**
Directors' fees and retirement allowances paid:				
By holding company	582	562	582	562
Subsidiary companies in respect of:				
Directors of holding company	-	25	-	-
Other directors	-	79	-	-
Total directors' fees and retirement allowances	**582**	**666**	**582**	**562**
13. Taxation charge / (credit)				
Operating surplus before taxation	44,342	81,686	18,296	61,928
Prima facie taxation thereon at 33%	14,633	26,956	6,038	20,436
Plus / (less) taxation effect of:				
Permanent differences	1,132	1,260	(11)	30
Future change in tax rate	(140)	-	-	-
Prior year adjustments	(31)	(117)	8	(87)
Dividends from group companies	-	-	(5,115)	(6,571)
Other non-assessable income	(1,918)	(13,900)	(1,918)	(14,724)
Taxation charge / (credit) for the year	**13,676**	**14,199**	**(998)**	**(916)**
The taxation charge for the year consists of:				
Current taxation	12,972	13,244	(1,015)	(677)
Deferred taxation	704	955	17	(239)
Taxation charge / (credit) for the year	**13,676**	**14,199**	**(998)**	**(916)**
Deferred taxation (liability) / asset:				
Balance at beginning of year	(242)	2,279	556	317
Effect of Pyne Gould Guinness Limited deconsolidation	-	(1,566)	-	-
Taxation arising on timing differences	(704)	(955)	(17)	239
Balance at end of year	**(946)**	**(242)**	**539**	**556**
Imputation credit account:				
Balance at beginning of year	24,563	21,790	15,705	9,196
Taxation paid	12,109	11,538	-	-
Credits attached to dividends received	3,075	1,230	10,710	16,504
Credits attached to dividends paid	(9,355)	(9,995)	(9,355)	(9,995)
Balance at end of year	**30,392**	**24,563**	**17,060**	**15,705**
14. Current assets				
Cash and bank balances	-	1,582	-	-
Trade receivables	7,752	5,564	5	4
Taxation refunds due	32	643	228	-
Inter-group receivables	-	-	-	104
Employee share purchase scheme	58	124	58	124
Total current assets	**7,842**	**7,913**	**291**	**232**

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
15. Finance receivables				
Advances and interest bearing contracts	1,406,208	1,226,271		
Unearned income	(139,853)	(124,699)		
Specific provisions	(1,974)	(2,200)		
Revenue earning receivables	1,264,381	1,099,372		
Collective provisions for doubtful debts	(4,868)	(6,570)		
Total finance receivables	**1,259,513**	**1,092,802**		

Included in finance receivables are finance leases with a gross investment of $99,286,000 (2006: $109,954,000) with unearned income of $15,765,000 (2006: $16,798,000). No finance receivables have been reclassified as investments.

	GROUP 2007 $000	GROUP 2006 $000	HOLDING COMPANY 2007 $000	HOLDING COMPANY 2006 $000
Current	730,757	556,383		
Non-current	528,756	536,419		
Total finance receivables	**1,259,513**	**1,092,802**		
16. Bad and doubtful debts				
Collective provision				
Balance at beginning of year	6,570	8,085		
Effect of Pyne Gould Guinness Limited deconsolidation	-	(520)		
Bad debts written off	(2,403)	(1,895)		
Recoveries	585	619		
Charged to operating surplus	116	281		
Balance at end of year	**4,868**	**6,570**		
Specific provision				
Balance at beginning of year	2,200	1,904		
Effect of Pyne Gould Guinness Limited deconsolidation	-	(1,010)		
Bad debts written off	(896)	(486)		
Recoveries	272	391		
Charged to operating surplus	398	1,401		
Balance at end of year	**1,974**	**2,200**		
Total provisions for doubtful debts	**6,842**	**8,770**		
Impaired asset expense charged to statement of financial performance				
Net decrease in collective provision	(1,702)	(995)		
Net (decrease) / increase in specific provision	(226)	1,306		
Bad debts written off	3,299	2,381		
Bad debts recovered	(857)	(1,010)		
Total charged to statement of financial performance	**514**	**1,682**		
17. Operating lease vehicles				
Operating lease vehicles at cost	90,944	93,913		
Accumulated depreciation	(26,637)	(25,005)		
Total operating lease vehicles	**64,307**	**68,908**		
18. Non current assets				
Investments in subsidiary companies	-	-	10,520	10,520
Investments in other companies	10	10	-	-
Investments in fixed term debt securities	1,026	1,054	-	-
Advances to subsidiary companies	-	-	99,466	99,216
Deferred taxation	-	-	539	556
Employee share purchase scheme	417	181	417	181
Total non-current assets	**1,453**	**1,245**	**110,942**	**110,473**

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
19. Investment in associate				
Carrying amount at beginning of year	89,662	116	89,662	-
Effect of Pyne Gould Guinness Limited deconsolidation	-	(116)	-	-
Acquisition of associate at cost	-	86,632	-	86,632
Equity accounted earnings of associate	5,813	5,528	5,813	5,528
Dividends from associate	(6,244)	(2,498)	(6,244)	(2,498)
Carrying amount at end of year	89,231	89,662	89,231	89,662
Goodwill included in carrying amount of associate				
Carrying amount at beginning of year	48,103	-	48,103	-
Acquisition of associate	-	49,977	-	49,977
Amortisation of goodwill	(2,499)	(1,874)	(2,499)	(1,874)
Carrying amount at end of year	45,604	48,103	45,604	48,103
20. Intangible assets				
Statutory right and brands				
Cost	12,901	12,901		
Less accumulated amortisation	(4,827)	(4,182)		
Balance at end of year	8,074	8,719		
Goodwill				
Cost	25,103	28,236		
Less accumulated amortisation	(16,464)	(15,604)		
Balance at end of year	8,639	12,632		
Total intangible assets	16,713	21,351		
Carrying amount of goodwill				
Balance at beginning of year	12,632	22,501		
Goodwill arising on acquisition	-	500		
Effect of subsidiary deconsolidations	(1,445)	(7,166)		
Amortisation for the year	(2,548)	(3,203)		
Balance at end of year	8,639	12,632		
21. Property, plant and equipment				
Land at cost	1,332	1,332	1,332	1,332
Buildings at cost	4,384	4,384	4,384	4,384
Less accumulated depreciation	(3,032)	(2,697)	(3,032)	(2,697)
Total buildings	1,352	1,687	1,352	1,687
Plant and equipment at cost	10,171	8,768	521	519
Less accumulated depreciation	(7,740)	(7,143)	(444)	(444)
Total plant and equipment	2,431	1,625	77	75
Total property, plant and equipment	5,115	4,644	2,761	3,094

The latest market valuation of land and buildings (undertaken in the 2006 financial year), adjusted for additions since valuation, is $7,000,000 (2006: $7,000,000).

22. Current liabilities				
Bank overdrafts (secured)	1,124	6,338	229	42
Trade creditors	26,304	26,594	1,000	1,108
Employee entitlements	2,511	2,079	123	84
Insurance policy liabilities	1,593	571	-	-
Taxation payable	-	-	-	94
Deferred taxation	946	242	-	-
Provision for retiring allowances	606	694	606	694
Total current liabilities	33,084	36,518	1,958	2,022

Bank overdrafts are secured by a general security interest over the assets of the holding company and specific subsidiary companies.

		GROUP		HOLDING COMPANY	
		2007 $000	2006 $000	**2007** $000	2006 $000
23. Borrowings					
Debenture stock sourced in New Zealand		692,135	663,029	-	-
Debenture stock sourced from overseas		27,365	26,142	-	-
Bank borrowings		460,151	340,182	17,500	17,600
Total borrowings		**1,179,651**	**1,029,353**	**17,500**	**17,600**

Concentrations of funding

Funding for the group is sourced from New Zealand, $692,135,000 (2006: $663,029,000), overseas $27,365,000 (2006: $26,142,000) and New Zealand banks $460,151,000 (2006: $340,182,000).

Security provided

Bank and debenture stock borrowings of MARAC Finance Limited rank equally and are secured over the assets of MARAC Finance Limited in terms of a Trust Deed dated 9 March 1984 in favour of The New Zealand Guardian Trust Company Limited as trustee for the debenture holders. Other bank borrowings are secured by a general security interest over the assets of the holding company and specific subsidiary companies.

24. Share capital					
Issued and paid up capital:	Number of shares				
Balance at beginning of year	97,957,952	85,130	84,966	85,130	84,966
Staff share issues	61,438	243	164	243	164
Balance at end of year	**98,019,390**	**85,373**	**85,130**	**85,373**	**85,130**

The shares have equal voting rights and rights to dividends and distributions.

25. Retained earnings					
Balance at beginning of year - Retained earnings		135,039	89,292	98,709	56,434
Net surplus after tax		30,636	66,316	19,294	62,844
Dividends paid		(19,609)	(20,569)	(19,609)	(20,569)
Balance at end of year		**146,066**	**135,039**	**98,394**	**98,709**
26. Reconciliation of operating surplus after taxation to net cash flows from operating activities					
Operating surplus after taxation		30,666	67,487	19,294	62,844
Add / (less) Non-cash items:					
Amortisation		3,193	3,848	-	-
Depreciation		16,830	16,481	375	372
Abnormal gain		-	(37,329)	-	(39,089)
Share of associate company earnings		431	(3,030)	431	(3,030)
Doubtful debts provisions		514	1,682	-	-
Deferred taxation		704	955	17	(239)
Accruals and prepaid items		3,401	2,467	(353)	(172)
Total non-cash items		**25,073**	**(14,926)**	**470**	**(42,158)**
Add / (less) working capital items:					
Trade receivables		(2,223)	8,425	103	1
Inventory		-	(4,923)	-	-
Taxation		611	(56)	(322)	272
Insurance policy liabilities		1,244	571	-	-
Trade creditors		(1,638)	(11,049)	(54)	94
Total movements in working capital items		**(2,006)**	**(7,032)**	**(273)**	**367**
Add / (less) items classified as investing activities:					
Loss / (surplus) on sale of assets and investments		1,072	130	5	-
Total items classified as investing activities		**1,072**	**130**	**5**	**-**
Net cash flows from operating activities		**54,805**	**45,659**	**19,496**	**21,053**
27. Closing cash balance					
Cash and bank balances		-	1,582	-	-
Less: Bank overdrafts		(1,124)	(6,338)	(229)	(42)
Total closing cash balance		**(1,124)**	**(4,756)**	**(229)**	**(42)**

28. Segmentation of result

The group operates predominantly in New Zealand within three industry segments:

Financial services – Motor vehicle, commercial plant, equipment and business, property development, marine and leisure financing and insurance.

Trustee services – Personal trust, estate and asset administration and corporate trustee services.

Rural services – Stock and station agents, wool marketing, livestock sales, real estate agents, irrigation, insurance, rural financing, grain and seed merchants and farm supplies sales.

	No. of employees		Total assets		Operating revenue		Surplus after tax	
	2007	2006	**2007** $000	2006 $000	**2007** $000	2006 $000	**2007** $000	2006 $000
Financial services	151	137	1,331,480	1,164,327	168,146	148,145	26,534	24,171
Trustee services	88	83	5,980	8,537	15,486	14,361	3,643	2,623
Rural services	-	-	89,231	89,662	5,813	78,212	5,813	6,693
Other operations	8	5	17,483	23,999	1,680	51,312	(5,354)	32,829
Total group	**247**	**225**	**1,444,174**	**1,286,525**	**191,125**	**292,030**	**30,636**	**66,316**

29. Related party transactions

The holding company provided loans, financial and administrative assistance, computer services and leased premises to companies in the group during the current and previous financial year. All transactions were conducted on normal commercial terms and conditions.

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
Material transactions during the year with related parties were:				
Interest received on advances to related parties	-	-	-	199
Management fees, computer services and rent received	-	-	1,492	2,105
Interest paid on debenture stock held by related parties	(1,613)	(1,177)	-	-
Tax effect of tax losses sold to wholly owned subsidiary companies at tax value	-	-	888	921
Total	**(1,613)**	**(1,177)**	**2,380**	**3,225**
Material transactions outstanding at year end with related parties were:				
Advances owing by related parties	-	-	-	104
Advances owing to related parties	-	-	(20)	(20)
Debenture stock owing to related parties	(23,117)	(18,312)	-	-
Total	**(23,117)**	**(18,312)**	**(20)**	**84**

Directors of the company and subsidiaries, their spouses and family undertook personal business transactions with the group including investments in MARAC Finance Limited and PGG Wrightson Limited. All transactions were on normal commercial terms and none were material.

30. Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial asset and liability.

Finance receivables – The fair value of the group's finance receivables is calculated based on current market interest rates for loans of a similar nature and term.

Advances to subsidiaries – As advances to subsidiaries have no fixed maturity, fair value is calculated to be the same as the carrying value.

Other financial assets and liabilities – The fair value of all other financial assets and liabilities is considered equivalent to their carrying value.

Off-balance sheet items – The fair value of interest rate contracts is based on the quoted market prices of these instruments at balance date.

Borrowings – The fair value of debenture stock, deposits, bank borrowings and other borrowings is based on the current market interest rates payable by the group for debt of similar maturities.

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
Financial assets and liabilities				
Carrying amounts				
Assets				
Cash and bank balances	-	1,582	-	-
Other receivables	8,227	5,869	480	413
Finance receivables	1,259,513	1,092,802	-	-
Advances to subsidiaries	-	-	99,466	99,216
Other investments	1,036	1,064	-	-
Total	**1,268,776**	**1,101,317**	**99,946**	**99,629**
Liabilities				
Bank overdraft	(1,124)	(6,338)	(229)	(42)
Other payables	(29,421)	(29,367)	(1,729)	(1,886)
Borrowings	(1,179,651)	(1,029,353)	(17,500)	(17,600)
Total	**(1,210,196)**	**(1,065,058)**	**(19,458)**	**(19,528)**
Off-balance sheet items	-	-	-	-
Fair values				
Assets				
Cash and bank balances	-	1,582	-	-
Other receivables	8,227	5,869	480	413
Finance receivables	1,261,880	1,098,041	-	-
Advances to subsidiaries	-	-	99,466	99,216
Other investments	1,036	1,064	-	-
Total	**1,271,143**	**1,106,556**	**99,946**	**99,629**
Liabilities				
Bank overdraft	(1,124)	(6,338)	(229)	(42)
Other payables	(29,421)	(29,367)	(1,729)	(1,886)
Borrowings	(1,178,751)	(1,031,190)	(17,500)	(17,600)
Total	**(1,209,296)**	**(1,066,895)**	**(19,458)**	**(19,528)**
Off-balance sheet items	1,034	51	58	24

31. Risk management policies

The group is committed to the management of risk. The primary financial risks are those of credit, liquidity and interest rate. The group's financial risk management strategy is set by the directors of each group company. The group has put in place management structures and information systems to manage individual financial risk, has separated monitoring tasks where feasible and subjects all accounting systems to regular internal and external audit.

32. Credit risk exposure

Credit risk is the potential risk of loss arising from the failure of a debtor or trading counterparty to honour fully a financial or contractual obligation. A credit committee of the board is in place for each group company to implement credit risk management strategy. The group is selective in targeting credit risk exposures and avoids exposures to high risk areas and has comprehensive credit policies for the approval and management of all credit risk.

Lending standards and criteria are established for all finance products into different business sectors. The group relies primarily on the integrity of the debtor or counterparty and their ability to meet their obligations to the group but in addition, security cover within established loan to security valuation margins is required. Loan securities are generally Registered Charges at the Personal Property Security Register or Registered Mortgages at the Lands Title Office. Industry and product concentrations and maximum aggregated exposure to any one debtor are managed and monitored. Credit risk is strongly monitored with regular credit reviews.

Financial assets which are subject to credit risk principally consist of finance receivables, bank balances and investments.

The group operates principally in the financial services, trustee services and rural services industry segments. Credit risk is concentrated within New Zealand.

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
Maximum credit risk exposures are:				
Cash and bank balances	-	1,582	-	-
Other receivables	8,227	5,869	480	413
Finance receivables	1,259,513	1,092,802	-	-
Investments in subsidiaries and associate	89,231	89,662	99,751	100,182
Advances to subsidiaries	-	-	99,466	99,216
Other investments	1,036	1,064	-	-
Letters of credit, guarantees and performance bonds	6,451	6,285	4,000	4,000
Lending facilities committed but not drawn	40,851	41,509	-	-
Conditional commitments to fund at future dates	97,488	91,230	-	-
Total credit risk exposures	1,502,797	1,330,003	203,697	203,811

The above maximum exposures are net of any recognised provision for losses on those financial instruments. Credit risk concentration is limited by the large number of customers in the group's customer base. Conditional commitments to fund at future dates relate to accounts expected to be advanced in future periods as certificates of completion are provided.

Finance receivables with instalments more than three months in arrears as a % of gross finance receivables	0.3%	0.6%
Amount owing by the six largest borrowers as a % of gross finance receivables	7.4%	7.5%
Concentration of credit exposures (financial receivables)		
(a) By industry		
Agricultural, forestry and fishing	70,404	53,133
Government and public authorities	25,819	19,157
Financial, investments and insurance	24,782	25,182
Construction	85,221	77,084
Transport and storage	95,476	91,746
Wholesale and retail trade	213,002	167,404
Manufacturing and printing	47,719	37,187
Property	341,918	252,466
Consumer & personal	355,172	369,443
Total concentrations of credit exposures by industry	1,259,513	1,092,802
(b) By geographic region		
Auckland	562,287	515,124
Wellington	120,596	97,591
Rest of North Island	314,557	253,399
Canterbury	145,631	143,682
Rest of South Island	116,442	83,006
Total concentrations of credit exposures by geographic region	1,259,513	1,092,802

33. Liquidity risk

Liquidity risk is the risk that the group may encounter difficulty in raising funds at short notice to meet its commitments and arises from any mismatch of the maturity of financial assets and liabilities. The group manages this risk by forecasting future cash requirements, seeking a diverse and stable funding base and by maintaining committed credit facilities with financial institutions.

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
Bank facilities committed but not drawn	71,350	79,918	7,500	7,400

Post balance date the MARAC securitisation program, described in note 42, increased cash and bank facilities committed but not drawn by a net $269,000,000.

Liquidity profile of financial assets and liabilities

30 June 2007	0 - 6 Months $000	6 - 12 Months $000	1 - 2 Years $000	2 - 5 Years $000	Over 5 Years $000	Total $000
Assets						
Other receivables	7,810	-	417	-	-	8,227
Finance receivables	454,970	275,787	295,543	233,213	-	1,259,513
Investment in associate	-	-	-	-	89,231	89,231
Other investments	-	-	-	1,026	10	1,036
Total	**462,780**	**275,787**	**295,960**	**234,239**	**89,241**	**1,358,007**

Excludes operating lease assets of $64,307,000.

Liabilities						
Bank overdraft	(1,124)	-	-	-	-	(1,124)
Other payables	(29,421)	-	-	-	-	(29,421)
Borrowings	(553,509)	(231,281)	(345,506)	(49,355)	-	(1,179,651)
Total	**(584,054)**	**(231,281)**	**(345,506)**	**(49,355)**	**-**	**(1,210,196)**

Borrowings of $28,896,000 are payable on demand.

30 June 2006	0 - 6 Months $000	6 - 12 Months $000	1 - 2 Years $000	2 - 5 Years $000	Over 5 Years $000	Total $000
Assets						
Cash and bank balances	1,582	-	-	-	-	1,582
Other receivables	5,428	-	441	-	-	5,869
Finance receivables	322,789	233,594	244,283	292,136	-	1,092,802
Investments in associate	-	-	-	-	89,662	89,662
Other investments	-	-	-	1,054	10	1,064
Total	**329,799**	**233,594**	**244,724**	**293,190**	**89,672**	**1,190,979**

Excludes operating lease assets of $68,908,000.

Liabilities						
Bank overdrafts	(6,338)	-	-	-	-	(6,338)
Trade and other creditors	(29,367)	-	-	-	-	(29,367)
Borrowings	(246,354)	(291,994)	(350,322)	(140,683)	-	(1,029,353)
Total	**(282,059)**	**(291,994)**	**(350,322)**	**(140,683)**	**-**	**(1,065,058)**

Borrowings of $26,242,000 are payable on demand.

34. Interest rate risk

Interest rate risk is the risk that market interest rates will change and impact on the group's financial results by affecting the interest margin between interest earning assets and interest bearing liabilities. The group monitors market interest rates on a daily basis and regularly reviews interest rate exposure. Interest rate risk is reduced by management's constant monitoring of the interest rate maturity profiles of finance borrowings and finance receivables.

The group holds off-balance sheet financial instruments as a hedge against movements in interest rates.

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
The principal or contract amounts of interest rate options, swaps, and forward rate agreements contracts are:	472,500	148,000	5,000	10,000

Repricing Analysis

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is the earlier.

Liquidity profile of financial assets and liabilities

30 June 2007	Effective Interest Rate %	0 - 6 Months $000	6 - 12 Months $000	1 - 2 Years $000	2 - 5 Years $000	Over 5 Years $000	Total $000
Assets							
Cash and bank balances	-	-	-	-	-	-	-
Other receivables	-	7,810	-	417	-	-	8,227
Finance receivables	11.3%	514,434	277,560	260,711	206,808	-	1,259,513
Investments in associate	-	-	-	-	-	89,231	89,231
Other investments	-	-	-	-	1,026	10	1,036
Total		522,244	277,560	261,128	207,834	89,241	1,358,007
Liabilities							
Bank overdraft	12.1%	(1,124)	-	-	-	-	(1,124)
Other payables	-	(29,421)	-	-	-	-	(29,421)
Borrowings	8.1%	(837,009)	(231,281)	(93,006)	(18,355)	-	(1,179,651)
Total		**(867,554)**	**(231,281)**	**(93,006)**	**(18,355)**	**-**	**(1,210,196)**
Off-balance sheet interest rate options and swaps		194,500	(138,000)	-	(56,500)	-	-

30 June 2006	Effective Interest Rate %	0 - 6 Months $000	6 - 12 Months $000	1 - 2 Years $000	2 - 5 Years $000	Over 5 Years $000	Total $000
Assets							
Cash and bank balances	6.5%	1,582	-	-	-	-	1,582
Other receivables	-	5,558	-	311	-	-	5,869
Finance receivables	11.3%	391,150	234,511	231,121	236,020	-	1,092,802
Investments in associate	-	-	-	-	-	89,662	89,662
Other investments	6.2%	-	-	-	1,054	10	1,064
Total		398,290	234,511	231,432	237,074	89,672	1,190,979
Liabilities							
Bank overdraft	10.1%	(6,338)	-	-	-	-	(6,338)
Other payables	-	(29,367)	-	-	-	-	(29,367)
Borrowings	7.6%	(568,934)	(241,996)	(191,072)	(27,351)	-	(1,029,353)
Total	**7.4%**	**(604,639)**	**(241,996)**	**(191,072)**	**(27,351)**	**-**	**(1,065058)**
Off-balance sheet interest rate options and swaps		(28,000)	13,000	15,000	-	-	-

	GROUP		HOLDING COMPANY	
	2007 $000	2006 $000	**2007** $000	2006 $000
35. Asset quality				
Non-accrual assets				
Balance at beginning of year	26,131	7,432		
Transfers in	25,057	39,429		
Transfers out	(25,077)	(18,956)		
Bad debts written off	(3,142)	(1,774)		
Balance at end of year	22,969	26,131		
Specific provision for doubtful debts	(1,974)	(2,200)		
Total non-accrual assets	20,995	23,931		
Movements in specific provision for doubtful debts of non-accrual assets				
Balance at beginning of year	2,200	1,904		
Effect of Pyne Gould Guinness Limited deconsolidation	-	(1,010)		
Bad debts written off	(896)	(486)		
Recoveries	272	391		
Charged to net surplus	398	1,401		
Balance at end of year	1,974	2,200		
Restructured assets				
Balance at beginning of year	1,213	1,269		
Transfers in	2,097	1,284		
Transfers out	(1,387)	(1,197)		
Bad debts written off	(152)	(143)		
Balance at end of year	1,771	1,213		

There are no real estate or other assets acquired through the enforcement of security (2006: $Nil).

Past due assets				
Balance at beginning of year	7,374	13,063		
Transfers in	48,201	34,507		
Transfers out	(50,719)	(39,732)		
Bad debts written off	(5)	(464)		
Balance at end of year	4,851	7,374		

36. Managed funds, securitisation, custodial and other fiduciary activities

Perpetual Trust Limited is a trustee company which provides a range of services including estate and trust management, financial and investment advice, distribution and administration of managed funds and corporate trustee services.

The company holds and supervises financial assets on behalf of private clients, corporate clients and investors in its managed funds. These activities are subject to particular management, reporting and internal procedures. Where appropriate specialist expert advice is taken to support the company's own governance of these managed funds.

37. Contingent liabilities

No contingent liabilities exist at balance date.

38. Lease commitments				
Within 1 year	1,166	1,231	56	54
Between 1 and 2 years	854	835	43	47
Between 2 and 5 years	1,773	1,604	6	28
Over 5 years	687	200	-	-
Total lease commitments	4,480	3,870	105	129

39. Capital commitments				
Total capital expenditure contracted for at balance date	289	836	-	-

40. Staff share ownership arrangements

Staff share purchase schemes have been established to assist staff members to become shareholders in the company. Under the Trust Deeds, Pyne Gould Corporation Limited has the power to appoint the trustees. The trustees of the schemes are Messrs S R Maling and S C Montgomery who retain the voting rights. The price of the shares is set by the directors after considering the current market price. No shares are subject to put and / or call options. Neither Pyne Gould Corporation Limited or any related company has any right to acquire shares held by the staff share purchase schemes.

At 30 June 2007, all shares are fully paid up and were allocated to employees with the exception of 10,400 shares (2006: 4,100 shares). The schemes held 0.3% (2006: 0.3%) of the total issued shares. Advances from Pyne Gould Corporation Limited were $474,999 (2006: $304,507).

	2007 $000	2006 $000
Abbreviated Statement of Financial Performance:		
Dividend income received	63	54
Abbreviated Statement of Financial Position:		
Assets		
Shares at cost	824	676
Liabilities		
Loan from holding company	475	305
Abbreviated Notes to the Accounts:		
Shares at fair value	1,266	1,190
Change in value of assets	442	514

Shares held by trustees	Number of shares	Number of shares
Balance at beginning of year	290,213	256,413
Issued to trustee	61,438	35,000
Transferred to participants	(76,381)	(1,200)
Balance at end of year	275,270	290,213

41. International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board determined that all New Zealand reporting entities were required to adopt New Zealand equivalents to International Financial Reporting Standards (NZIFRS) for reporting periods beginning on or after 1 January 2007.

The group adopted on 1 July 2007. Accordingly, the adoption of NZIFRS will be first reflected in the group's interim report for the six month period ended 31 December 2007. The group has been evaluating the potential impacts of adopting NZIFRS in place of the group's existing accounting policies since February 2004. The objective has been to ensure the conversion occurs within the agreed and required timelines under the Financial Reporting Act 1993 and results in minimal operational impact on the group.

The year ending 30 June 2008 will be the first full year the group is required to report under NZIFRS. The year ending 30 June 2007 is the comparative period for the 2008 year. The following tables contain a reconciliation of current NZGAAP to NZIFRS for this comparative period and the opening NZIFRS balance sheet at 1 July 2006.

Note that this information excludes the impact of NZIFRS on the group's associate company, PGG Wrightson, who are still to finalise their NZIFRS adjustments.

NZIFRS standards may change between now and the date the group prepares its first interim report under NZIFRS. Therefore the impacts may differ from the below assessment, and that difference may be material.

Reconciliation of net surplus for 2007	NOTE	GROUP Current NZGAAP	GROUP IFRS Effect*	GROUP Restated NZIFRS	HOLDING COMPANY Current NZGAAP	HOLDING COMPANY IFRS Effect*	HOLDING COMPANY Restated to NZ IFRSR
		$000	$000	$000	$000	$000	$000
Operating revenue							
Interest revenue	a	126,253	1,220	127,473	-	-	-
Operating lease revenue		23,160	-	23,160	-	-	-
Fee and other income	b	35,899	(1,224)	34,675	1,984	-	1,984
Dividend revenue	c	-	-	-	15,500	6,244	21,744
Equity accounted earnings of associate	c	5,813	-	5,813	5,813	(5,813)	-
Total operating revenue		**191,125**	**(4)**	**191,121**	**23,297**	**431**	**23,728**
Direct expenses							
Interest & funding expense	d, e	88,083	(688)	87,395	1,455	-	1,455
Operating lease expense	f	18,336	(49)	18,287	-	-	-
Total direct expenses		**106,419**	**(737)**	**105,682**	**1,455**	**-**	**1,455**
Net operating revenue		**84,706**	**733**	**85,439**	**21,842**	**431**	**22,273**
Other costs and expenses							
Selling and administration expenses	g	35,397	594	35,991	3,171	-	3,171
Impaired asset expense	a	514	599	1,113	-	-	-
Amortisation - brand	i	645	(645)	-	-	-	-
Amortisation - goodwill	i	2,548	(2,548)	-	-	-	-
Depreciation - office fit-out and equipment	j	1,260	(448)	812	375	-	375
Depreciation - intangible assets	j	-	448	448	-	-	-
Total other costs and expenses		**40,364**	**(2,000)**	**38,364**	**3,546**	**-**	**3,546**
Operating surplus before taxation		**44,342**	**2,733**	**47,075**	**18,296**	**431**	**18,727**
Taxation charge	k	13,676	(139)	13,537	(998)	-	(998)
Operating surplus after taxation		**30,666**	**2,872**	**33,538**	**19,294**	**431**	**19,725**
Minority interests		(30)	-	(30)	-	-	-
Net surplus after taxation		**30,636**	**2,872**	**33,508**	**19,294**	**431**	**19,725**

Reconciliation of Equity Transition balance sheet 30 June 2007	NOTE	GROUP Current NZGAAP	GROUP NZIFRS Effect*	GROUP Restated NZIFRS	HOLDING COMPANY Current NZGAAP	HOLDING COMPANY NZIFRS Effect*	HOLDING COMPANY Restated to NZ IFRSR
		$000	$000	$000	$000	$000	$000
Assets							
Current assets	d, g, k	7,842	2,203	10,045	291	-	291
Finance receivables	a, b	1,259,513	(6,707)	1,252,806	-	-	-
Operating lease vehicles	f	64,307	312	64,619	-	-	-
Non-current assets		1,453	-	1,453	110,942	-	110,942
Investment in associate	c	89,231	-	89,231	89,231	(2,599)	86,632
Intangible assets	i, j	16,713	8,215	24,928	-	-	-
Property, plant and equipment	j	5,115	(880)	4,235	2,761	-	2,761
Total assets		**1,444,174**	**3,143**	**1,447,317**	**203,225**	**(2,599)**	**200,626**
Liabilities							
Current liabilities	h	33,084	200	33,284	1,958	-	1,958
Borrowings	e	1,179,651	(750)	1,178,901	17,500	-	17,500
Total liabilities		**1,212,735**	**(550)**	**1,212,185**	**19,458**	**-**	**19,458**
Equity							
Share capital		85,373	-	85,373	85,373	-	85,373
Retained earnings		146,066	3,693	149,759	98,394	(2,599)	95,795
Shareholders' equity		**231,439**	**3,693**	**235,132**	**183,767**	**(2,599)**	**181,168**
Total equity and liabilities		**1,444,174**	**3,143**	**1,447,317**	**203,225**	**(2,599)**	**200,626**

*IFRS effect on transition excludes PGG Wrightson.

		GROUP			HOLDING COMPANY		
Transition balance sheet 1 July 2006	NOTE	Current NZGAAP	IFRS Effect*	Restated NZIFRS	Current NZGAAP	IFRS Effect*	Restated to NZ IFRSR
		$000	$000	$000	$000	$000	$000
Assets							
Current assets	d, g, k	7,913	1,636	9,549	232	-	232
Finance receivables	a, b	1,092,802	(6,127)	1,086,675	-	-	-
Operating lease vehicles	f	68,908	263	69,171	-	-	-
Non current assets		1,245	-	1,245	110,473	-	110,473
Investment in associate	c	89,662	-	89,662	89,662	(3,030)	86,632
Intangible assets	i, j	21,351	4,587	25,938	-	-	-
Property, plant and equipment	j	4,644	(405)	4,239	3,094	-	3,094
Total assets		**1,286,525**	**(46)**	**1,286,479**	**203,461**	**(3,030)**	**200,431**
Liabilities							
Current liabilities	h	36,518	200	36,718	2,022	-	2,022
Borrowings	e	1,029,353	(1,067)	1,028,286	17,600	-	17,600
Total liabilities		**1,065,871**	**(867)**	**1,065,004**	**19,622**	**-**	**19,622**
Equity							
Share capital		85,130	-	85,130	85,130	-	85,130
Retained earnings		135,039	821	135,860	98,709	(3,030)	95,679
Shareholders' equity		220,169	821	220,990	183,839	(3,030)	180,809
Minority interests		485	-	485	-	-	-
Total equity and liabilities		**1,286,525**	**(46)**	**1,286,479**	**203,461**	**(3,030)**	**200,431**

*IFRS effect on transition excludes PGG Wrightson.

Notes to the reconciliation of previous GAAP

(a) Impaired asset expense (NZ IAS 37)

Estimated losses on specifically impaired exposures are discounted to their present value. As the discount unwinds over time this value is recognised as interest income in the statement of financial performance. Under NZGAAP the group used the future value in determining the estimated recovery of these assets.

(b) Fees (NZ IAS 39)

Fees that are integral to the effective yield of a financial instrument must be capitalised and recognised over the term of the loan. Under NZGAAP these items were recognised up front.

(c) Equity accounted earnings of associate (NZ IAS 28)

Under NZGAAP the investment in associate was valued using the equity accounted earnings method in both the holding company and at a consolidated group level. NZIFRS allows the holding company to value the investment in associate at cost, with dividends received recorded in the income statement. The group will continue to equity account associate company earnings.

(d) Derivatives (NZ IAS 39)

NZ IAS 39 requires that all derivative contracts are carried at fair value on the balance sheet and movements in their fair value are reflected in the income statement, except where cash flow hedges are in place. Under NZGAAP hedges were recognised on an accruals basis.

The group has not changed the way it hedges economic exposures as a result of the implementation of NZIFRS.

(e) Brokerage (NZ IAS 39)

Brokerage costs that are integral to the effective yield of a financial instrument must be capitalised and recognised over the term of the loan. Under NZGAAP these items were expensed up front.

(f) Lease commission (NZ IAS 17)

Commission costs that are integral to the effective yield of a financial instrument must be capitalised and recognised over the term of the lease agreement. Under NZGAAP these items were expensed up front.

(g) Capitalised costs (NZ IAS 39)

Costs associated with the establishment of the MARAC securitisation funding program have been capitalised under NZGAAP. Under NZIFRS these costs are not able to be capitalised.

(h) Long service leave (NZ IAS 19)

NZ IAS 19 requires a provision to be established where an entity has a framework to provide additional leave on completion of long service. This provision has to be calculated as the net present value of the liability.

(i) Impairment of intangible assets (NZ IAS 36)

Indefinite useful life intangible assets and goodwill held by the group no longer require amortisation, with an adjustment made to write their value back to the cost price for brands, and to the value at NZIFRS transition date (1 July 2006) for goodwill.

(j) Reclassification of software to intangible assets (NZ IAS 38)

The depreciation of computer software must be reported separately under NZIFRS.

(k) Taxation (NZ IAS 12)

Income tax expense and deferred tax change under IFRS as a result of the changes in profit and loss from adopting NZIFRS as highlighted above. These profit and loss changes which flow to income tax expense are temporary deferred tax differences.

42. Post balance sheet event - New funding source for MARAC Finance Limited (MARAC)

On 17 August 2007 MARAC established a securitisation program. This entailed creation of a special purpose entity which purchased receivables from MARAC and in turn funded these from the wholesale financial markets. This program provides greater diversification of funding sources for MARAC.

On the date that securitisation was established, receivables with a value of $311m were sold by MARAC to a new special purpose securitisation vehicle. MARAC continues as manager and servicer for these assets.

As MARAC has retained certain risks and rewards relating to these sold receivables, they will continue to appear in MARAC's financial statements. However these receivables will no longer form part of the assets which are secured under MARAC's debenture trust deed.

The net proceeds from the sale of receivables to the securitisation vehicle were applied to repay debt secured under the debenture trust deed. MARAC's equity level has been maintained at previous levels.

AUDITORS' REPORT For the year ended 30 June 2007

KPMG

To the shareholders of Pyne Gould Corporation Limited

We have audited the financial statements on pages 29 to 48. The financial statements provide information about the past financial performance and financial position of the company and group as at 30 June 2007. This information is stated in accordance with the accounting policies set out on pages 32 to 33.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 2007 and the results of their operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material mis-statements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other audit related services to the company and some of its subsidiaries. Partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. There are, however, certain restrictions on borrowings which the partners and employees of our firm can have with the group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company or any of its subsidiaries.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 29 to 48:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company and group as at 30 June 2007 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 August 2007 and our unqualified opinion is expressed as at that date.

KPMG

KPMG
Wellington

DISCLOSURES

The following are the disclosures of interest given by directors of the Company pursuant to section 140(2) of the Companies Act 1993.

R F Elworthy

Director and Shareholder	PGG Wrightson Ltd

B R Irvine

Partner	Deloitte
Director	Market Gardeners Ltd
	Christchurch City Holdings Ltd
	Britten Motorcycle Co Ltd
	Godfrey Hirst (NZ) Ltd
	Canterprise Ltd
	House of Travel Holdings Ltd
	Rakon Ltd
	Christchurch City Facilities Ltd
	Skope Ltd
	Syft Ltd
Trustee	Christchurch Art Gallery Trust
	Christchurch Symphony Trust

B J Jolliffe

Director and Shareholder	PGG Wrightson Ltd

S R Maling

Director and Shareholder	PGG Wrightson Ltd
	NZ Farming Systems Uruguay Ltd

B W Mogridge

Director	Mogridge & Associates Ltd
	Waitakere City Holdings Ltd
	Guardian Healthcare Group Ltd
	Designworks – Enterprise IG Ltd
	West Auckland Trust Services Ltd
Director and Shareholder	Trio Group Ltd
	Crimerisk Contral Ltd
	Mainfreight Ltd
	Rakon Ltd
Vice Chairman	UBS

S C Montgomery

Director and Shareholder	Aspiring Asset Management Ltd

W J Steel

Shareholder	PGG Wrightson Ltd

All directors have provided a general notice that they may from time to time undertake personal business transactions with the company, including placing funds on deposit, borrowing, or utilising the company's services. All such transactions are carried out in accordance with the company's normal business criteria for those types of transactions.

DISCLOSURES

Information Used by Directors

No notices were received from directors of the company requesting to disclose or use company information received in their capacity as directors which would not otherwise have been available to them.

Indemnification and Insurance of Directors and Officers

The company has given indemnities to and has arranged insurance for directors of the company and its subsidiaries to indemnify and insure directors against liability and costs for actions undertaken by them in the course of their duties to the extent permitted by the Companies Act 1993. The cost of the insurance premiums to the company and its subsidiaries for the year was $20,880.

Executive Employees' Remuneration

The number of employees of the company, other than directors, who received remuneration, including non-cash benefits, in excess of $100,000 is set out in the remuneration bands detailed below.

Remuneration	Number
$100,000 to $110,000	4
$110,000 to $120,000	4
$120,000 to $130,000	4
$130,000 to $140,000	7
$140,000 to $150,000	5
$150,000 to $160,000	1
$160,000 to $170,000	3
$170,000 to $180,000	5
$180,000 to $190,000	2
$190,000 to $200,000	1
$200,000 to $210,000	1
$210,000 to $220,000	1
$230,000 to $240,000	1
$290,000 to $300,000	1
$310,000 to $320,000	1
$320,000 to $330,000	1
$370,000 to $380,000	1
$380,000 to $390,000	1

Donations

The company has established a Charitable Trust from which donations are made to various organisations from the earnings of the trust. No donations were made during the year.

SHAREHOLDER INFORMATION As at 15 August 2007

Size of shareholding	Number of holders	% of issued capital
1 – 5,000	1,120	2.7
5,001 – 10,000	432	3.4
10,001 – 50,000	553	12.9
50,001 to 100,000	89	6.6
100,001 to 500,000	87	18.8
500,001 and over	40	55.6
	2,321	100.0
Geographic distribution		
North Island	630	28.8
Canterbury	1,443	63.1
Rest of South Island	202	6.4
Overseas	46	1.7
	2,321	100.0
Twenty largest shareholders	Number of shares	% of issued capital
Mokopeka Holdings Ltd	9,471,006	9.7
South Canterbury Finance Ltd	4,220,552	4.3
Perpetual Trust Ltd & G A & J B L Savill	3,431,618	3.5
Accident Compensation Corporation	2,916,047	3.1
Perpetual Trust Ltd & J C Brown	2,699,284	2.8
Perpetual Trust Ltd & P M Chapman	1,920,000	2.0
S D Martin & Perpetual Trust Ltd	1,844,592	1.9
Forsyth Barr Custodians Ltd	1,825,209	1.9
Y A Blackburne & J A Denton	1,800,000	1.8
Perpetual Trust Ltd & P M Chapman	1,584,000	1.6
Perpetual Trust Ltd & B M Gould	1,284,453	1.3
Perpetual Trust Ltd & J W Gould	1,284,453	1.3
Investment Custodial Services Ltd	1,077,772	1.0
G A C Gould & B W M Tothill	1,052,000	1.1
D F Wallace	980,188	1.0
Vero Insurance New Zealand Ltd	942,480	1.0
Perpetual Trust Ltd & J W Gould	920,000	0.9
Portfolio Custodians Ltd	888,560	0.9
J F Coutt	881,000	0.9
R N Francis & K J Criglington & A H D Young	753,000	0.8
	41,776,214	42.8

Substantial Security Holders

G A Savill has advised that she has a beneficial interest in 5,492,500 shares in the company.
G C D Kerr has advised that he has a beneficial interest in 9,800,136 shares in the company.

Directory

Directors
S R Maling, Chairman
B J Jolliffe, Managing Director
R F Elworthy
B R Irvine
B W Mogridge
S C Montgomery
W J Steel

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