Pyne Gould Corporation

ANNUAL REPORT 2008

Pyne Gould Corporation

CONTENTS

MARAC

Perpetual Trust

PGG Wrightson

THE YEAR AT A GLANCE

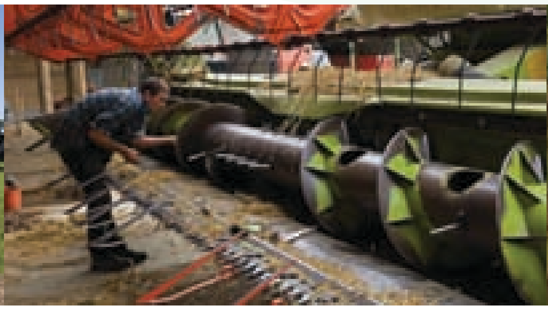
MARAC

Securitisation funding facility of $300m.

PGG Wrightson

New Managing Director – Tim Miles appointed.

07 JUL AUG SEP OCT NOV DEC



PGG Wrightson

Proposal for a 50% stake in Silver Fern Farms.

Perpetual Trust

Total funds under advice reach almost $1b.

PGG Wrightson

Formation of a new wool growers co-operative.

MARAC

New syndicated bank facility of $480m.

MARAC

Successful secured bond offer raising $104m.

08

JAN FEB MAR APR MAY JUN

ANNUAL HIGHLIGHTS

$44.8M

A 22% increase in Pyne Gould Corporation's net profit to $44.8m.

$27.9M

A 6% increase in net profit for MARAC to $27.9m.

$3.7M

A 26% increase in net profit for Perpetual Trust to $3.7m.

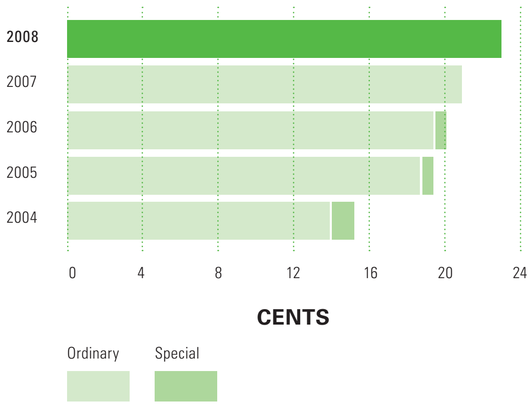
$15.8M

A 75% increase in contribution from PGG Wrightson to $15.8m.

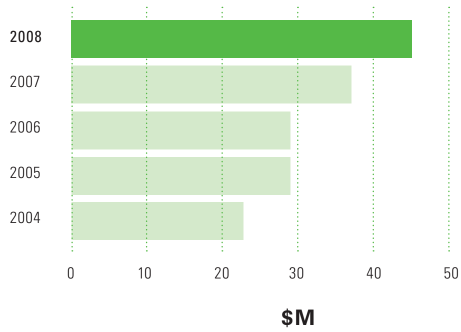
23C

A 2 cent increase in dividend to 23 cents per share.

Dividend Per Share



Net Profit After Tax (Before Abnormals)



Key financial results

	2008	2007	2006	2005	2004
Net operating profit	$44.8m	$36.7m	$29.0m	$28.9m	$22.6m
Abnormal items	$0m	$0m	$37.3m	$1.3m	$3.4m
Net profit after tax	$44.8m	$36.7m	$66.3m	$30.2m	$26.0m
Total assets	$1,572m	$1,450m	$1,287m	$1,421m	$1,243m
Shareholders' funds	$261m	$239m	$220m	$174m	$161m
Dividend	23.0c	21.0c	20.0c	19.0c	15.5c
Return on shareholders' funds	17.8%	16.0%	14.7%	17.2%	14.7%

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

On behalf of the Board of Directors we are pleased to report a significant improvement in profitability for all three of PGC's businesses and a strong financial position.

SAM MALING, Chairman (left) and BRIAN JOLLIFFE, Managing Director (right).

2008 Financial Results

The net profit after tax for the year ended 30 June 2008 was $44.8m, an increase of $8.1m (22%) on the $36.7m achieved last year.

Key financial results	This year	Last year
Net operating profit	$44.8m	$36.7m
Dividend	23.0c	21.0c
Return on shareholders' funds	17.8%	16.0%

All three of PGC's businesses – MARAC, Perpetual Trust and PGG Wrightson – achieved significant uplifts in profitability:

- MARAC achieved a 6% increase in net profit to $27.9m.
- Perpetual Trust achieved a 26% increase in net profit to $3.7m.
- PGG Wrightson contributed 75% more to PGC at $15.8m.

The Company's result has been determined under International Financial Reporting Standards (IFRS) for the first time, with last year's results restated on the same basis.

Financial Markets

The deteriorating state of the financial markets throughout the year, both internationally and in New Zealand, resulted in a challenging business environment for PGC's businesses.

MARAC, with an experienced management team, funding from a variety of sources, and diversified lending with a large proportion of loans repayable by monthly instalments, proved itself well placed to cope with the factors that resulted in a number of finance company failures during the year. MARAC's result of a higher profit and enhanced liquidity position was a significant achievement.

Perpetual Trust's role as trustee for a number of finance companies was notable. Both the independent Corporate Trust Board and Corporate Trust staff operated in a challenging and, at times, stressful environment. They remained focused throughout on achieving the best possible outcomes for investors within the constraints of their powers.

PGG Wrightson's finance business continued to grow and because of its rural position and careful management, coped well with these finance market issues.

Dividend

Your Board has declared a final dividend of 13 cents per share, fully imputed for tax purposes. When added to the interim dividend of 10 cents paid in March, this brings the annual dividend to 23 cents, an increase of 2 cents per share.

This continues the pattern of the last six years of an annual increase in the dividend.

While the percentage increase in the dividend is lower than the percentage increase in net profit, the Board believes it is prudent to retain a higher proportion of the profit to enhance the Company's financial position through these challenging times with uncertain market conditions.

You will receive your final dividend for 2008 on 3 October.

Dividend Reinvestment Plan

We are pleased to announce the introduction of the Pyne Gould Corporation Dividend Reinvestment Plan. This Plan creates an opportunity for shareholders to reinvest their dividend back in the business.

PGC has a proud record of delivering value to its shareholders. Over recent years we have been able to grow the business substantially and pay increased dividends.

This will remain our focus, but as the business grows so too does the demand for capital. This Plan is one way in which shareholders can contribute to the Company's future success.

Directors

After balance date, George Kerr was appointed to the Board of Pyne Gould Corporation Limited and its subsidiary companies, MARAC Finance Limited and Perpetual Trust Limited. He brings extensive experience in financial service businesses. As his appointment was to fill a vacancy he is standing for election.

In addition Sam Maling and Richard Elworthy retire by rotation, and both are offering themselves for re-election at this year's annual meeting.

Management and Staff

In what was a particularly difficult year, the Company is indebted to the commitment and dedication of our staff, who dealt with the issues they were confronted with in an effective and efficient way. The quality of our staff coupled with the culture that has been developed in our businesses are key factors that set the Company apart from others in the financial services industry.

"In a particularly difficult environment MARAC focused on further broadening its funding sources and improving liquidity."

BRIAN JOLLIFFE
Managing Director

HIGHLIGHTS

- Increased profit result despite the difficult operating environment.
- Arranging a new syndicated bank facility of $480m with all of New Zealand's major banks.
- Strengthening liquidity which reached $164m at balance date and up to $260m in July following the retail bond offer.

MARAC consists of:

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

Key financial results	This year	Last year
Net profit after tax	$27.9m	$26.3m
Finance receivables and operating lease vehicles	$1,420m	$1,317m
PGC investment	$191.4m	$168.3m

MARAC's Funding

During the year MARAC's primary strategic focus was on continuing to diversify its funding sources and improve liquidity.

Funding from the new securitisation facility of $300m commenced in August 2007. At June 2008 the facility was drawn to $283m.

Endorsement of MARAC's strategy was given by a new $480m syndicated bank facility arranged with the five major New Zealand banks. This was an increase of $80m over the previous facilities provided separately by the banks.

Retail debentures continue to be an important part of the funding mix. The reinvestment rate by existing investors was 63% throughout the year, which was in line with historical patterns. The inflow of new monies slowed over the early part of the year and stabilised in the final quarter.

Standard & Poor's reaffirmed MARAC Finance Limited's investment grade credit rating of BBB- during the year.

At balance date, MARAC's liquidity – funds on deposit and undrawn committed bank facilities – totalled $164m.

After balance date MARAC Finance Limited successfully promoted a five-year secured bond offer raising $104.2m. This further diversified MARAC's funding sources and increased liquidity to more than $260m.

This is much higher than the company traditionally holds but in the current difficult funding environment is considered to be prudent.

Business Division

Commercial

For the first half of the year the division experienced trading conditions best described as "steady", with receivables growth of close to 10% recorded. Despite some sectors struggling, most of the core industries and geographic areas MARAC operates in presented good opportunities.

Conditions in the second half of the year deteriorated markedly with the combined effects of high oil prices, rising interest rates and a faltering property market with its flow-on effects to secondary industries all taking their toll. The combined effect was receivables growth of only 6% for the full year.

Despite this, other milestones included a number of process improvements which position the division well for future growth.

Property

Growth slowed over the 2008 year to 7% (previous year 20%) as a conservative approach to lending was adopted. We anticipated the market correction and the emphasis was on management of existing loans rather than new lending. Development receivables as a percentage of MARAC's total lending fell sharply to 17%, well below the internal maximum benchmark of 25%.

Invoice Financing

This fledgling business saw solid growth during the year, particularly in the second half following the addition of a dedicated marketing resource. Indications are that demand for this product will increase this year but we will be taking a cautious approach to growth in the current credit environment.

Consumer Division

Motor

MARAC provides finance for the purchase of new and used vehicles, either through dealer channels or direct to the customer, with motor vehicle lending currently representing 81% of the Consumer Division's lending.

Even though the number of vehicles sold by dealers decreased over the year, MARAC increased the number of vehicles financed. While some further consolidation in the motor vehicle sector is expected, the franchise and near-new dealers are likely to be benefactors of such moves and as such MARAC remains well placed.

Toward the end of the financial year there was a softening in demand for both luxury and larger vehicles, with increasing costs of credit and fuel being the principal reasons. In a slowing consumer market this created an oversupply of vehicles. While new vehicle prices held up well, secondhand vehicles saw approximately a 20% drop in value as dealers reverted to discounting in order to move stock. This resulted in MARAC experiencing a slight reduction in average loan size.

Vehicle Leasing

Vehicle leasing made up 11% of MARAC's total consumer finance receivables as at 30 June 2008. This sector of the market remains highly competitive, and MARAC maintains a niche presence focusing on existing and smaller commercial customers.

Marine and Leisure Lending

MARAC lends to customers for the purchase of assets such as yachts and motor homes, either through dealers or direct to the customer. While opportunity at the top end of the larger vessel market remains, albeit at somewhat subdued levels, the trailer boat market in particular is challenging with falling consumer confidence most obvious in this sector of the industry.

Insurance

This business continues to develop in line with our expectations. Retail premiums of $2.6m were written during the year, which represents growth of 75% compared to the previous year.

Credit

Instalment loan arrears to total receivables remained relatively constant at 0.5%. Collectively impaired assets, which are assets with an increased risk on collection, increased from 7.4% to 11.8% of total finance receivables. Individually impaired assets, being those which the company believes will not be collectable in full, amount to 1.4% of total finance receivables and are fully provided for.

Impaired asset expense was $5.7m in the current period compared to the historically low $1.1m in the corresponding period last year.

Outlook

World and local credit markets remain challenging and the economic outlook is not strong for the year ahead. This is not the environment to look to grow our business so our strategies for the 2009 year are conservative. We expect it to be a challenging year but anticipate a solid result.

Perpetual Trust

"Perpetual Trust achieved another record net profit of $3.7m and continued to grow its businesses."

LOUISE EDWARDS
Chief Executive

Perpetual Trust

HIGHLIGHTS

- Another record year for Perpetual Trust.
- Revenue growth of 10% achieved.
- Additional activity levels point to further business growth in coming years.

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. The company also acts as statutory supervisor for retirement villages and forestry partnerships.
- A Personal Client Services business. This division provides trust, estate planning, investment advice and asset management services to individuals and their families.
- A Funds Management business. This division provides a range of managed investment products for Perpetual Trust clients and to external investors.

Key financial results	This year	Last year
Net profit after tax	$3.7m	$3.3m
Revenue	$16.9m	$15.5m
PGC investment	$5.0m	$5.4m

Another year of record profit was achieved by Perpetual Trust.

Revenue grew by over 10% to $16.9m. In line with budget, operating expenses also increased by 9%, giving an overall net profit after tax of $3.7m, up 26% on last year.

Corporate Trust

The company's corporate trust division continued its strong performance with a 15% increase in revenue for the year.

While the issues facing the finance sector contributed to higher than normal revenue, there was also significant revenue growth in the managed funds sector.

Continued revenue growth was seen in the retirement village sector, especially from multi-village operators.

Investment Funds

Investments in Perpetual Trust investment funds declined in 2008, mainly due to redemptions from the Perpetual Trust Mortgage Fund but also falling equity markets. Total funds under management were $307m at year end.

The Mortgage Fund was affected by the high interest rates available from banks and some flow on from problems experienced by other mortgage funds. The Fund has been able to manage liquidity and overall the quality of the assets remain sound.

The Moorhouse Property Fund sold its main asset on Moorhouse Avenue in Christchurch in late 2007. The Fund has been renamed the Pegasus Property Income Fund and reconfigured as a diversified property fund.

The Pegasus Investment Fund (a superannuation fund) recorded strong growth, up by over $6m during the year, with strong interest in this flexible, tax-efficient retirement savings vehicle.

Personal Wealth Management and Advice

This division experienced record growth across all seven offices that provide a broad range of services principally in the provision of advice and management to individuals and their families on trusts, estate planning, financial planning and asset management. Total funds under advice through Perpetual Trust increased 11% in 2008 to $980m at year end.

All areas performed well with record numbers of wills written, a record number of new trusts being established and a record number of personal asset management appointments. The number of estates administered has remained constant.

The investment advisory division of the business has again seen dramatic growth in difficult market conditions with a net 23% growth in client numbers and overall portfolio performance positive against market benchmarks.

Strong growth continues in all areas of this business with an improving culture of service excellence focused on growing our client base through the provision of solid solution-based services. Coupled with the continued development of external distribution channels, we expect to see further improvements in the year ahead.

Outlook

It has been another year of strong growth across all business areas. Perpetual has recorded its fourth consecutive year of record performance.

The outlook for the next year, although challenging on a number of fronts, looks promising. The efforts made in previous years focusing on service excellence, diversifying revenue sources and building strong teams means the company is well placed to meet these challenges and continue its growth.

"PGG Wrightson achieved a significant uplift in performance and expanded its operations in Australia and South America."

TIM MILES
Managing Director

PGG Wrightson

HIGHLIGHTS

- PGG Wrightson contributed $15.8m to Pyne Gould Corporation.
- The company announced its intention to make an investment of $220m in Silver Fern Farms.
- New Managing Director appointed.

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	$73.2m	$40.6m
Net contribution – to PGC	$15.8m	$9.0m
PGC investment	$100.8m	$93.1m

Company Performance

PGG Wrightson (PGW) made a net profit after tax of $73.2m, compared to $40.6m in the same period last year. This resulted in a contribution to PGC of $15.8m, compared to $9.0m last year.

On a more comparative basis, excluding capital gains, other one-off items and the earnings from New Zealand Farming Systems Uruguay, net profit after tax was $39.2m, up 35% on last year. PGW's performance showed the benefit of the merger between Wrightson and Pyne Gould Guinness and reflected a difficult first eight months and a strong focus on cost control.

During the year Tim Miles succeeded Barry Brook as Managing Director. Barry remains with PGW as Group General Manager South America.

PGW continued to expand its operations in South America. New Zealand Farming Systems Uruguay acquired substantial land holdings and progressed their redevelopment into dairy farms.

PGW launched two major industry initiatives during the year to help drive industry consolidation and improve returns to farmers. These were the formation of a new company in conjunction with wool growers to improve wool marketing, which was completed just after the year end, and a proposal to acquire a 50% shareholding in Silver Fern Farms (formerly PPCS). The proposal is essentially a partnership between PGW's livestock procurement business and Silver Fern Farms' processing and marketing business, resulting in an integrated supply chain model that will be able to deliver enhanced returns to farmers. Pyne Gould Corporation supports the proposal and believes it will add value to our investment in PGW.

Outlook

The outlook for agriculture worldwide remains upbeat and PGW expects this to have a positive impact on earnings in the year ahead.

SUMMARY AND OUTLOOK

The merits of a focused business model, strong corporate governance and experienced management were aptly demonstrated during the year. Despite a difficult operating environment, PGC's businesses continued to thrive and delivered improved results for shareholders.

The support given to our businesses – from the retail investors in MARAC, our bankers, suppliers and service providers, and our shareholders is greatly appreciated.

The Company has weathered the storm that engulfed many during the year and came through relatively unscathed. We have a strong financial position and experienced management in place. We also have the building blocks to add value when market conditions improve.

We anticipate the difficult environment will continue in the short term with some effect on profitability in parts of the business. However overall, we remain confident we will deliver a result in the forthcoming year in line with the year under review.

S R MALING
Chairman

B J JOLLIFFE
Managing Director

26 August 2008

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.

Dividend

The Company's policy is to distribute between 45% to 55% of reported net profit after tax (before unusual and non-recurring items). This policy allows for the continued growth of one of the Company's subsidiaries, MARAC Finance Limited. Should other compelling opportunities to grow value present themselves, or the capital requirements of subsidiaries and the associate change, Directors may revisit the level of dividend payout.

Directors intend to attach full imputation credits to the extent they are available. It is anticipated that the company will be able to fully impute dividends for the foreseeable future. Dividends are paid twice yearly: an interim in April and a final dividend in October.

The Directors give no assurance that the current dividend policy and indicated level of imputation credits will be maintained. In addition, while the earnings track record of the Company's subsidiaries and associate indicate strong, profitable growth, shareholders should be aware that changes in the performance of subsidiaries and the associate could affect the level of dividend paid and, in extreme cases, the Company's ability to pay dividends.

The Company has a Dividend Reinvestment Plan. Under this Plan shareholders can choose to reinvest their dividend in shares in the Company.

Website

You can find more information on the Company's website www.pgc.co.nz.

Financial Calendar

Year-end	30 June 2008
Year-end results announcement	26 August 2008
Share register closes for final dividend	26 September 2008
Annual report mailed	30 September 2008
Final dividend payment	3 October 2008
Annual meeting	31 October 2008
Half-yearly results and interim dividend announcement for 2009	February 2009
Interim dividend payment	April 2009

BOARD OF DIRECTORS


SAM MALING


BRIAN JOLLIFFE


RICHARD ELWORTHY


BRUCE IRVINE


GEORGE KERR


BRYAN MOGRIDGE


STEPHEN MONTGOMERY


WARWICK STEEL

The wholly owned subsidiaries of Pyne Gould Corporation Limited, MARAC Finance and Perpetual Trust, operate as autonomous companies with their own Boards. The Boards of these companies comprise the same directors as Pyne Gould Corporation.

SAM MALING

Chairman (Independent)

LLB, AF Inst D

Sam Maling was first appointed to the Board in 1996 and is standing for re-election this year. 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 was appointed Managing Director and joined the Board of both MARAC and PGC in 2005. Previously he was Chief Executive of MARAC Finance, a position he held since 2000. Brian is also Chairman of Perpetual Trust and Nissan Finance, Chairman of the Credit Committee, and a director of PGG Wrightson. He is a non-independent director, and as the Managing Director is not subject to re-election.

Before joining PGC 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, F Inst D

Richard Elworthy has been on the Board since 1991 and is standing for re-election this year. He is a member of the Audit and Credit Committees.

Richard joined Pyne Gould Guinness in 1969 and in 1987 was appointed Group Financial Controller of PGC. He was appointed Managing Director in 1999 and retired from that position 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. Bruce is Chairman of the Audit Committee.

Bruce recently retired from being a partner in the Christchurch office of Deloitte and is a professional director.

GEORGE KERR

Non-Independent Director

George Kerr was appointed to the Board in August 2008. As his appointment was to fill a vacancy he is standing for election at the annual meeting.

His career has been in financial services and he was previously Chairman of Brook Asset Management and Executive Director at Sterling Grace Portfolio Management.

BRYAN MOGRIDGE

Independent Director

BSc

Bryan Mogridge became a director of MARAC in 1992 and was appointed to the PGC Board in 2003. Bryan is a member of the Credit Committee and the Remuneration and Appointments Committee.

He held chief executive and senior management positions for 20 years and has been a director of NZSX-listed companies since 1984.

STEPHEN MONTGOMERY

Independent Director

BA

Stephen Montgomery has been a director since 1998. 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. He is currently a director of Aspiring Asset Management.

WARWICK STEEL

Independent Director

BAgSc, MSc

Warwick Steel became a director of MARAC in 1992 and joined the PGC Board in 2003. 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.

CORPORATE GOVERNANCE

The Board of Directors and management of Pyne Gould Corporation Limited 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 NZX Listing Rules and which are consistent with the principles contained in the NZX Corporate Governance Best Practice Code.

The Board considers it has complied with that code for the year ended 30 June 2008.

Role of the Board

The Board of Directors is responsible for corporate governance and the Company's overall direction. The Board establishes objectives, strategies and an overall policy framework within which the business is conducted. Day-to-day management is delegated to the Managing Director of Pyne Gould Corporation Limited and MARAC Finance Limited, and the Chief Executive of Perpetual Trust Limited. The Board regularly monitors and reviews management's performance in carrying out their delegated duties.

The Board met 16 times during the year ended 30 June 2008.

Board Membership, Size and Composition

The Constitution provides that the number of directors must not be more than 10 nor fewer than 3, but subject to these limitations the size of the Board is determined from time to time by the Board.

The Board currently comprises eight directors, being a non-executive Chairman, the Managing Director and six non-executive directors.

A director is appointed by ordinary resolution of the shareholders, although the Board may fill a 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. The Managing Director, as an executive director, is not subject to retirement by rotation.

Sam Maling and Richard Elworthy are standing for re-election at this year's annual meeting. George Kerr, who was appointed during the year, is standing for election.

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 directors' decisions in relation to the Company.

The Board has determined that all current directors, other than the Managing Director Brian Jolliffe and George Kerr, are independent directors. George Kerr, as a substantial security holder in the Company, is a non-independent director.

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 interest of shareholders.

The last review was undertaken in August 2008.

Directors' Remuneration

Total remuneration available to non-executive directors is determined by shareholders. The current aggregate approved amount is $700,000.

Individual directors' fees paid for the year ended 30 June 2008 were $120,000 for the Chairman and $60,000 for each non-executive director. Additional fees are paid to directors who are members of Board committees. Members of the Audit and Credit Committees receive $15,000 and the Chairman $20,000. Members of the Remuneration and Appointments Committee receive $3,000 and the Chairman $4,000. The total paid was $540,000.

The total remuneration received by each director who held office in the Company during the year ended 30 June 2008 was as follows:

Director Remuneration

R F Elworthy	$90,000
B R Irvine	$80,000
B J Jolliffe	$852,326*
S R Maling	$139,000
B W Mogridge	$78,000
S C Montgomery	$67,000
W J Steel	$90,000

*B J Jolliffe as Managing Director does not receive director's fees. His remuneration includes non-cash benefits and the value of shares issued under the Managing Director's bonus scheme.

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 and there is no requirement for directors to hold shares in the Company although all directors do so.

The Company no longer pays retirement allowances to directors. Directors who held office prior to 1 July 2004 are entitled to a retirement allowance in respect of their service up to 30 June 2004. At the 2007 annual meeting shareholders approved the conversion of this retirement allowance into shares in the Company. These shares are 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 back to the Board. Each of these committees has terms of reference which set out the committee's objectives, membership, procedures and responsibilities. Details 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 Limited 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 Finance Limited'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 Limited 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 the Company 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 confirm that they are not an information insider in terms of the relevant legislation.

Share Dealings by Directors

S R Maling and S C Montgomery as trustees of staff share purchase schemes were issued 41,686 new shares and transferred 78,214 shares to beneficial owners during the year ended 30 June 2008.

B J Jolliffe was issued 27,589 shares under the terms of the Managing Director's Share Purchase Scheme. As a trustee of the Directors' Retirement Allowance Share Plan he was issued 85,696 shares.

The following directors and associated persons acquired shares during the year:

Director	Number	Consideration	Date
B R Irvine	25,000	$83,837	February 2008
S C Montgomery	49,800	$206,350	September 2007
S R Maling	10,000	$35,469	February 2008

Individual directors' beneficial entitlements to shares in the Directors' Retirement Allowance Share Plan are as follows:

B R Irvine	13,958
S R Maling	27,917
B W Mogridge	14,607
S C Montgomery	14,607
W J Steel	14,607

Shares held by Directors

The following table sets out the shares in which directors and associated persons held a relevant interest as at 30 June 2008:

		2008		2007	
		Director	Associated Persons	Director	Associated Persons
R F Elworthy	Beneficial	535,782	32,000	535,782	32,000
B R Irvine	Beneficial	28,958	25,000	15,000	-
B J Jolliffe	Beneficial	93,555	-	65,966	-
	Non-beneficial	85,696	-	-	-
G C D Kerr	Beneficial	-	9,800,136	-	-
S R Maling	Beneficial	134,251	7,480	96,334	7,480
	Non-beneficial	238,742	-	275,270	-
B W Mogridge	Beneficial	34,607	-	20,000	-
S C Montgomery	Beneficial	226,407	-	162,000	-
	Non-beneficial	238,742	-	275,270	-
W J Steel	Beneficial	14,607	25,000	-	25,000

FIVE-YEAR SUMMARY

	2008	2007	2006	2005	2004
Financial performance					
Operating revenue	239,136	194,315	291,973	460,543	418,803
Net profit before abnormal items	44,769	36,732	28,987	28,853	22,567
Net profit after taxation	44,769	36,732	66,316	30,171	25,963
Ordinary dividend	22,574	20,584	18,612	17,626	13,701
Financial position					
Shareholders' equity	260,972	239,041	220,169	174,258	160,517
Represented by:					
Total assets	1,572,138	1,450,280	1,286,569	1,420,646	1,243,425
Total liabilities	1,311,166	1,211,239	1,065,915	1,195,621	1,034,589
Minority interests	-	-	485	50,767	48,319
Net assets	260,972	239,041	220,169	174,258	160,517
Ratios					
Earnings per share before abnormal items	45.7c	37.5c	29.6c	29.5c	23.1c
Earnings per share	45.7c	37.5c	67.7c	30.8c	26.6c
Rate earned on average shareholders' funds before abnormal items	17.8%	16.0%	14.7%	17.2%	14.7%
Rate earned on average shareholders' funds	17.8%	16.0%	33.6%	18.0%	17.0%
Ordinary dividend	23.0c	21.0c	19.0c	18.0c	14.0c
Dividend per share (incl special dividend)	23.0c	21.0c	20.0c	19.0c	15.5c
Net tangible assets	236,175	214,113	198,818	142,393	123,834
Net tangible assets backing per share	$2.41	$2.18	$2.03	$1.45	$1.27

Results for 2008 and 2007 are in accordance with NZ IFRS.
Results for 2006, 2005 and 2004 are in accordance with NZ GAAP.

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 2008 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 the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Board of Directors of Pyne Gould Corporation Limited authorised the financial statements set out on pages 29 to 56 for issue on 26 August 2008.

For and on behalf of the Board

S R MALING
Chairman

B J JOLLIFFE
Managing Director

26 August 2008

INCOME STATEMENT

For the year ended 30 June 2008

		GROUP		HOLDING COMPANY	
	NOTE	2008 $000	2007 $000	2008 $000	2007 $000
Operating revenue					
Interest revenue	5	179,990	139,894	-	-
Operating lease revenue	6	21,319	23,160	-	-
Share of associate company's profit	8	15,798	9,007	-	-
Dividend revenue		-	-	18,118	21,744
Other inter-group revenue		-	-	1,923	1,492
Fee and other revenue		22,029	22,254	487	492
Total operating revenue		**239,136**	**194,315**	**20,528**	**23,728**
Direct expenses					
Interest and funding expense	5	116,950	87,395	2,011	1,455
Operating lease expense	6	15,594	18,287	-	-
Total direct expenses		**132,544**	**105,682**	**2,011**	**1,455**
Net operating income		**106,592**	**88,633**	**18,517**	**22,273**
Other costs and expenses					
Selling and administration expenses	10	41,910	37,251	4,315	3,545
Impaired asset expenses	30	5,717	1,113	-	-
Total expenses		**47,627**	**38,364**	**4,315**	**3,545**
Profit before tax		**58,965**	**50,269**	**14,202**	**18,728**
Income tax expense / (benefit)	11	14,196	13,537	(1,305)	(998)
Profit for the year		**44,769**	**36,732**	**15,507**	**19,726**
Company interests		44,769	36,702		
Minority interests		-	30		
Basic earnings per share		**46c**	**37c**		
Diluted earnings per share		**46c**	**37c**		

The notes on pages 32 to 56 are an integral part of these financial statements.

BALANCE SHEET
As at 30 June 2008

		GROUP		HOLDING COMPANY	
	NOTE	2008 $000	2007 $000	2008 $000	2007 $000
Assets					
Finance receivables	14	1,368,000	1,252,806	-	-
Operating lease vehicles	15	51,628	64,619	-	-
Advances to subsidiary companies		-	-	99,466	99,466
Investment in associate	16	100,820	93,140	86,632	86,632
Shares in subsidiaries		-	-	10,520	10,520
Other assets	20	51,690	39,715	3,716	4,010
Total assets		**1,572,138**	**1,450,280**	**200,334**	**200,628**
Liabilities					
Borrowings	22	1,276,188	1,178,901	23,000	17,500
Other liabilities	23	34,978	32,338	1,728	1,959
Total liabilities		**1,311,166**	**1,211,239**	**24,728**	**19,459**
Equity					
Share capital	25	85,885	85,373	85,885	85,373
Retained earnings and reserves	25	175,087	153,668	89,721	95,796
Total equity		**260,972**	**239,041**	**175,606**	**181,169**
Total equity and liabilities		**1,572,138**	**1,450,280**	**200,334**	**200,628**

STATEMENT OF RECOGNISED INCOME AND EXPENSE
For the year ended 30 June 2008

	GROUP		HOLDING COMPANY	
	2008 $000	2007 $000	2008 $000	2007 $000
Cash flow hedges:				
Transfer into the cashflow hedge reserve	1,891	-	-	-
Transfer out of the cashflow hedge reserve	(3,817)	-	-	-
Effective portion of change in fair value	**(1,926)**	-	-	-
Tax effect of change in cash flow hedges	(158)	-	-	-
Net income recognised directly in equity	**(1,768)**	-	-	-
Net income of associate recognised directly to equity	-	715	-	-
Profit for the year	44,769	36,732	15,507	19,726
Total recognised income and expense for the year	**43,001**	**37,447**	**15,507**	**19,726**
Attributable to:				
Equity holders	43,001	37,417	15,507	19,726
Minority interests	-	30	-	-
Total recognised income and expense for the year	**43,001**	**37,447**	**15,507**	**19,726**

STATEMENT OF CASH FLOWS

For the year ended 30 June 2008

	NOTE	GROUP 2008 $000	GROUP 2007 $000	HOLDING COMPANY 2008 $000	HOLDING COMPANY 2007 $000
Cash flows from operating activities					
Cash was provided from:					
Interest and dividends received		182,614	140,025	10,000	15,250
Dividends received from associate		8,118	6,244	8,118	6,244
Rental and fees received from subsidiaries		-	-	1,923	1,492
Operating lease revenue received		21,413	22,999	-	-
Taxation refund		-	-	1,482	787
Fees and other income received		21,561	22,254	487	417
Total cash provided from operating activities		**233,706**	**191,522**	**22,010**	**24,190**
Cash was applied to:					
Payments to suppliers and employees		45,846	38,061	4,508	3,101
Interest paid		114,386	85,903	2,011	1,593
Taxation transfers		282	-	-	-
Taxation paid		13,346	12,753	-	-
Total cash applied to operating activities		**173,860**	**136,717**	**6,519**	**4,694**
Net cash flows from operating activities	13	**59,846**	**54,805**	**15,491**	**19,496**
Cash flows from investing activities					
Cash was provided from:					
Proceeds from sale of operating lease vehicles		16,086	15,795	-	-
Effect of Mortgage Express Ltd deconsolidation		-	1,312	-	-
Receipts from employee share purchase scheme advances		117	-	117	-
Total cash provided from investing activities		**16,203**	**17,107**	**117**	-
Cash was applied to:					
Net increase in finance receivables		121,859	168,804	-	-
Net increase in investments		439	-	-	-
Advance to employee share purchase scheme		-	170	-	170
Purchase of property, plant, equipment and intangible assets		1,579	1,759	136	47
Purchase of operating lease vehicles		17,505	27,845	-	-
Total cash applied to investing activities		**141,382**	**198,578**	**136**	**217**
Net cash flows applied to investing activities		**(125,179)**	**(181,471)**	**(19)**	**(217)**
Cash flows from financing activities					
Cash was provided from:					
Net increase in borrowings		95,478	149,664	5,500	-
Increase in share capital		512	243	512	243
Total cash provided from financing activities		**95,990**	**149,907**	**6,012**	**243**
Cash was applied to:					
Dividends paid		21,582	19,609	21,582	19,609
Net decrease in borrowings		-	-	-	100
Total cash applied to financing activities		**21,582**	**19,609**	**21,582**	**19,709**
Net cash flows from / (applied to) financing activities		**74,408**	**130,298**	**(15,570)**	**(19,466)**
Net increase / (decrease) in cash held		**9,075**	**3,632**	**(98)**	**(187)**
Opening cash balance		(1,124)	(4,756)	(229)	(42)
Closing cash balance	20, 23	**7,951**	**(1,124)**	**(327)**	**(229)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

1 Reporting entity

The financial statements presented are the consolidated financial statements of the Group comprising Pyne Gould Corporation Limited (the Company) and its subsidiaries and associate. Reliance is placed on the Group continuing as a going concern.

The Group operates and is domiciled in New Zealand. The registered office address is 233 Cambridge Terrace, Christchurch 8013.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) for entities adopting the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and its interpretations as appropriate to profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS). These are the Group's first annual NZ IFRS financial statements and NZ IFRS 1 has been applied.

The Company is a profit-oriented entity. The Company is a reporting entity and an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Securities Regulations 1983.

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars, which is the Group's functional currency. Unless otherwise indicated, amounts are rounded to the nearest thousand.

(d) Estimates and judgements

The preparation of financial statements requires the use of management judgement, estimates and assumptions that affect the application of accounting policies and reported amounts. Actual results may differ from these judgements. For further information about significant areas of estimation, uncertainty and critical judgements that have the most significant effect on the financial statements refer to note 30 - Credit risk exposure.

3 Significant accounting policies

(a) Associate company

The associate company is accounted for at cost with dividends received recorded in the Income Statement. The associate company is equity accounted in the Group.

(b) Subsidiary companies' investments

Investments in subsidiary companies are recorded at cost. Subsidiaries are consolidated in the Group.

(c) Interest

Interest income and expense are recognised using the effective interest method in the Income Statement. The effective interest rate is established on initial recognition of the financial assets and liabilities and is not revised subsequently. The calculation of the effective interest rate includes all yield-related fees and commissions paid or received that are an integral part of the effective interest rate.

Interest on the effective portion of a derivative designated as a cash flow hedge is initially recognised in the hedging reserve. It is released to the Income Statement at the same time as the hedged item.

(d) Operating lease revenue and expense

Revenue from operating lease vehicles is apportioned over the term of the operating lease on a straight line basis.

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 lease vehicles vary up to five years. Vehicles held for sale are not depreciated but are tested for impairment.

(e) Fee and commission revenue

Fee revenue that is integral to the effective interest rate of a financial asset or liability is included in the measurement of the effective interest rate. Other fee revenue is recognised as the related services are rendered.

(f) 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

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and unrestricted balances held with banks. Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

(h) Management of capital

The Group manages its equity capital to ensure that it has an appropriate base capital to support the risk inherent in its lending assets.

3 Significant accounting policies (cont)

(i) Tax

Income tax expense for the year comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet method, providing for temporary differences between the financial reporting carrying amount of assets and liabilities and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(j) Derivative financial instruments

Derivative financial instruments are entered into to reduce the 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. Derivatives are initially valued at fair value and subsequently remeasured at fair value. Fair value movements of derivatives that are not designated in a qualifying hedge relationship, are recognised in the Income Statement.

Fair value movements of the effective portion of a qualifying hedge derivative are recognised directly in equity. The amount recognised in equity is transferred to the Income Statement in the same year as the hedged cash flow affects the Income Statement, disclosed in the same line as the hedged item. Any ineffective portion of changes in fair value of the derivative are recognised immediately in the Income Statement. Fair value movements of a derivative designated as a fair value hedge are recognised directly in the Income Statement together with the hedged item.

(k) Finance receivables

Finance receivables are initially recognised at fair value plus incremental direct transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

(l) Financial assets and liabilities

Recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through the Income Statement) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its Balance Sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Balance Sheet. Transfers of assets with the retention of all or substantially all risks and rewards include securitised assets and repurchase transactions.

Classification

Financial assets and liabilities are classified in the following accounting categories:

Financial Assets/Liabilities	Accounting Category
Finance receivables	Loans and receivables
Other financial assets	Loans and receivables
Borrowings	Other liabilities at amortised cost
Other financial liabilities	Other liabilities at amortised cost
Derivatives	Held for trading

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3 Significant accounting policies (cont)

(m) Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic value of that asset. Amortisation of software is on a straight line basis, at rates which will write off cost over their estimated economic lives of three to four years.

(n) 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 lease expense. Depreciation is on a straight line basis, at rates which will write off the cost over their economic lives of up to five years.

(o) Impaired assets and past due assets

Impaired assets are those loans for which the Group has evidence that it has incurred a loss, and will be unable to collect all principal and interest due according to the contractual terms of the loan. These loans are graded 4 to 7 in the Group's internal risk grading system.

The term collectively impaired asset refers to an asset where an event has occurred which history indicates that there is an increased possibility that the Group will not collect all its principal and interest as it falls due. No losses have yet been identified on individual loans within the Group, and history would indicate that only a small portion of these loans will eventually not be recovered. The Group provides fully for this amount.

Restructured assets are 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 but not impaired assets are any assets which have not been operated by the counterparty within its key terms but are not considered to be impaired by the Group.

A collective provision for bad and doubtful debts is maintained for all impaired assets graded 4 and above to cover losses incurred but not yet identified in the various portfolios of advances and other lending transactions. The level of collective provision is established having assessed the level of potential credit risk inherent in each loan portfolio based on arrears, historical losses, recovery costs and trends, and current economic conditions.

Individual provisions are made against impaired assets where full recovery of principal and interest is not considered probable. Individual provisions are identified by reviewing counterparty exposures and the associated risk of loss. These loans are relationship-based loans and are graded 7 in the Group's internal risk grading system.

Bad debts provided for are written off against individual or collective provisions. Amounts required to bring the provisions to their assessed levels are recognised in the Income Statement. Any future recoveries of amounts provided for are taken to the Income Statement.

(p) Employee benefits

Annual leave entitlements are accrued at amounts expected to be paid. Long service leave is accrued by calculating the probable future value of entitlements and discounting back to present value. Obligations to defined contribution superannuation schemes are recognised as an expense when the services are provided.

(q) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(r) Share schemes

The Company provides benefits to staff in the form of share-based payments, whereby staff provide services in exchange for shares. Currently the Company has the following schemes:

General staff share purchase scheme

Under this scheme the Company makes available an interest-free loan to all staff to enable them to purchase Company shares, with the loan repayable over three years. The shares are issued at a price agreed by the Directors and held in trust until the end of the loan term and the loan is repaid. As the fair value of the shares approximates the issue price no expense is recognised.

Senior staff share schemes

Under these schemes the Company undertakes to transfer a specific number of shares to various key staff at a specified future date on that staff member achieving certain criteria. The shares are issued at a price agreed by the Directors and held in trust until all the conditions are satisfied. The expected benefit is expensed over the year over which any conditions are required to be met.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

3 Significant accounting policies (cont)

(r) Share schemes (cont)

Directors' retirement share scheme

Under this scheme the Company undertakes to transfer a specific number of shares to each director upon retirement. The shares are issued at a price approved by the shareholders and held in trust until the conditions are satisfied. The expected benefit is expensed over the year over which any conditions are required to be met.

(s) Borrowings

Bank borrowings and debenture stock are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(t) Financial guarantees

Financial guarantees (underwrites) are accounted for as insurance contracts. The guarantee payment received is initially capitalised and is subsequently amortised on a straight line basis over the life of the guarantee. A liability is recognised when a payment under the guarantee becomes payable.

(u) GST

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.

(v) 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.

(w) New standards and interpretations not yet adopted

There are no new standards or interpretations that have been issued but are not yet effective and have not yet been adopted and which are expected to have a material impact on the reported performance or position of the Group.

(x) Early adoption of new standards

The Group has adopted NZ IFRS 8 *Operating Segments* early and has disclosed the new standard's impact in note 4 - Segmental analysis.

(y) Changes in accounting policies

There have been no changes in accounting policies in the current year. However, the Group has adopted NZ IFRS for the first time in the current year and, as a result, the comparative year has been restated. The impact of adopting NZ IFRS is set out separately in note 35.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

4 Segmental analysis

Segment information is presented in respect of the Group's business segments which are those used for the Group's management and internal reporting structure.

Business segments

The Group operates solely within New Zealand and comprises the following main business 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	Rural and horticultural supplies, wool marketing, livestock sales, irrigation and pumping, seeds and nutrition, real estate, funds management and rural finance.

	GROUP		HOLDING COMPANY	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Profit for the year				
Financial services	27,915	26,252		
Trustee services	3,667	2,900		
Rural services	15,798	9,007		
Unallocated	(2,611)	(1,427)		
Total Group profit for the year	**44,769**	**36,732**		
Operating revenue				
Financial services	205,993	169,331		
Trustee services	16,858	15,485		
Rural services	15,798	9,007		
Unallocated	487	492		
Total Group operating revenue	**239,136**	**194,315**		
Total assets				
Financial services	1,460,694	1,345,554		
Trustee services	7,558	7,806		
Rural services	100,820	93,140		
Unallocated	3,066	3,780		
Total Group assets	**1,572,138**	**1,450,280**		
5 Net interest income / (expense)				
Interest revenue				
Finance receivables	178,633	139,596	-	-
Derivatives held for risk management:				
Effective portion of qualifying hedges	908	-	-	-
Other derivatives held for risk management	449	298	-	-
Total interest revenue	**179,990**	**139,894**	-	-
Retail debenture stock	53,078	53,830	-	-
Bank borrowings	63,872	31,891	2,011	1,455
Derivatives held for risk management	-	1,674	-	-
Total interest and funding expense	**116,950**	**87,395**	**2,011**	**1,455**
Net interest income / (expense)	**63,040**	**52,499**	**(2,011)**	**(1,455)**

Included within interest on finance receivables is $767,000 (2007: $1,160,000) on individually impaired assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

6 Net operating lease income	GROUP 2008 $000	GROUP 2007 $000	HOLDING COMPANY 2008 $000	HOLDING COMPANY 2007 $000
Operating lease revenue				
Lease revenue	21,319	23,160		
Total operating lease revenue	**21,319**	**23,160**		
Operating lease expense				
Depreciation on lease vehicles	13,854	15,570		
Direct lease costs	1,431	1,446		
Loss on disposal of lease vehicles	309	1,271		
Total operating lease expenses	**15,594**	**18,287**		
Net operating lease income	**5,725**	**4,873**		

7 Associate company	2008 % held	2007 % held	2008 % held	2007 % held
PGG Wrightson Limited	21.6%	22.2%	21.6%	22.2%

8 Share of associate company's profit				
Share of associate's income before taxation	20,586	11,900		
Share of associate's taxation	(4,788)	(2,893)		
Total equity accounted earnings of associate company	**15,798**	**9,007**		

9 Subsidiary companies				
Nissan Finance New Zealand Limited	100%	100%		
- motor vehicle financing				
Perpetual Trust Limited	100%	100%		
- trustees and executors, corporate trustees and funds management				
MARAC Financial Services Limited	100%	100%		
- investment holding company				
Pegasus Fund Managers Limited - non-active company	100%	100%		
The Company has indirect investment in the following companies, which are wholly owned subsidiaries of MARAC Financial Services Limited:				
MARAC Finance Limited	100%	100%		
- motor vehicle and commercial financing				
MARAC Securities Limited	100%	100%		
- arranging structured finance				
MARAC Investments Limited	100%	100%		
- property and commercial financing				
MARAC Insurance Limited	100%	100%		
- insurance services				
Ascend Finance Limited - non-active company	100%	100%		
Webserve Limited - non-active company	100%	100%		
Financial Services Limited - non-active company	100%	100%		
Greenlight Finance Limited - non-active company	100%	100%		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

		GROUP		HOLDING COMPANY	
		2008	2007	2008	2007
10 Selling and administration expenses	NOTE	$000	$000	$000	$000
Personnel expenses		23,134	20,658	1,821	1,598
Superannuation		254	139	31	7
Directors' fees		540	556	540	556
Directors' expenses		71	26	71	26
Audit fees		264	173	30	24
Other fees paid to auditors - for IFRS services		49	151	-	42
Depreciation - property	17	224	335	224	335
Depreciation - plant and equipment	18	655	477	34	40
Amortisation - intangible assets	19	556	448	-	-
Rental costs		717	1,198	61	33
(Gain) / loss on disposal of assets		(1)	(13)	-	5
Operating lease expense as a lessee		964	741	-	-
Other operating expenses		14,483	12,362	1,503	879
Total selling and administration expenses		**41,910**	**37,251**	**4,315**	**3,545**
11 Tax					
Current tax expense / (benefit)					
Current year		13,604	12,972	(1,576)	(1,015)
Adjustments for prior year		(2)	(31)	-	-
Deferred tax expense					
Origination and reversal of temporary differences		594	596	271	17
Total income tax expense / (benefit) in Income Statement		**14,196**	**13,537**	**(1,305)**	**(998)**
Reconciliation of effective tax rate					
Profit before tax		58,965	50,269	14,202	18,728
Less equity accounted earnings of associate net of tax		15,798	9,007	-	-
Profit before tax and after equity accounted earnings of associate		**43,167**	**41,262**	**14,202**	**18,728**
Prima facie tax at 33%		14,245	13,616	4,687	6,180
Permanent differences		(47)	(79)	(13)	(11)
Prior year adjustments		(2)	-	-	8
Dividends from subsidiary companies		-	-	(5,979)	(7,175)
Total income tax expense / (benefit) in Income Statement		**14,196**	**13,537**	**(1,305)**	**(998)**
12 Imputation credit account					
Balance at beginning of year		30,392	24,563	15,582	15,705
Credits attached to dividends paid		(17,452)	(9,355)	(10,449)	(9,355)
Credits attached to dividends received		11,387	-	8,924	9,232
Tax paid net of refunds		13,874	15,184	-	-
Balance at end of year		**38,201**	**30,392**	**14,057**	**15,582**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

13 Reconciliation of profit after tax to net cash flows from operating activities	NOTE	GROUP 2008 $000	GROUP 2007 $000	HOLDING COMPANY 2008 $000	HOLDING COMPANY 2007 $000
Profit for the year		**44,769**	**36,732**	**15,507**	**19,726**
Add / (less) non-cash items:					
Depreciation		15,289	16,830	258	375
Impaired assets charge		5,734	1,113	-	-
Share of associate company's earnings		(7,680)	(2,763)	-	-
Deferred tax		594	565	271	17
Accruals and prepaid items		5,280	3,401	-	(354)
Total non-cash items		**19,217**	**19,146**	**529**	**38**
Add / (less) movements in working capital items:					
Other assets		(5,568)	(2,223)	(122)	103
Insurance policy liabilities		408	1,244	-	-
Current tax		128	472	(94)	(322)
Other liabilities		583	(1,638)	(329)	(54)
Total movements in working capital items		**(4,449)**	**(2,145)**	**(545)**	**(273)**
Add / (less) items classified as investing activities:					
Loss on sale of assets and investments		309	1,072	-	5
Total items classified as investing activities		**309**	**1,072**	**-**	**5**
Net cash flows from operating activities		**59,846**	**54,805**	**15,491**	**19,496**

14 Finance receivables	NOTE	GROUP 2008 $000	GROUP 2007 $000	HOLDING COMPANY 2008 $000	HOLDING COMPANY 2007 $000
Not impaired:					
Not past due	30	1,158,287	1,121,600		
Past due less than 30 days	30	11,812	20,262		
Other not impaired	30	18,080	10,024		
Total not impaired assets		**1,188,179**	**1,151,886**		
Restructured	30	1,815	1,771		
Collectively impaired	30	168,132	98,119		
Collective provision	30	(6,630)	(4,868)		
Individually impaired	30	20,407	8,511		
Individual provision	30	(3,903)	(2,613)		
Total finance receivables		**1,368,000**	**1,252,806**		
Non-securitised finance receivables	30	1,076,468	1,252,806		
Securitised finance receivables	30	291,532	-		
Total finance receivables		**1,368,000**	**1,252,806**		

No losses have been identified on individual loans within collectively impaired assets, and history would indicate that only a small portion of these loans will not be recovered in full.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

		GROUP		HOLDING COMPANY	
15 Operating lease vehicles	NOTE	**2008 $000**	2007 $000	**2008 $000**	2007 $000
Cost					
Opening balance		91,256	93,913		
Additions		17,789	28,318		
Disposals		(31,369)	(30,975)		
Closing balance		**77,676**	**91,256**		
Accumulated depreciation					
Opening balance		26,637	25,005		
Depreciation charge for the year		13,854	15,570		
Disposals		(14,443)	(13,938)		
Closing balance		**26,048**	**26,637**		
Opening net book value		64,619	68,908		
Closing net book value		**51,628**	**64,619**		
16 Investment in associate company					
Carrying amount at beginning of year		93,140	89,662	86,632	86,632
Equity accounted earnings of associate company		15,798	9,007	-	-
Net income of associate company recognised directly to equity		-	715	-	-
Dividends from associate company		(8,118)	(6,244)	-	-
Carrying amount at end of year		**100,820**	**93,140**	**86,632**	**86,632**
Goodwill included in carrying amount of associate company		49,977	49,977		
Total assets of associate company		1,471,485	1,177,203		
Total liabilities of associate company		990,984	751,000		
Total revenue of associate company		1,227,915	965,910		
Total net profit after tax of associate company		73,206	40,573		
17 Property					
Land at cost		**1,332**	**1,332**	**1,332**	**1,332**
Buildings at cost					
Opening balance		4,384	4,384	4,384	4,384
Additions		122	-	122	-
Buildings - closing balance		**4,506**	**4,384**	**4,506**	**4,384**
Buildings - accumulated depreciation					
Opening balance		3,032	2,697	3,032	2,697
Depreciation charge for the year		224	335	224	335
Buildings - closing balance		**3,256**	**3,032**	**3,256**	**3,032**
Buildings - opening net book value		1,352	1,687	1,352	1,687
Buildings - closing net book value		**1,250**	**1,352**	**1,250**	**1,352**
Total property		**2,582**	**2,684**	**2,582**	**2,684**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

		GROUP		HOLDING COMPANY	
		2008	2007	**2008**	2007
18 Plant and equipment	NOTE	$000	$000	$000	$000
Cost					
Opening balance		6,837	6,357	522	519
Additions		737	836	14	48
Disposals		-	(356)	-	(45)
Closing balance		**7,574**	**6,837**	**536**	**522**
Accumulated depreciation					
Opening balance		5,286	5,137	444	444
Depreciation charge for the year		655	477	34	40
Disposals		-	(328)	-	(40)
Closing balance		**5,941**	**5,286**	**478**	**444**
Opening net book value		1,551	1,220	78	75
Closing net book value		**1,633**	**1,551**	**58**	**78**
19 Intangible assets					
Computer software					
Cost					
Opening balance		3,334	2,411		
Additions		450	923		
Disposals		(54)	-		
Closing balance		**3,730**	**3,334**		
Accumulated amortisation					
Opening balance		2,454	2,006		
Amortisation charge for the year		556	448		
Disposals		(29)	-		
Closing balance		**2,981**	**2,454**		
Opening net book value		880	405		
Closing net book value		**749**	**880**		
Statutory right and brands at cost		12,901	12,901		
Goodwill		11,147	11,147		
Total intangible assets		**24,797**	**24,928**		
20 Other assets					
Current deposits with banks		7,951	-	-	-
Derivative financial assets	21	69	382	-	-
Employee share purchase scheme		358	475	358	475
Trade receivables		9,329	7,752	127	5
Intercompany receivables		-	-	1	1
Current tax		-	32	322	228
Prepayments		3,663	-	-	-
Investments in other companies		10	10	-	-
Property	17	2,582	2,684	2,582	2,684
Plant and equipment	18	1,633	1,551	58	78
Intangible assets	19	24,797	24,928	-	-
Investments in fixed term debt securities		1,043	1,053	-	-
Deferred tax	24	255	848	268	539
Total other assets		**51,690**	**39,715**	**3,716**	**4,010**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

21 Derivative financial instruments	NOTE	GROUP 2008 $000	GROUP 2007 $000	HOLDING COMPANY 2008 $000	HOLDING COMPANY 2007 $000
Assets					
Derivatives held for risk management		69	382		
Total derivative financial assets		**69**	**382**		
Liabilities					
Qualifying cashflow hedges		1,550	-		
Total derivative financial liabilities		**1,550**	-		

Derivatives consist of interest rate swaps and options held to manage the Group's exposure to interest rate repricing risk on its interest-bearing assets and liabilities. The Group uses interest rate swaps to hedge the interest rate risk arising from its floating rate bank debt and designates those swaps as qualifying cashflow hedges.

22 Borrowings					
Bank borrowings sourced from New Zealand		436,416	460,151	23,000	17,500
Debenture stock sourced from New Zealand		533,336	691,385	-	-
Debenture stock sourced from overseas		23,394	27,365	-	-
Securitised borrowings from New Zealand		283,042	-	-	-
Total borrowings		**1,276,188**	**1,178,901**	**23,000**	**17,500**

The Group has bank facilities totalling $1,128m (June 2007: $1,028m).

Bank borrowings and debenture stock borrowings of MARAC Finance Limited rank equally and are secured over the non-securitised 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 stockholders. Other bank borrowings are secured by a general security interest over the assets of the Holding Company and specific subsidiary companies.

Investors in MARAC ABCP Trust 1 rank equally with each other and are secured over the securitised assets of the Trust.

23 Other liabilities					
Bank overdraft		-	1,124	327	229
Derivative financial liabilities	21	1,550	-	-	-
Current tax		96	-	-	-
Trade payables		27,298	26,304	1,142	981
Insurance policy liabilities		2,155	1,593	-	-
Related party payables		-	-	20	20
Employee entitlements		3,796	2,711	156	123
Provision for retiring allowances		83	606	83	606
Total other liabilities		**34,978**	**32,338**	**1,728**	**1,959**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

24 Deferred tax	NOTE	GROUP 2008 $000	GROUP 2007 $000	HOLDING COMPANY 2008 $000	HOLDING COMPANY 2007 $000
Recognised deferred tax assets and liabilities					
Office fit-out and equipment		80	104	48	68
Effect of tax rate change		-	134	-	-
Employee entitlements		504	497	220	471
Finance receivables		3,039	4,925	-	-
Derivative assets held for risk management		319	-	-	-
Tax assets		**3,942**	**5,660**	**268**	**539**
Office fit-out and equipment		-	-	-	-
Intangible assets		62	17	-	-
Operating lease assets		3,263	4,083	-	-
Derivative liabilities held for risk management		22	322	-	-
Derivative liabilities - qualifying cashflow hedges		1	-	-	-
Unexpensed commissions		339	390	-	-
Tax liabilities		**3,687**	**4,812**	**-**	**-**
Net tax (liabilities) / assets		**255**	**848**	**268**	**539**

All deferred tax movements are included in the Income Statement except for those in respect of cashflow hedges, which are recognised directly in equity.

25 Capital, reserves and retained earnings	GROUP 2008 $000	GROUP 2007 $000	HOLDING COMPANY 2008 $000	HOLDING COMPANY 2007 $000
Reconciliation of movement in capital, reserves and retained earnings				
Share capital				
Opening balance	85,373	85,130	85,373	85,130
Director and staff share issues	512	243	512	243
Closing share capital balance	**85,885**	**85,373**	**85,885**	**85,373**
Cashflow hedging balance				
Opening balance	-	-	-	-
Effective portion of change in fair value	(1,926)	-	-	-
Tax effect of change in cashflow hedges	158	-	-	-
Closing cashflow hedging balance	**(1,768)**	**-**	**-**	**-**
Retained earnings				
Opening balance	153,668	135,860	95,796	95,679
Profit for the year	44,769	36,702	15,507	19,726
Net income of associate company recognised directly to equity	-	715	-	-
Dividends to shareholders	(21,582)	(19,609)	(21,582)	(19,609)
Closing retained earnings balance	**176,855**	**153,668**	**89,721**	**95,796**
Retained earnings and reserves	**175,087**	**153,668**	**89,721**	**95,796**
Total equity	**260,972**	**239,041**	**175,606**	**181,169**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

	GROUP		HOLDING COMPANY	
	2008	2007	**2008**	2007
25 Capital, reserves and retained earnings (cont)	$000	$000	Number of Shares	
Issued shares				
Opening balance			98,019	97,958
Shares issued during the year			128	61
Closing balance			**98,147**	**98,019**

The shares have equal voting rights and rights to dividends and distributions and do not have a par value.

Cashflow hedging balance
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of interest rate swaps related to hedged transactions which have not yet occurred.

Dividends per share
A final dividend of 13 cents per share has been declared by the directors after the balance sheet date.

26 Special purpose entities

MARAC Retirement Bonds Superannuation Fund
The Group controls the operations of MARAC Retirement Bonds Superannuation Fund, a superannuation scheme that invests in MARAC Finance Limited debenture stock. All investments in the superannuation scheme are represented by debenture stock as follows.

MARAC Retirement Bonds Superannuation Fund	21,584	23,117		

MARAC ABCP Trust 1 Securitisation
The Group has securitised a pool of receivables comprising commercial, motor vehicle and marine loans to MARAC ABCP Trust 1 (the Trust). The Group substantially retains the credit risks and rewards associated with the securitised assets, and continues to recognise these assets and associated borrowings on the Balance Sheet. Despite this presentation in the financial statements, the loans sold to the Trust are set aside for the benefit of investors in the Trust and no longer form part of the Group's assets.

Finance receivables - securitised	291,532	-		
Borrowings - securitised	(283,042)	-		

27 Related party transactions

(a) Transactions with related parties
The Company provides financial and administrative assistance and leased premises to MARAC Finance Limited and Perpetual Trust Limited. All transactions were conducted on normal commercial terms and conditions.

Material transactions during the year with related parties:				
Tax effect of tax losses sold to wholly owned subsidiary companies at tax value	-	-	921	888
Compensation of key management personnel of the entity or its parent	(3,529)	(3,327)	(2,094)	(1,999)
Net outflow	**(3,529)**	**(3,327)**	**(1,173)**	**(1,111)**
Material transactions outstanding at year end with related parties:				
Balances owing (from) / to:				
Advances to subsidiaries	-	-	99,466	99,466
Advances owing to related parties	-	-	(20)	(20)
Total	-	-	**99,446**	**99,446**

All transactions with related parties were at arm's length terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

27 Related party transactions (cont)

(b) Transactions with key management personnel

Key management personnel, being directors of the Group and those staff reporting directly to the Managing Director and their immediate relatives have transacted with the Group during the year as follows:

	GROUP		HOLDING COMPANY	
	2008 $000	2007 $000	**2008 $000**	2007 $000
Debenture investing				
Maximum balance	1,817	2,009	-	-
Closing balance	**1,596**	**1,728**	**-**	-
Key management personnel compensation:				
Short-term employee benefits	3,170	3,173	1,830	1,845
Share-based payments	359	154	264	154
Total	**3,529**	**3,327**	**2,094**	**1,999**

28 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 using a valuation technique which assumes current market interest rates for loans of a similar nature and term.

Other financial assets and liabilities

The fair value of all other financial assets and liabilities is considered equivalent to their carrying value due to their short-term nature.

Derivative 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.

	2008		2007	
Group	**Carrying value $000**	Fair value $000	**Carrying value $000**	Fair value $000
Financial assets				
Finance receivables	1,368,000	1,362,828	1,252,806	1,255,173
Derivative financial assets	69	69	8,609	8,609
Other financial assets	21,996	21,938	1,063	1,063
Total assets	**1,390,065**	**1,384,835**	**1,262,478**	**1,264,845**
Financial liabilities				
Borrowings	1,276,188	1,275,217	1,178,901	1,178,751
Derivative financial liabilities	1,550	1,550	1,124	1,124
Other financial liabilities	33,249	33,249	32,338	32,338
Total liabilities	**1,310,987**	**1,310,016**	**1,212,363**	**1,212,213**
Holding company				
Financial assets				
Advances to subsidiary companies	99,466	99,466	99,466	99,466
Other financial assets	127	127	5	5
Total assets	**99,593**	**99,593**	**99,471**	**99,471**
Financial liabilities				
Borrowings	23,000	23,000	17,500	17,500
Other financial liabilities	1,645	1,645	1,353	1,353
Total liabilities	**24,645**	**24,645**	**18,853**	**18,853**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

29 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. The Group has put in place management structures and information systems to manage individual financial risks, has separated monitoring tasks where feasible, and subjects all accounting systems to regular internal and external audit.

30 Credit risk exposure

Credit risk management framework
Credit risk is the risk of financial loss to the Group caused by the failure of a customer to meet their contractual obligations that arise from the Group's lending activities.

To manage this risk the Credit Committee, which is a committee of the subsidiaries' Board of Directors, has been delegated the task of overseeing a formal credit risk management strategy. The committee reviews the subsidiaries' credit risk exposures and has wide ranging credit policies to manage all aspects of credit risk.

Reviewing and assessing credit risk
The credit risk management strategies ensure that:
- sector and geographical risks are actively managed
- industry and product concentrations are actively monitored
- maximum total exposure to any one debtor is managed
- changes to credit risk are actively monitored with regular credit reviews.

Lending standards and processes
Credit policies are in place that govern lending standards and criteria for finance products within each business sector. These policies also address credit assessment and risk grading, documentation standards and legal procedures and compliance with regulatory and statutory requirements.

The Credit Committee has authority from the subsidiaries' Board for approval of all credit exposures. Lending authority has been specifically provided to General Manager Credit, for delegation through the business units under a detailed delegated discretionary lending authority framework. This includes lending guidelines for each business operation together with a review and hindsight structure. Lending discretions are provided to individual officers with due cognisance of their experience and ability. Larger exposures require approval of senior management, ultimately through to General Manager Credit or the Credit Committee of the Board.

Collateral requirements
Although the Group relies primarily on the integrity of borrowers and their ability to make contracted repayments, the Group also requires appropriate collateral for loans. This collateral is usually by way of first charge over the asset financed and generally includes personal guarantees from borrowers and business owners.

Because of the wide nature of the collateral held against loans it is impracticable to provide an accurate estimate of their fair value.

(a) Credit impairment provisioning
Credit impairment provisions are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables. These provisions are made in some cases against an individual loan and in other cases on a collective basis.

All receivables are monitored and have their risk profile assessed based on observed behaviour of the loan and other factors. This risk profiling is regularly refreshed based on current information.

Individual provisioning
For individually significant loans for which the assessed risk grade is considered a "potential loss", an individual assessment is made of an appropriate provision for credit impairment.

Collective provisioning
For the remainder of the portfolio where no individual provision has been made, collective provisions are assessed with reference to risk profile groupings determined across the various portfolios. These collective provisions are determined with reference to historical data on loss. Other judgemental factors including economic and credit cycle considerations are also taken into account in determining appropriate loss propensities to be applied.

In accordance with international accounting standards, no provision is applied to loans that are newly written and loans that remain within their contractual terms, except where the Group becomes aware of an individual event that might alter its view of the risk of a particular deal or group of deals.

30 Credit risk exposure (cont)
(a) Credit impairment provisioning (cont)

Bad Debts

Bad debts provided for are written off against individual or collective provisions. Amounts required to bring the provisions to their assessed levels are recognised in the Income Statement. Any future recoveries of amounts provided for are taken to the Income Statement.

Verification

In addition to regular internal audit activity in regards to credit standards, the Group employs a comprehensive process of hind sighting loans to ensure that credit policies and the quality of credit processes are maintained.

	GROUP		HOLDING COMPANY	
Exposure to credit risk on loans and advances to customers	**2008 $000**	2007 $000	**2008 $000**	2007 $000
(i) Individually impaired assets				
Opening	8,511	16,828		
Additions	12,994	413		
Deletions	(1,098)	(8,532)		
Write offs	-	(198)		
Closing gross individually impaired assets	**20,407**	**8,511**		
Less provision for individually impaired assets				
Opening individual allowances for impairment	2,613	3,400		
Impairment loss for the year:				
Charge for the year	2,057	997		
Recoveries	-	272		
Write offs	-	(896)		
Effect of discounting	(767)	(1,160)		
Closing individual allowances for impairment	**3,903**	**2,613**		
Net individually impaired assets	**16,504**	**5,898**		
(ii) Restructured assets	**1,815**	**1,771**		
(iii) Collectively impaired assets	**168,132**	**98,119**		
Less provision for collectively impaired assets				
Opening collective allowances for impairment	4,868	6,570		
Impairment loss for the year:				
Charge for the year	3,660	116		
Recoveries	797	585		
Write offs	(2,695)	(2,403)		
Closing collective allowances for impairment	**6,630**	**4,868**		
Net collectively impaired assets	**161,502**	**93,251**		
(iv) Past due but not impaired				
Less than 30 days old	11,812	20,262		
31 and less than 60 days old	4,237	7,037		
61 but less than 90 days old	7,181	1,669		
More than 90 days old	6,662	1,318		
Total past due but not impaired	**29,892**	**30,286**		
(v) Assets neither past due nor impaired	**1,158,287**	**1,121,600**		
Total receivables net of provisions	**1,368,000**	**1,252,806**		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

30 Credit risk exposure (cont)	GROUP		HOLDING COMPANY	
	2008	2007	**2008**	2007
(b) Concentrations of credit risk	Number of counterparties		Number of counterparties	
By individual counterparties				
Individual credit exposures (as a % of equity)				
10% and over	-	-	-	-
	2008	2007	**2008**	2007
	%	%	%	%
By customer groups				
Amount owing by the six largest borrowers				
as a % of gross finance receivables	8.40%	7.40%	0.00%	0.00%

	GROUP		HOLDING COMPANY	
	2008	2007	**2008**	2007
	$000	$000	$000	$000
By industry				
Agricultural, forestry and fishing	86,221	70,404		
Government and public authorities	26,004	25,819		
Financial, investments and insurance	32,611	24,782		
Construction	101,281	85,221		
Transport and storage	103,635	95,476		
Wholesale and retail trade	235,590	213,002		
Manufacturing and printing	50,895	47,719		
Property	374,127	341,918		
Consumer and personal	357,636	348,465		
Total finance receivables	**1,368,000**	**1,252,806**		
By geographic region				
Auckland	593,199	555,580		
Wellington	143,640	120,596		
Rest of North Island	350,324	314,557		
Canterbury	120,915	145,631		
Rest of South Island	159,922	116,442		
Total finance receivables	**1,368,000**	**1,252,806**		
(c) Exposure to credit risk by internal risk grading				
Grade 1	615	-		
Grade 2	176,039	207,333		
Grade 3	981,429	934,134		
Grade 4	120,847	49,772		
Grade 5	49,557	40,650		
Grade 6	10,534	7,153		
Grade 7	28,979	13,764		
Total exposure to credit risk	**1,368,000**	**1,252,806**		

Exposures to credit risk are graded by an internal risk grade mechanism. Grade 1 is the strongest risk grade for undoubted or sovereign risk. Grade 7 represents the highest risk grade where a loss is possible. Grades 2 to 6 represent ascending steps in management's assessment of exposures at risk. MARAC typically finances new loans in the risk grades 2 and 3. Relationship loans in grades 4 to 6 and transactional loans in grades 4 to 7 attract a collective provision. Relationship loans in grade 7 are individually assessed for impairment.

(d) Commitments to extend credit				
Undrawn facilities available to customers	53,364	71,350	-	-
Conditional commitments to fund at future dates	32,997	97,488	-	-

31 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 monetary assets and liabilities. The Group manages this risk by forecasting future cash requirements, seeking a diverse and stable funding base and by maintaining credit facilities committed to the Group by financial institutions. Expected maturities are significantly more favourable than contractual maturities given the high level of borrowings which are re-invested back with the Group upon contractual maturity.

Contractual liquidity profile of monetary assets and liabilities

2008 Group	On demand $000	1 - 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	5+ years $000	Gross carrying amount
Financial assets							
Finance receivables	-	485,620	294,722	297,682	289,976	-	1,368,000
Derivative financial assets	69	-	-	-	-	-	69
Other financial assets	7,951	14,045	-	-	-	-	21,996
Total financial assets	**8,020**	**499,665**	**294,722**	**297,682**	**289,976**	**-**	**1,390,065**
Financial liabilities							
Borrowings	-	334,642	498,951	282,839	159,756	-	1,276,188
Derivative financial liabilities	1,550	-	-	-	-	-	1,550
Other financial liabilities	-	33,249	-	-	-	-	33,249
Total financial liabilities	**1,550**	**367,891**	**498,951**	**282,839**	**159,756**	**-**	**1,310,987**
Unrecognised loan commitments	**53,364**	-	-	-	-	-	-
Undrawn committed bank facilities	**135,639**	-	-	-	-	-	-

Subsequent to balance date, MARAC Finance Limited raised $104m from its offer of first ranking secured bonds which closed on 23 July 2008. Proceeds from the offer further increase MARAC Finance Limited's long-term liquidity. The secured bonds are for a five-year term and are repayable on 15 July 2013.

2007 Group	On demand $000	1 - 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	5+ years $000	Gross carrying amount
Financial assets							
Finance receivables	-	447,846	275,787	295,960	233,213	-	1,252,806
Investment in associate	-	-	-	-	-	93,140	93,140
Other financial assets	-	-	-	-	1,053	10	1,063
Total financial assets	**-**	**447,846**	**275,787**	**295,960**	**234,266**	**93,150**	**1,347,009**
Financial liabilities							
Borrowings	-	552,759	231,281	345,506	49,355	-	1,178,901
Other financial liabilities	-	32,338	-	-	-	-	32,338
Total financial liabilities	**-**	**585,097**	**231,281**	**345,506**	**49,355**	**-**	**1,211,239**
Undrawn committed bank facilities	**71,350**	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

31 Liquidity risk (cont)

2008 Holding company	On demand $000	1 - 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	5+ years $000	Gross carrying amount
Financial assets							
Advances to subsidiary companies	-	-	-	-	-	99,466	99,466
Other financial assets	-	127	-	-	-	-	127
Total financial assets	-	**127**	-	-	-	**99,466**	**99,593**
Financial liabilities							
Borrowings	-	23,000	-	-	-	-	23,000
Other financial liabilities	327	1,318	-	-	-	-	1,645
Total financial liabilities	**327**	**24,318**	-	-	-	-	**24,645**
Undrawn committed bank facilities	-	**2,000**	-	-	-	-	-
2007 **Holding company**							
Financial assets							
Advances to subsidiary companies	-	-	-	-	-	99,466	99,466
Other financial assets	-	5	-	-	-	-	5
Total financial assets	-	**5**	-	-	-	**99,466**	**99,471**
Financial liabilities							
Borrowings	-	17,500	-	-	-	-	17,500
Other financial liabilities	229	1,124	-	-	-	-	1,353
Total financial liabilities	**229**	**18,624**	-	-	-	-	**18,853**
Undrawn committed bank facilities	-	**7,500**	-	-	-	-	-

The tables above show the cash flows on the Group’s and holding company’s financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity.

32 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 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 mitigated by management’s constant monitoring of the interest rate maturity profiles of finance borrowings and finance receivables.

Contractual 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 earlier.

32 Interest rate risk (cont)

2008 Group	Effective interest rate %	1 - 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	Total $000
Financial assets						
Finance receivables	12.40%	552,367	343,200	259,489	212,944	1,368,000
Cash and cash equivalents	8.40%	7,951	-	-	-	7,951
Other financial assets	-	14,114	-	-	-	14,114
Total financial assets	-	**574,432**	**343,200**	**259,489**	**212,944**	**1,390,065**
Financial liabilities						
Borrowings	9.10%	989,647	146,951	124,834	14,756	1,276,188
Other financial liabilities	-	34,799	-	-	-	34,799
Total financial liabilities		**1,024,446**	**146,951**	**124,834**	**14,756**	**1,310,987**
Effect of derivatives held for risk management		392,820	(135,200)	(190,840)	(66,780)	-
Net financial assets		**(57,194)**	**61,049**	**(56,185)**	**131,408**	**79,078**

2007 Group	Effective interest rate %	1 - 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	Total $000
Financial assets						
Finance receivables	11.30%	507,310	277,560	261,128	206,808	1,252,806
Investment in associate	-	-	-	-	93,140	93,140
Other financial assets	-	-	-	-	1,063	1,063
Total financial assets		**507,310**	**277,560**	**261,128**	**301,011**	**1,347,009**
Financial liabilities						
Borrowings	8.10%	836,259	231,281	93,006	18,355	1,178,901
Bank overdraft	12.10%	1,124	-	-	-	1,124
Other financial liabilities	-	31,214	-	-	-	31,214
Total financial liabilities		**868,597**	**231,281**	**93,006**	**18,355**	**1,211,239**
Net financial assets		**(361,287)**	**46,279**	**168,122**	**282,656**	**135,770**

2008 Holding company	Effective interest rate %	1 - 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	Total $000
Financial assets						
Finance receivables	-	-	-	-	99,466	99,466
Other financial assets	-	127	-	-	-	127
Total financial assets		**127**	**-**	**-**	**99,466**	**99,593**
Financial liabilities						
Borrowings	8.88%	23,000	-	-	-	23,000
Other financial liabilities	-	1,645	-	-	-	1,645
Total financial liabilities		**24,645**	**-**	**-**	**-**	**24,645**
Net financial assets		**(24,518)**	**-**	**-**	**99,466**	**74,948**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

32 Interest rate risk (cont)

2007 Holding company	Effective interest rate %	1 - 6 months $000	6 - 12 months $000	1 - 2 years $000	2 - 5 years $000	Total $000
Financial assets						
Finance receivables	-	-	-	-	99,466	99,466
Other financial assets	-	5	-	-	-	5
Total financial assets		**5**	-	-	**99,466**	**99,471**
Financial liabilities						
Borrowings	8.40%	17,500	-	-	-	17,500
Other financial liabilities	-	1,353	-	-	-	1,353
Total financial liabilities		**18,853**	-	-	-	**18,853**
Net financial assets		**(18,848)**	-	-	**99,466**	**80,618**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios which are considered on a monthly basis include a 100 basis point parallel fall or rise in the yield curve.

There is no material impact on the Income Statement or Equity in terms of fair value change from an increase or decrease in market interest rates. Further, there is no material cashflow impact on the Income Statement from a 100 basis point change in interest rates.

33 Contingent liabilities and commitments

	GROUP		HOLDING COMPANY	
	2008 $000	2007 $000	**2008** $000	2007 $000
Letters of credit, guarantees and performance bonds	6,012	6,451	-	-
Guarantee of Perpetual Trust Limited's liability	-	-	3,000	4,000
Total contingent liabilities	**6,012**	**6,451**	**3,000**	**4,000**

34 Staff share ownership arrangements

General staff share purchase scheme

At 30 June 2008 the Trustees held 24,400 fully paid-up shares (2007: 61,000 fully paid-up shares), with 3,600 (2007: 50,600) allocated to staff. The fair value of the shares at year end is $88,894 (2007: $224,314). The price of the shares is set by the Directors after considering the current market price.

Senior staff share schemes

During the year 41,686 additional shares were issued to the Trustees at a price of $3.86 per share and 41,614 shares were transferred to staff on the achievement of the required criteria. At 30 June 2008 the Trustees held 214,342 shares on behalf of staff.

Directors' retirement share scheme

Following approval by shareholders at the 2007 annual meeting, 85,696 shares were issued to the Trustees at a price of $4.09 per share. The shares were issued at market value.

35 Explanation of transition to NZ IFRS

These annual financial statements are the first to be prepared using NZ IFRS. To allow for meaningful comparatives, amounts previously reported in financial statements prepared in accordance with NZ GAAP have been restated in accordance with NZ IFRS.

An explanation of how the transition from NZ GAAP to NZ IFRS has affected the entity's Income Statement and Balance Sheet is set out in the remainder of this note.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2008

35 Explanation of transition to NZ IFRS (cont)

Reconciliation of profit for the Group for 2007	NOTE	NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Operating revenue				
Interest revenue	a	126,253	13,641	139,894
Operating lease revenue		23,160	-	23,160
Other revenue	b	35,899	(13,645)	22,254
Equity accounted earnings of associate	c	5,813	3,194	9,007
Total operating revenue		**191,125**	**3,190**	**194,315**
Direct expenses				
Interest and funding expense	d, e	88,083	(688)	87,395
Operating lease expense	f	18,336	(49)	18,287
Total direct expenses		**106,419**	**(737)**	**105,682**
Net operating revenue		**84,706**	**3,927**	**88,633**
Other costs and expenses				
Selling and administration expenses	g	35,397	594	35,991
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
Depreciation - intangible assets	j	-	448	448
Total other costs and expenses		**40,364**	**(2,000)**	**38,364**
Profit before taxation		**44,342**	**5,927**	**50,269**
Income tax expense	k	13,676	(139)	13,537
Profit for the year		**30,666**	**6,066**	**36,732**
Reconciliation of equity for the Group				
Transition balance sheet for the Group - 30 June 2007				
Assets				
Current assets	d, g, k	7,842	2,203	10,045
Finance receivables	a, b	1,259,513	(6,707)	1,252,806
Operating lease vehicles	f	64,307	312	64,619
Non-current assets		507	-	507
Investment in associate	c	89,231	3,909	93,140
Intangible assets	i, j	16,713	8,215	24,928
Property, plant and equipment	j	5,115	(880)	4,235
Total assets		**1,443,228**	**7,052**	**1,450,280**
Liabilities				
Other liabilities	h	32,138	200	32,338
Borrowings	e	1,179,651	(750)	1,178,901
Total liabilities		**1,211,789**	**(550)**	**1,211,239**
Equity				
Share capital		85,373	-	85,373
Retained earnings and reserves		146,066	7,602	153,668
Shareholders' equity		**231,439**	**7,602**	**239,041**
Total equity and liabilities		**1,443,228**	**7,052**	**1,450,280**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

35 Explanation of transition to NZ IFRS (cont)

Transition balance sheet for the Group - 1 July 2006	NOTE	NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Assets				
Current assets	d, g, k	7,913	1,636	9,549
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
Investment in associate	c	89,662	-	89,662
Intangible assets	i, j	21,351	4,587	25,938
Property, plant and equipment	j	4,644	(405)	4,239
Total assets		**1,286,525**	**(46)**	**1,286,479**
Liabilities				
Current liabilities	h	36,518	200	36,718
Borrowings	e	1,029,353	(1,067)	1,028,286
Total liabilities		**1,065,871**	**(867)**	**1,065,004**
Equity				
Share capital		85,130	-	85,130
Retained earnings and reserves		135,039	821	135,860
Shareholders' equity		**220,169**	**821**	**220,990**
Minority interests		485	-	485
Total equity and liabilities		**1,286,525**	**(46)**	**1,286,479**
Reconciliation of profit for the holding company for 2007				
Operating revenue				
Dividend revenue	c	15,500	6,244	21,744
Share of associate company's profit	c	9,007	(9,007)	-
Other inter-group revenue		1,492	-	1,492
Fee and other revenue		492	-	492
Total operating revenue		**26,491**	**(2,763)**	**23,728**
Direct expenses				
Interest and funding expense		1,455	-	1,455
Total direct expenses		**1,455**	**-**	**1,455**
Net operating income		**25,036**	**(2,763)**	**22,273**
Other costs and expenses				
Selling and administration expenses		3,545	-	3,545
Total other costs and expenses		**3,545**	**-**	**3,545**
Profit before tax		**21,491**	**(2,763)**	**18,728**
Income tax expense		(998)	-	(998)
Profit for the year		**22,489**	**(2,763)**	**19,726**

35 Explanation of transition to NZ IFRS (cont)

Reconciliation of equity for the holding company Transition balance sheet for the holding company - 1 July 2006	NOTE	NZ GAAP $000	Effect of transition to NZ IFRS $000	NZ IFRS $000
Assets				
Advances to subsidiary companies		99,466	-	99,466
Investment in associate	I	89,662	(3,030)	86,632
Shares in subsidiaries		11,007	-	11,007
Other assets		3,326	-	3,326
Total assets		**203,461**	**(3,030)**	**200,431**
Liabilities				
Borrowings		17,600	-	17,600
Other liabilities		2,022	-	2,022
Total liabilities		**19,622**	**-**	**19,622**
Equity				
Share capital		85,130	-	85,130
Retained earnings and reserves	I	98,709	(3,030)	95,679
Shareholders' equity		**183,839**	**(3,030)**	**180,809**
Total equity and liabilities		**203,461**	**(3,030)**	**200,431**
Transition balance sheet for the holding company - 2007				
Assets				
Advances to subsidiary companies		99,466	-	99,466
Investment in associate	I	92,425	(5,793)	86,632
Shares in subsidiaries		10,520	-	10,520
Other assets		4,010	-	4,010
Total assets		**206,421**	**(5,793)**	**200,628**
Liabilities				
Borrowings		17,500	-	17,500
Other liabilities		1,959	-	1,959
Total liabilities		**19,459**	**-**	**19,459**
Equity				
Share capital		85,373	-	85,373
Retained earnings and reserves	I	101,589	(5,793)	95,796
Shareholders' equity		**186,962**	**(5,793)**	**181,169**
Total equity and liabilities		**206,421**	**(5,793)**	**200,628**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

35 Explanation of transition to NZ IFRS (cont)

Notes to the reconciliation of NZ GAAP

(a) Impaired asset expense (NZ IAS 39)

Estimated losses on individually impaired exposures are discounted to their present value. As the discount unwinds over time this value is recognised as interest income in the Income Statement. Under NZ GAAP 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 NZ GAAP these items were recognised up front.

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

Under NZ GAAP the investment in associate was valued using the equity accounted earnings method in both the holding company and at a consolidated group level. NZ IFRS 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 in the Group.

(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 NZ GAAP 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 NZ IFRS.

(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 the loan. Under NZ GAAP these items were expensed up front.

(f) Lease commission (NZ IAS 17)

Commission costs that are incurred in negotiating and arranging an operating lease must be capitalised and recognised over the term of the lease agreement. Under NZ GAAP these items were expensed up front.

(g) Capitalised costs (NZ IAS 39)

Costs associated with the establishment of the MARAC securitisation funding program were capitalised under NZ GAAP. Under NZ IFRS 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 an obligation 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 NZ IFRS transition date (1 July 2006) for goodwill.

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

Computer software must be reported as an intangible asset under NZ IFRS.

(k) Taxation (NZ IAS 12)

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

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

Under NZ GAAP the investment in associate was valued using the equity accounted earnings method in both the holding company and at a consolidated group level. NZ IFRS 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.

KPMG

To the shareholders of Pyne Gould Corporation Limited

We have audited the financial statements on pages 29 to 56. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 32 to 35.

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 2008 and the results of their operations and cash flows for the year ended on that date.

Auditor's 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 judgements 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 misstatements, 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 auditor 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 56:
  - 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 2008 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 26 August 2008 and our unqualified opinion is expressed as at that date.

KPMG

Auckland

DISCLOSURES

The following are the disclosures of interest given by the directors.

R F ELWORTHY

Shareholder	PGG Wrightson Ltd

B R IRVINE

Director	Market Gardeners Ltd Christchurch City Holdings Ltd Godfrey Hirst (NZ) Ltd House of Travel Holdings Ltd Rakon Ltd Skope Ltd Ravensdown Fertiliser Co-operative Ltd
Trustee	Christchurch Art Gallery Trust Christchurch Symphony Trust

B J JOLLIFFE

Director and shareholder	PGG Wrightson Ltd

G C D KERR

Director	Equity Partners Asset Management Artefact Partners 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
Director and shareholder	Mainfreight Ltd Rakon Ltd Trio Group Ltd Momentum Energy Ltd Paragon 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.

S R Maling leases office accommodation from the Company at a market rent.

Secured Bonds issued by MARAC Finance Limited on 23 July 2008, held by directors and associated persons are as follows:

	Director	Associated Persons
S R Maling	-	15,000
B W Mogridge	-	150,000
S C Montgomery	-	250,000
B J Jolliffe	-	50,000
R F Elworthy	100,000	-

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 $19,836.

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	3
$120,000 to $130,000	8
$130,000 to $140,000	5
$140,000 to $150,000	4
$150,000 to $160,000	4
$160,000 to $170,000	3
$170,000 to $180,000	1
$180,000 to $190,000	4
$190,000 to $200,000	5
$200,000 to $210,000	2
$210,000 to $220,000	2
$220,000 to $230,000	3
$270,000 to $280,000	2
$280,000 to $290,000	2
$330,000 to $340,000	1
$340,000 to $350,000	1
$380,000 to $390,000	1

Donations

In past years the Company settled a Charitable Trust from which donations are made to various organisations. During the year donations of $5,000 were made to the New Zealand Kidney Foundation and the Leukaemia and Blood Foundation of New Zealand.

SHAREHOLDER INFORMATION

As at 26 August 2008

Size of shareholding	Number of holders	% of issued capital
1 – 1,000	331	0.21%
1,001 – 5,000	864	2.50%
5,001 – 10,000	401	3.10%
10,001 – 50,000	557	12.86%
50,001 – 100,000	81	5.95%
100,001 and over	129	75.38%
	2,363	100.00%
Domicile		
New Zealand	2,313	98.39%
Overseas	50	1.61%
	2,363	100.00%

Twenty largest shareholders	Number of shares	% of issued capital
Mokpeka Holdings Ltd	9,775,778	9.96%
South Canterbury Finance Ltd	4,220,552	4.30%
Accident Compensation Corporation	3,809,383	3.88%
Perpetual Trust Ltd & G A & J B L Savill	3,431,618	3.50%
Perpetual Trust Ltd & J C Brown	2,699,284	2.75%
Perpetual Trust Ltd & P M Chapman	1,920,000	1.96%
S D Martin & Perpetual Trust Ltd	1,844,592	1.88%
Y A Blackburne & J A Denton	1,800,000	1.83%
Forsyth Barr Custodians Ltd	1,710,886	1.74%
Perpetual Trust Ltd & B M Gould	1,284,453	1.31%
J W Gould & E J Taylor	1,284,453	1.31%
Investment Custodial Services Ltd	1,102,935	1.12%
G A C Gould & B W M Tothill	1,052,000	1.07%
Perpetual Trust Ltd & D F Wallace	980,188	1.00%
Vero Insurance New Zealand Ltd	942,480	0.96%
Perpetual Trust Ltd & J W Gould	920,000	0.94%
Portfolio Custodians Ltd	888,560	0.91%
Perpetual Trust Ltd & R H D Chapman	837,298	0.85%
J F Coutts	824,000	0.84%
Perpetual Trust Ltd & M R Tothill	792,000	0.81%
	42,120,460	**42.92%**

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

G C D Kerr

B W Mogridge

S C Montgomery

W J Steel

Pyne Gould Corporation Ltd

Brian Jolliffe, Managing Director

Alan Williams, Chief Financial Officer

Colin Hair, Company Secretary

Pyne Gould Corporation House,
233 Cambridge Terrace,
Christchurch 8013

PO Box 167, Christchurch Mail Centre,
Christchurch 8140

T 03 365 0000

F 03 379 8616

E info@pgc.co.nz

W www.pgc.co.nz

MARAC Finance Ltd
MARAC Securities Ltd
MARAC Investments Ltd
MARAC Insurance Ltd
Nissan Finance New Zealand Ltd

Brian Jolliffe, Managing Director

David Battersby, Chief Operating Officer

Alan Williams, Chief Financial Officer

MARAC House
35 Teed Street, Newmarket 1023,
Auckland

PO Box 9919, Newmarket 1149,
Auckland

T 09 520 0097

E info@marac.co.nz

W www.marac.co.nz

W www.ascendfinance.co.nz

W www.nissanfinance.co.nz

Perpetual Trust Ltd

Louise Edwards, Chief Executive

Pyne Gould Corporation House,
233 Cambridge Terrace,
Christchurch 8013

PO Box 112, Christchurch Mail Centre,
Christchurch 8140

T 03 379 8611

E info@perpetual.co.nz

W www.perpetual.co.nz

PGG Wrightson Ltd

Tim Miles, Managing Director

57 Waterloo Road, Hornby,
Christchurch 8042

PO Box 292, Christchurch Mail Centre,
Christchurch 8140

T 03 372 0800

E enquiries@pggwrightson.co.nz

W www.pggwrightson.co.nz

Share Registry

Link Market Services Ltd

PO Box 384, Ashburton 7740

T 03 308 8887

F 03 308 1311

E info@linkmarketservices.com

W www.linkmarketservices.com

Auditors

KPMG

135 Victoria Street, Te Aro,
Wellington 6011

T 04 382 8800

Solicitors

Lane Neave

119 Armagh Street, Christchurch 8011

T 03 379 3720

Bankers

Bank of New Zealand

BNZ Tower
125 Queen Street, Auckland 1010

T 09 375 1300

Pyne Gould Corporation

pgc.co.nz