Pyne Gould Corporation

PYNE GOULD CORPORATION LIMITED
INTERIM REPORT TO 31 DECEMBER 2007

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

Pyne Gould Corporation

Pyne Gould Corporation Limited
Interim Report to 31 December 2007

Contents

MARAC

Perpetual Trust

PGG Wrightson

HALF YEAR HIGHLIGHTS

- Net profit after tax of $22.1m, up 23%
- Interim dividend of 10 cents per share
- Excellent interim result from MARAC of $14.0m, up 11%
- Strong interim result from Perpetual Trust of $1.8m, up 19%
- Increased contribution from PGG Wrightson at $7.5m.

KEY FINANCIAL RESULTS

	This period	**Corresponding period**
Net profit after tax	$22.1m	$17.9m
Ordinary dividend	10c	9c
Return on shareholders' funds	18.0%	15.9%

SAM MALING
Chairman

BRIAN JOLLIFFE
Managing Director

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Financial performance

Net profit after tax for the six months to 31 December 2007 was up 23% to $22.1m. This compares to the $17.9m achieved in the corresponding period last year.

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

The company's result has been determined under International Financial Reporting Standards (IFRS) for the first time. The results for the six months to December 2006, and also for the year to 30 June 2007 have been restated in accordance with the requirements of these standards. Details of the impact are set out in the notes accompanying the financial statements.

Interim dividend

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

Business environment

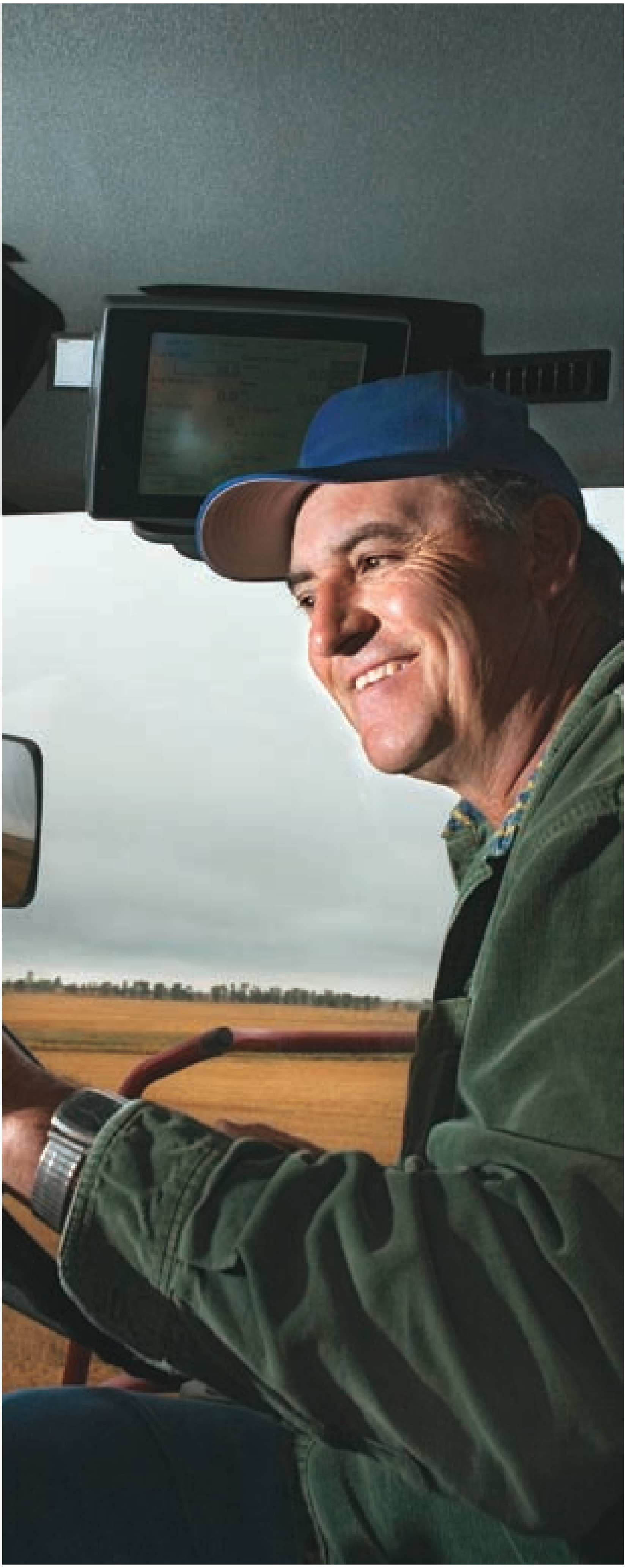
Achieving a further lift in net profit in the current business environment is particularly pleasing. Sticking to our business model along with executing our organic growth strategy and not being sidetracked into areas where we do not have proven capabilities continues to be our theme.

We have considered acquisitions to complement the organic growth being achieved, but to date have not been comfortable that the rewards would warrant the additional risk involved.

Our people

Once again we are indebted to the commitment, drive and enthusiasm of our staff. Special mention and recognition does need to be given to those staff that experienced significant additional pressure and demands, in particular Perpetual's Corporate Trust division and MARAC's Investment division.

MARAC



HIGHLIGHTS

- Net profit after tax up 11% to $14.0m.
- Finance receivables up 11% in the six months to $1.5bn.
- Development of new funding initiatives.

The MARAC Finance Group achieved another excellent half year with net profit after tax of $14.0m on the back of a 20% growth in net operating revenue. Total financial receivables rose 11% to $1.5bn.

BRIAN JOLLIFFE
Managing Director

Business environment

Recent issues in the finance company sector have been well documented. This environment has presented significant opportunities for MARAC. On the lending side of the business, we were presented with increased opportunities, and have been able to pick and choose those that meet our criteria.

On the deposit side while investor's have become more reluctant to invest generally in finance company offerings, reconfirmation of MARAC's investment grade credit rating from Standard & Poor's earlier in the half year assisted us to maintain investor confidence.

Review of businesses

Business Division

The business division grew strongly in the first half with receivables increasing 17%.

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

Our property lending has also shown some growth.

Looking forward we see continued opportunity to grow commercial receivables and our fledgling invoice finance division which is developing real traction. Ascend Finance will enter its second calendar year with a strong platform for future growth.

Consumer Division

On the back of resilient consumer demand and a strong new vehicle sector MARAC has also continued to perform strongly across our consumer division with growth evident in most departments.

The diversification of our distribution networks which now include both i-finance and Kiwibank Vehicle Finance have also cushioned us both in a margin and volume sense from the competitiveness of the motor and marine dealer channels.

Credit

Installment loan arrears to total receivables remained relatively constant at a low 0.5%. The impaired asset expense, resulting from the dynamic provisioning model was $1.8m in the current period compared to $0.7m in the last period.

Funding

MARAC's reinvestment rate has generally been maintained within normal historic levels throughout the half year. A reduction in the level of new monies received resulted in a decline in total retail debentures on issue. This challenge stemming from the current market environment has been balanced with several initiatives:

- During the half year MARAC received additional new facilities from its bankers.
- The securitisation programme which commenced in August 2007 has provided new funding of $300m.
- We are presently finalising a new syndicated bank facility with all New Zealand major banks. This facility should provide sufficient funding and flexibility for future growth in the 2008 year.

MARAC business features

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

- A broad and diversified spread of assets covering small and medium business, high ticket item consumer goods (average new loan size $20k) and property. Geographical spread is in line with the New Zealand business and consumer population. All loans are domiciled in New Zealand and secured against New Zealand assets.
- Of the $1.4bn of assets, $1bn is subject to regular monthly principal and interest payments. This generates a regular positive cash flow of circa $70m each month.
- A diversified funding base with securitisation, retail debenture funding and wholesale bank facilities.
- An investment grade credit rating from Standard & Poor's.
- Our focus on credit quality has had MARAC's installment loan arrears levels almost consistently below 0.5% since 2005 when MARAC commenced regularly publishing these figures. This has flowed to a low impaired asset expense (bad debts).
- No inter-company or related party loans.
- Existing Senior Management have all been in their roles for five years or longer.

Key financial results	This period	Corresponding period
Net profit	$14.0m	$12.6m
Finance receivables and operating lease vehicles	$1,477m	$1,196m

Perpetual Trust

HIGHLIGHTS

- Net operating surplus of $1.8m up 19% on the same period last year.
- Revenue growth up 17% over the same period last year.
- Revenue growth spread across all divisions.

LOUISE EDWARDS
Chief Executive

PERPETUAL TRUST

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

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

Business environment

The introduction of the Government's Kiwi Saver scheme has stimulated interest in a managed approach to investment and saving to Perpetual's overall benefit. On the Corporate Trust side, the changes in the Securities laws with increased monitoring and powers for Trustees has resulted in a considerable increase in Perpetual's workload.

Review of businesses

Personal Wealth Management and Advice

The strong growth in revenue in the personal client division was across all business areas and offices.

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

Corporate Trust

It was a challenging and very busy period in the Corporate Trust division. Revenue growth during the six months was achieved both from gaining more business from existing clients, launching new products and winning new business.

Increasing market share of the retirement villages sector has been achieved; this will continue to be a key focus given the expansion in this sector.

Managed Funds

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

During the period the single asset property in the Moorhouse Property Fund was sold. The three property funds are in the process of being restructured to take advantage of the recent managed fund tax changes and to improve diversity and liquidity of funds.

Key financial results	This period	Corresponding period
Net profit	$1.8m	$1.5m
Revenue	$8.5m	$7.3m

PGG Wrightson

HIGHLIGHTS

- Net profit after tax $34.6m (last year $20.6m).
- Improving performance in most businesses not withstanding poor sheep prices.
- Strong returns from the early success of New Zealand Farming Systems Uruguay.

BARRY BROOK
Chief Executive

PGG WRIGHTSON

The PGG Wrightson result of a net profit of $34.6m, compared to $20.6m in the same period last year showed that the benefits from creating a broadly based nationwide rural services business are now being realised.

PGC Wrightson contributed $7.5m, compared to $4.6m last year.

Business environment

Business conditions were challenging, with dry weather, high exchange rates, and poor returns to sheep and beef farmers being of particular concern.

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

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

Review of businesses

Rural Services

The Livestock business was affected by dry conditions, competition for finishing land and low farmer confidence in the sheep and beef sector. The Rural Supplies business benefited from increased sales and Fruitfed Supplies performed well.

Financial Services

Underlying growth was 40%, on the back of new revenues in Fund Management and growth in the Real Estate business. The Finance business expanded its loan book by 14% and strengthened its funding base through deposit growth and increased bank lines.

Technology Services

New Zealand and export sales of proprietary seeds increased, offsetting the impact of the Australian drought on sales in that country. The South American business continued to expand.

Key financial results	This period	Corresponding period
Net profit – company	$34.6m	$20.6m
Net profit – to PGC	$7.5m	$4.6m

SUMMARY AND OUTLOOK

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

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

For us it is business as usual, and our focus continues to be on those core activities which have been the key to our success in recent years. There are also broader opportunities out there, and if these fit our stringent criteria we will pursue them.

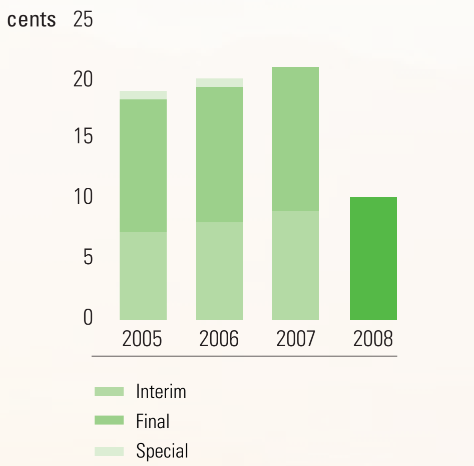
The Company remains well placed to further grow its business. At this stage we are confident that for the full year to June 2008, net profit after tax will be ahead of last year.

S R MALING
Chairman

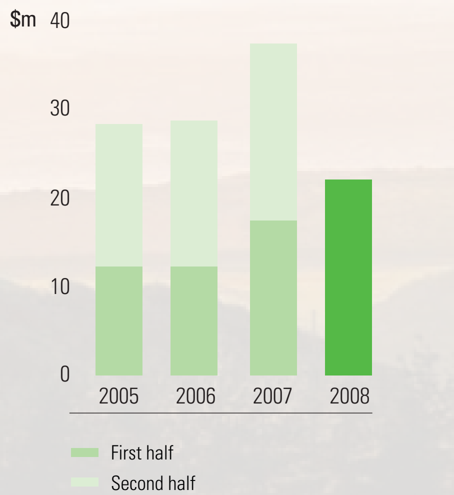
B J JOLLIFFE
Managing Director

26 February 2008

Dividend per share (includes special)



Net profit after tax (before abnormals)



Pyne Gould Corporation Limited

Consolidated Interim Financial Statements for the period ended 31 December 2007

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the interim financial statements give a true and fair view of the financial position of the Company as at 31 December 2007 and its financial performance and cash flows for the period ended on that date.

The directors consider that the interim financial statements of the Company have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all the 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 facilitate compliance of the interim financial statements with the Financial Reporting Act 1993.

The Board of Directors of Pyne Gould Corporation Limited authorise the interim financial statements set out on pages 14 to 28 for issue on 26 February 2008.

For and on behalf of the Board

S R MALING
Chairman

B J JOLLIFFE
Managing Director

26 February 2008

INTERIM INCOME STATEMENT For the period ended 31 December 2007

	NOTE	6 months to 31 Dec 2007 Unaudited $000	6 months to 31 Dec 2006 Unaudited $000	12 months to 30 Jun 2007 Audited $000
Operating revenue				
Interest revenue		85,761	62,174	127,473
Operating lease revenue		11,055	11,490	23,160
Equity accounted earnings of associate		7,541	4,568	9,007
Other revenue		12,597	16,812	34,675
Total operating revenue		**116,954**	**95,044**	**194,315**
Direct expenses				
Interest and funding expense		53,916	42,757	87,395
Operating lease expense		8,115	9,016	18,287
Total direct expenses		**62,031**	**51,773**	**105,682**
Net operating income		**54,923**	**43,271**	**88,633**
Other costs and expenses				
Selling and administration expenses	5	23,850	17,853	37,251
Impaired asset expenses		1,753	544	1,113
Total other costs and expenses		**25,603**	**18,397**	**38,364**
Profit before tax		**29,320**	**24,874**	**50,269**
Income tax expense		7,232	6,982	13,537
Profit for the period / year		**22,088**	**17,892**	**36,732**
Parent interests		22,088	17,862	36,702
Minority interests		-	30	30

	31 Dec 2007 Unaudited	31 Dec 2006 Unaudited	30 Jun 2007 Audited
Basic earnings per share	23c	18c	37c
Diluted earnings per share	23c	18c	37c

The notes on pages 17 to 28 are an integral part of these financial statements.

INTERIM BALANCE SHEET As at 31 December 2007

	NOTE	6 months to 31 Dec 2007 Unaudited $000	6 months to 31 Dec 2006 Unaudited $000	12 months to 30 Jun 2007 Audited $000
Assets				
Finance receivables	7	1,415,330	1,126,297	1,252,806
Investment in associate		95,775	90,020	93,140
Operating lease vehicles		57,657	69,212	64,619
Other assets		57,419	44,912	39,715
Total assets		**1,626,181**	**1,330,441**	**1,450,280**
Liabilities				
Borrowings	10	1,340,028	1,070,799	1,178,901
Other liabilities		34,541	31,792	32,338
Total liabilities		**1,374,569**	**1,102,591**	**1,211,239**
Equity				
Share capital		85,885	85,373	85,373
Retained earnings and reserves		165,727	142,477	153,668
Total equity		**251,612**	**227,850**	**239,041**
Total equity and liabilities		**1,626,181**	**1,330,441**	**1,450,280**

INTERIM STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the period ended 31 December 2007

	NOTE	6 months to 31 Dec 2007 Unaudited $000	6 months to 31 Dec 2006 Unaudited $000	12 months to 30 Jun 2007 Audited $000
Cash flow hedges:				
- Transfer into the cash flow hedge reserve		1,037	-	-
- Transfer out of the cash flow hedge reserve		(486)	-	-
Effective portion of change in fair value		551	-	-
Tax effect of change in cash flow hedges		182	-	-
Net income recognised directly in equity		**369**	**-**	**-**
Net income of associate recognised directly to equity	8	89	(463)	715
Profit for the period		22,088	17,892	36,732
Total recognised income and expense for the period		**22,546**	**17,429**	**37,447**
Attributable to equity holders		22,546	17,399	37,417
Minority interests		-	30	30

INTERIM STATEMENT OF CASH FLOWS For the period ended 31 December 2007

	6 months to 31 Dec 2007 Unaudited	6 months to 31 Dec 2006 Unaudited	12 months to 30 Jun 2007 Audited
	$000	$000	$000
Cash flows from operating activities			
Cash was provided from:			
Interest received	86,041	62,577	127,969
Operating lease revenue received	11,118	11,827	22,999
Other revenue	11,164	16,713	34,310
Dividends received from associate	4,995	3,747	6,244
Total cash provided from operating activities	**113,318**	**94,864**	**191,522**
Cash was applied to:			
Payments to suppliers and employees	24,196	18,928	38,061
Interest paid	54,186	40,290	85,903
Taxation paid	5,204	6,166	12,753
Total cash applied to operating activities	**83,586**	**65,384**	**136,717**
Net cash flows from operating activities	**29,732**	**29,480**	**54,805**
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of operating lease vehicles	17,827	6,669	15,795
Employee share purchase scheme	117	-	-
Proceeds from sale of investments	-	374	-
Effect of Mortgage Express Ltd deconsolidation	-	337	1,312
Total cash provided from investing activities	**17,944**	**7,380**	**17,107**
Cash was applied to:			
Net increase in finance receivables	164,600	41,250	168,804
Advance to employee share purchase scheme	-	214	170
Purchase of operating lease vehicles	18,214	15,100	27,845
Purchase of property, plant, equipment and intangible assets	258	1,083	1,759
Total cash applied to investing activities	**183,072**	**57,647**	**198,578**
Net cash flows applied to investing activities	**(165,128)**	**(50,267)**	**(181,471)**
Cash flows from financing activities			
Cash was provided from:			
Net increase in bank borrowings and debenture stock	161,397	39,404	149,664
Increase in share capital	512	243	243
Total cash provided from financing activities	**161,909**	**39,647**	**149,907**
Cash was applied to:			
Dividends paid	11,756	10,778	19,609
Total cash applied to financing activities	**11,756**	**10,778**	**19,609**
Net cash flows from financing activities	**150,153**	**28,869**	**130,298**
Net increase in cash held	**14,757**	**8,082**	**3,632**
Opening cash balance	(1,124)	(4,756)	(4,756)
Closing cash balance	**13,633**	**3,326**	**(1,124)**

1 Reporting entity

The financial statements presented are the consolidated interim financial statements of Pyne Gould Corporation Limited (the "Company") and its subsidiaries and associate ("the Group"). The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the financial statements comply with that Act, the Companies Act 1993 and the Securities Regulations 1983. The Company is an issuer under the Financial Reporting Act 1993. Reliance is placed on the Company continuing as a going concern.

The Company is domiciled in New Zealand. The registered office address is: 233 Cambridge Terrace, PO Box 167, Christchurch.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practices 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 interim financial statements for profit-oriented entities. These are the Company's first interim NZ IFRS financial statements and NZ IFRS 1 has been applied. The financial statements comply with NZ IAS 34 - Interim Financial Reporting.

(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 Company'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 effect the application of accounting policies and reported amounts. Actual results may differ from these judgements.

3 Significant accounting policies

(a) Basis of consolidation

Subsidiaries are entities that are controlled, either directly or indirectly by the Company. All inter-group balances and gains and losses on transactions between Group companies have been eliminated.

(b) Associate companies

Associate companies are companies in which the Company has a substantial long term investment and significant influence over their commercial and financial decisions. Associate companies are accounted for using the equity method.

(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.

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 5 years. Vehicles held for sale are not depreciated but are tested for impairment.

(e) Fee and commission revenue

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

(f) Tax

Income tax expense for the period 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.

3 Significant accounting policies (cont)

(f) Tax (cont)

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

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.

(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) 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 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 derivative designated as a cash flow hedge are recognised directly in equity. The amount recognised in equity is transferred to the Income Statement in the same period 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.

(i) 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.

(j) Financial assets and liabilities recognition

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are 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, for example, 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

3 Significant accounting policies (cont)

(k) 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.

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, historic losses, recovery costs and trends and current economic conditions.

Specific provisions are made against impaired assets where full recovery of principal and interest is not considered probable. Specific provisions are identified by reviewing counterparty exposures and the associated risk of loss. 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 specific 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.

(l) Operating lease vehicles

Operating lease vehicles are stated at cost less accumulated depreciation. Current period depreciation and profits or losses on the sale of operating lease vehicles are included as part of the operating income. Depreciation is on a straight line basis, at rates which will write off the cost over their economic lives of up to 5 years.

(m) Property, plant, office fit-out, equipment and depreciation

Property, plant, office fit-out and equipment are recorded at cost less accumulated depreciation and any impairment loss. Other than land, depreciation is on a straight line basis, at rates which will write off cost over their estimated economic lives as follows:

Buildings	50 years
Plant and equipment	1-13 years

(n) Intangible assets

Software

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 3 to 4 years.

Perpetual Trust statutory right and brand

This is stated at cost and it is an indefinite life intangible.

MARAC brand

This is stated at cost and it is an indefinite life intangible.

(o) Provisions

Provisions are recognised at the present value of expected future cash flows when there is a present obligation as a result of a past event. This obligation needs to be measured reliably and it is probable an outflow of economic benefits will be required to settle the obligation.

(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) 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:

3 Significant accounting policies (cont)

(q) Share schemes (cont)

General staff share purchase scheme

Under this scheme the Company makes available an interest free loan to all staff to enable them to purchase Pyne Gould Corporation 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.

Discretionary 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 period over which any conditions are required to be met.

Retiring directors' share scheme

Under this scheme directors' entitlement to a cash allowance on retirement has been converted into shares. The shares were issued at market price. The shares will be transferred to directors on their retirement. The cost of these shares has been fully recognised in previous periods.

(r) 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.

(s) Financial guarantees

Financial guarantees (underwrites) are accounted for as insurance contracts. The guarantee payment received is initially capitalised at cost value, 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.

(t) 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.

(u) 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.

(v) New standards and interpretations not yet adopted

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

(w) Early adoption of new standards

The Group has adopted NZ IFRS 8 "Operating Segments" early, the impact of which is disclosed in note 4 - Segmental analysis.

(x) Changes in accounting policies

There have been no changes in accounting policies in the current period. However, the Group has adopted IFRS for the first time in the current period and, as a result, the comparative periods have been restated. The impact of adopting IFRS is set out separately in note 14.

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.

	6 months to 31 Dec 2007 Unaudited	6 months to 31 Dec 2006 Unaudited	12 months to 30 Jun 2007 Audited
	$000	$000	$000
	Profit for the period		
Financial Services	14,049	12,616	26,252
Trustee Services	1,784	1,499	3,823
Rural Services	7,541	4,568	9,007
Unallocated	(1,286)	(791)	(2,350)
Total Group	**22,088**	**17,892**	**36,732**
	Operating revenue		
Financial Services	99,666	81,996	168,142
Trustee Services	8,455	7,251	15,485
Rural Services	7,541	4,568	9,007
Unallocated	1,292	1,229	1,681
Total Group	**116,954**	**95,044**	**194,315**
	Total assets		
Financial Services	1,499,144	1,205,985	1,323,343
Trustee Services	7,504	5,843	5,980
Rural Services	95,775	90,020	93,140
Unallocated	23,758	28,593	27,817
Total Group	**1,626,181**	**1,330,441**	**1,450,280**

5 Selling and administration expenses

Personnel expenses	11,732	9,445	20,658
Directors' fees and retirement allowances	306	349	582
Audit fees	122	76	173
Other fees paid to auditors - for IFRS services	30	23	151
Depreciation - office fit-out and equipment	463	142	812
Depreciation - intangible assets	287	387	448
Rental costs	746	645	1,198
Gain on disposal of assets	-	(1)	(13)
Other operating expenses	10,164	6,787	13,242
Total selling and administration expenses	**23,850**	**17,853**	**37,251**

	6 months to 31 Dec 2007 Unaudited	6 months to 31 Dec 2006 Unaudited	12 months to 30 Jun 2007 Audited
	$000	$000	$000
6 Reconciliation of profit for the period / year to net cash flows from operating activities			
Profit for the period / year	**22,088**	**17,892**	**36,692**
Add / (less) non-cash items:			
Depreciation	7,891	8,420	16,830
Doubtful debts charge	1,753	544	1,113
Share of associate company earnings	(2,546)	(821)	(2,723)
Deferred tax	1,740	455	565
Accruals and prepaid items	798	3,807	3,401
Total non-cash items	**9,636**	**12,405**	**19,186**
Add / (less) movements in working capital items:			
Trade receivables	(1,801)	(3,062)	(2,223)
Insurance policy liabilities	343	177	1,244
Current tax	106	150	472
Trade payables	(640)	1,780	(1,638)
Total movements in working capital items	**(1,992)**	**(955)**	**(2,145)**
Add / (less) items classified as investing activities:			
Loss on sale of assets and investments	-	138	1,072
Total items classified as investing activities	**-**	**138**	**1,072**
Net cash flows from operating activities	**29,732**	**29,480**	**54,805**
7 Finance receivables			
Not past due	1,213,527	990,948	1,121,600
Not past due more than 30 days	48,277	8,808	20,262
Other not impaired	32,148	13,548	10,024
Total not impaired assets	**1,293,952**	**1,013,304**	**1,151,886**
Restructured	1,966	1,357	1,771
Collectively impaired	119,784	110,794	98,119
Collective provision	(5,640)	(6,142)	(4,868)
Individually impaired	7,593	8,834	8,511
Specific provision	(2,325)	(1,850)	(2,613)
Total finance receivables	**1,415,330**	**1,126,297**	**1,252,806**
Non securitised finance receivables	1,107,142	1,126,297	1,252,806
Securitised finance receivables	308,188	-	-
Total finance receivables	**1,415,330**	**1,126,297**	**1,252,806**
8 Investment in associate			
Carrying amount at beginning of period	93,140	89,662	89,662
Equity accounted earnings of associate	7,541	4,568	9,007
Net income of associate recognised directly to equity	89	(463)	715
Dividends from associate	(4,995)	(3,747)	(6,244)
Carrying amount at end of period	**95,775**	**90,020**	**93,140**
Goodwill included in carrying amount of associate	49,977	49,977	49,977
9 Intangible assets			
Computer software	968	623	880
Statutory right and brands at cost	12,901	12,901	12,901
Goodwill	11,147	11,147	11,147
Total intangible assets	**25,016**	**24,671**	**24,928**

	NOTE	6 months to 31 Dec 2007 Unaudited	6 months to 31 Dec 2006 Unaudited	12 months to 30 Jun 2007 Audited
10 Borrowings		$000	$000	$000
Bank borrowings sourced from New Zealand		415,900	385,001	460,151
Debenture stock sourced from New Zealand		598,013	660,607	691,385
Debenture stock sourced from overseas		21,701	25,191	27,365
Securitised bank borrowings from New Zealand		304,414	-	-
Total borrowings		**1,340,028**	**1,070,799**	**1,178,901**

Bank borrowings and debenture stock borrowings rank equally and are secured over the non securitised assets of the Group.

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

11 Special purpose entities

MARAC ABCP Trust 1 Securitisation

MARAC Finance Limited ("MARAC") has securitised a $300m pool of receivables comprising commercial, motor vehicle and marine loans to MARAC ABCP Trust 1 (the "Trust"). MARAC substantially retains the 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 MARAC's total tangible assets over which the secured debenture stock offered under MARAC's Prospectus is secured.

12 Related party transactions

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

(a) Transactions with related parties

Material transactions during the period with related parties were:			
Interest paid on debenture stock held by related parties	(1,025)	(905)	(1,613)
Compensation of key management personnel of the entity or its parent	2,534	2,012	3,327
Total	**1,509**	**1,107**	**1,714**

Material transactions outstanding at period end with related parties were:			
Debenture stock held by related parties	(21,674)	(21,391)	(23,117)
Other related parties	-	-	-
Total	**(21,674)**	**(21,391)**	**(23,117)**

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

(b)Transactions with key management personnel

Key management personnel, being those staff reporting directly to the managing director and directors plus their immediate relatives have transacted with the Company during the period as follows:

Debenture investing			
Maximum balance	1,792	1,812	2,009
Closing balance	1,256	1,760	1,728

Key management personnel compensation is as follows:			
Short-term employee benefits	2,270	1,858	3,173
Share-based payments	264	154	154
Total	**2,534**	**2,012**	**3,327**

13 Staff share ownership arrangements

In the period the Company issued 127,382 shares at a weighted average fair value of $4.02 per share (December 2006: 61,438 shares at $3.95; June 2007: 61,438 shares at $3.95). The fair value of the shares is estimated as at the date of the issue using a model which takes into account the terms and conditions of each issue, the Company's historic dividends and share price volatilities.

The total expense recognised in the period was $343,179 (December 2006: $210,379; June 2007: $289,515). The total carrying amount of all share based payment transactions at 31 December 2007 was $1,269,036 (December 2006: $1,036,220; June 2007: $830,820)

14 Explanation of transition to NZ IFRS

These interim financial statements are the first to be prepared using NZ IFRS. To allow for meaningful comparatives amounts previously reported in the financial statements prepared in accordance with previous NZ GAAP have been restated in accordance with NZ IFRS. An explanation of how the transition from previous NZ GAAP to NZ IFRS has affected the entity's Income Statement and Balance Sheet is set out in the remainder of this note, on the following pages.

14 Explanation of transition to NZ IFRS (cont)

	NOTE	Current NZGAAP $000	Effect of transition to NZIFRS $000	Restated NZIFRS $000
Reconciliation of net profit for Dec 2006				
Operating revenue				
Interest revenue	a	61,421	753	62,174
Operating lease revenue		11,490	-	11,490
Equity accounted earnings of associate	c	2,864	1,704	4,568
Other revenue	b	17,276	(464)	16,812
Total operating revenue		**93,051**	**1,993**	**95,044**
Direct expenses				
Interest and funding expense	d, e	42,543	214	42,757
Operating lease expense	f	9,051	(35)	9,016
Total direct expenses		**51,594**	**179**	**51,773**
Net operating income		**41,457**	**1,814**	**43,271**
Other costs and expenses				
Selling and administration expenses	g	17,188	-	17,188
Impaired asset expenses	a	544	-	544
Amortisation - brand	i	322	(322)	-
Amortisation - goodwill	i	1,227	(1,227)	-
Depreciation - office fit-out and equipment	j	665	(224)	441
Depreciation - intangible assets	j	-	224	224
Total other costs and expenses		**19,946**	**(1,549)**	**18,397**
Profit before tax		**21,511**	**3,363**	**24,874**
Income tax expense	k	6,962	20	6,982
Profit for the period		**14,549**	**3,363**	**17,892**
Parent interests		14,519	3,343	17,862
Minority interests		30	-	30
Net profit for the period		**14,549**	**3,343**	**17,892**
Reconciliation of equity **Transition balance sheet - Dec 2006**				
Assets				
Current assets	d, g, k	12,659	1,603	14,262
Finance receivables	a, b	1,132,180	(5,883)	1,126,297
Operating lease vehicles	f	68,913	299	69,212
Non current assets		1,447	-	1,447
Investment in associate	c	88,779	1,241	90,020
Intangible assets	i, j	18,272	6,399	24,671
Property, plant and equipment	j	5,155	(623)	4,532
Total assets		**1,327,405**	**3,036**	**1,330,441**
Liabilities				
Borrowings	e	1,071,660	(861)	1,070,799
Other liabilities	h	31,592	200	31,792
Total liabilities		**1,103,252**	**(661)**	**1,102,591**
Equity				
Share capital		85,373	-	85,373
Retained earnings and reserves		138,780	3,697	142,477
Total equity		**224,153**	**3,697**	**227,850**
Total equity and liabilities		**1,327,405**	**3,036**	**1,330,441**

14 Explanation of transition to NZ IFRS (cont)

Reconciliation of net profit for June 2007	NOTE	Current NZGAAP $000	Effect of transition to NZIFRS $000	Restated NZIFRS $000
Operating revenue				
Interest revenue	a	126,253	1,220	127,473
Operating lease revenue		23,160	-	23,160
Other revenue	b	35,899	(1,224)	34,675
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**
Parent interests		30,636	6,066	36,702
Minority interests		30	-	30
Net profit after taxation		**30,666**	**6,066**	**36,732**
Reconciliation of equity **Transition balance sheet - 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**	**7,456**	**1,450,280**

14 Explanation of transition to NZ IFRS (cont)

	NOTE	Current NZGAAP $000	Effect of transition to NZIFRS $000	Restated NZIFRS $000
Transition balance sheet - 1 July 2006				
Assets	d, g, k	7,913	1,636	9,549
Current assets	a, b	1,092,802	(6,127)	1,086,675
Finance receivables	f	68,908	263	69,171
Operating lease vehicles		1,245	-	1,245
Non current assets	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**

Notes to the reconciliation of previous GAAP

(a) Impaired asset expense (NZ IAS 39)
Estimated losses on specifically impaired exposures are discounted to their present value. As the discount unwinds over time this value is recognised as interest income in the Income Statement. Under NZGAAP the Group used the future value in determining the estimated recovery of these assets.

(b) Fees (NZ IAS 39)
Fees that are integral to the effective yield of a financial instrument must be capitalised and recognised over the term of the loan. Under NZGAAP these items were recognised up front.

(c) Equity accounted earnings of associate (NZ IAS 28)
Under NZGAAP the investment in associate was valued using the equity accounted earnings method in both the holding company and at a consolidated group level. NZIFRS allows the holding company to value the investment in associate at cost, with dividends received recorded in the Income Statement. The Group will continue to equity account associate company earnings 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 NZGAAP hedges were recognised on an accruals basis.

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

(e) Brokerage (NZ IAS 39)
Brokerage costs that are integral to the effective yield of a financial instrument must be capitalised and recognised over the term the loan. Under NZGAAP these items were expensed up front.

14 Explanation of transition to NZ IFRS (cont)

Notes to the reconciliation of previous GAAP (cont)

(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 NZGAAP these items were expensed up front.

(g) Capitalised costs (NZ IAS 39)
Costs associated with the establishment of the MARAC securitisation funding program have been capitalised under NZGAAP. Under NZIFRS these costs are not able to be capitalised.

(h) Long service leave (NZ IAS 19)
NZ IAS 19 requires a provision to be established where an entity has 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 NZIFRS 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 NZIFRS.

(k) Taxation (NZ IAS 12)
Income tax expense and deferred tax change under NZIFRS as a result of the changes in profit and loss from adopting NZIFRS as highlighted above. These profit and loss changes which flow to income tax expense are temporary deferred tax differences.

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