PGG Wrightson Finance Limited

INTERIM INCOME STATEMENT
For the period ended 31 December 2007

	Note	(Audited) Six Months Ended 31 December 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
Interest income	2	23,040	18,328
Interest expense	3	(16,121)	(11,827)
Net interest income		6,919	6,501
Net income/(loss) from derivative financial instruments	12	22	(228)
Operating income		6,941	6,273
Net Impairment losses (recovery) on financial assets	4	317	(424)
Operating expenses	5	2,795	3,006
Profit before income tax		3,829	3,691
Income tax expense	7	(1,263)	(1,542)
Profit for the period		**2,566**	**2,149**
Earnings per share:			
Basic earnings per share (cents per share)	8	9.99	10.28
Diluted earnings per share (cents per share)	8	9.99	10.28

PGG Wrightson Finance Limited

INTERIM STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2007

	Share Capital *$000*	Retained Earnings *$000*	Hedging Reserve *$000*	Total *$000*
Balance as at 1 July 2006	14,000	17,623	(412)	31,211
Issue of shares	10,000	-	-	10,000
Net change in fair value	-	-	(318)	(318)
Profit for the period	-	2,149	-	2,149
Balance as at 31 December 2006	24,000	19,772	(730)	43,042
Balance as at 1 January 2007	24,000	19,772	(730)	43,042
Dividend issued	-	(5,500)	-	(5,500)
Net change in fair value	-	-	(220)	(220)
Net profit for the period	-	3,303	-	3,303
Balance as at 30 June 2007	24,000	17,575	(950)	40,625
Balance as at 1 July 2007	24,000	17,575	(950)	40,625
Issue of shares	5,500	-	-	5,500
Net change in fair value	-	-	199	199
Net profit for the period	-	2,566	-	2,566
Balance as at 31 December 2007	**29,500**	**20,141**	**(751)**	**48,890**

PGG Wrightson Finance Limited

INTERIM BALANCE SHEET
As at 31 December 2007

	Note	(Audited) Six Months Ended 31 December 2007 $000	(Audited) Year Ended 30 June 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
EQUITY				
Share capital	9	29,500	24,000	24,000
Retained earnings		20,141	17,575	19,772
Reserves	10	(751)	(950)	(730)
Total equity		**48,890**	**40,625**	**43,042**
LIABILITIES				
Bank Overdraft		-	475	567
Deposits and other borrowings	11	85,572	96,335	85,830
Derivative liabilities held for risk management	12	2,357	2,486	1,769
Trade and other payables	13	614	702	917
Tax payable		2,703	2,347	1,371
Debentures - secured	14	152,325	136,854	133,694
Bonds	15	44,596	44,442	44,287
Bank loans - secured	16	125,000	74,000	52,000
Total liabilities		**413,167**	**357,641**	**320,435**
Total liabilities and equity		**462,057**	**398,266**	**363,477**
ASSETS				
Cash and cash equivalents		536	-	-
Derivative assets held for risk management	12	960	760	339
Amounts due from group entities	17	8,264	742	1,723
Trade and other Receivables	18	1,653	1,247	1,681
Loans and receivables	19	449,655	394,443	358,673
Intangible assets	21	170	208	246
Deferred tax assets	7	819	866	815
Total assets		**462,057**	**398,266**	**363,477**

These interim financial statements have been authorised for issue on 19 February 2008.

Craig Norgate
Chairman

Keith Smith
Director

PGG Wrightson Finance Limited

INTERIM STATEMENT OF CASH FLOWS

For the period ended 31 December 2007

	Note	(Audited) Six Months Ended 31 December 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
Cash flows from operating activities			
Cash was provided from:			
Interest received		23,040	18,172
Cash was applied to:			
Payments to suppliers and employees		(3,270)	(3,041)
Interest payments		(16,527)	(11,999)
Income tax paid		(860)	(408)
Net cash flow from operating activities	24	2,383	2,724
Cash flows from financing activities			
Cash was provided from:			
Draw down of term borrowing		51,000	52,000
Increase in debentures		15,625	-
Shares issued		5,500	10,000
Cash was applied to:			
Increase/(Decrease) in client deposits		(10,763)	13,479
Increase in finance receivables		(55,212)	(28,938)
Advances to parent		(7,522)	(51,301)
Net cash flow from financing activities		(1,372)	(4,760)
Net increase/(decrease) in cash held		1,011	(2,036)
Opening (bank overdraft)/cash		(475)	1,469
Cash and cash equivalents		536	(567)
Comprises:			
Cash and deposits		536	
Bank overdraft			(567)
Cash and cash equivalents		536	(567)

PGG Wrightson Finance Limited

1 Statement of Accounting Policies

For the period ended 31 December 2007

Reporting Entity

PGG Wrightson Finance Limited (the "Company") is a profit-oriented company domiciled in New Zealand, registered under the Companies Act 1993 and has bonds listed on the New Zealand Stock Exchange. The Company is an issuer in terms of the Financial Reporting Act 1993.

PGG Wrightson Finance Limited is primarily involved in the provision of financial services.

Basis of Preparation

Statement of Compliance

The interim financial statements have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for interim financial statements. These are the Company's first NZ IFRS interim financial statements for part of the period covered by the first NZ IFRS annual financial statements and NZ IFRS 1 First-time adoption of New Zealand equivalents to International Financial Reporting Standards has been applied.

An explanation of how the transition to NZ IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 30. This note includes reconciliations of equity and profit or loss for comparative periods reported under NZ GAAP (previously GAAP) to those reported for those periods under NZ IFRS.

Basis of Measurement

The interim financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value

Functional and Presentation Currency

These interim financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand.

Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

Estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amount recognised in the financial statements, include:

- Estimation of average loan lives used to defer fees
- Valuation of financial instruments
- Provisions and contingencies
- Carrying value of finance receivables

Significant Accounting Policies

Unless otherwise stated, the accounting policies set out below have been applied consistently to all periods presented in these interim financial statements.

(a) Revenue Recognition

Recognition of Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Finance revenue and expense recognition

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

The Company recognises interest revenue, management fees, and establishment fees on an accruals basis when the services are rendered using the effective interest rate method.

Fee and Commission Income

The Company earns fee and commission income from a diverse range of services it provides to customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

- Discharge fees are received by the Company upon early termination of mortgage loans. On a consolidated basis these are treated as a recoupment of the transaction costs spent by the Company in establishing the mortgage loans. These fees form part of the interest effective yield on the loans and are accrued and recognised in the Income Statement over the weighted average expected life of the mortgage loans using the effective interest method.

Fee Income from Providing Transaction Services

Fees or components of the fees that are linked to certain performance are recognised after fulfilling the corresponding criteria.

(b) Foreign Currencies

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

(c) Financial Instruments

Non-derivative Financial Instruments

Non-derivative financial instruments comprise; trade and other receivables, cash and cash equivalents, loans and receivables, intercompany advances, deposits, debentures, bonds, bank loans, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as set out below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company is no longer entitled to cash flows generated by the asset, or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial instruments arising from the normal course of business are recognised at the trade date, i.e. the date that the Company commits to the purchase or sale of the asset. Financial liabilities are derecognised if the obligations of the Company lapse, expire, are discharged or cancelled.

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalent.

Instruments at Fair Value through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and Receivables

Subsequent to initial recognition, other non-derivative financial instruments, including trade and other receivables, loans and receivables and inter-company advances are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and Other Receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Interest-bearing Borrowings

Interest-bearing borrowings are classified as other non-derivative financial liabilities. Interest-bearing borrowings include debentures, client deposits, bonds and bank loans.

Trade and Other Payables

Trade and other payables are stated at cost.

Derivative Financial Instruments

The Company uses derivative financial instruments to manage its exposure to interest rate and foreign currency risks arising from operational, financing and investment activities. In accordance with Treasury policy, the Company does not hold or issue derivative instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity transferred to profit or loss in the same period that the hedged item affects profit or loss.

Share Capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Repurchase of Share Capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. These repurchased shares are cancelled.

(d) Intangible Assets

Computer Software

Computer software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 3 and 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

(e) Leasing Commitments

Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classed as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value or the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the balance sheet.

(f) Impairment

The carrying value of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount exceeds its recoverable amount.

Impairment losses directly reduce the carrying value of assets and are recognised in the income statement.

Impairment of Loans and Receivables

Loans and receivables are considered past due when they have not been operated by the counterparty within key terms for at least 90 days. All known losses are expensed in the period in which it becomes apparent that the loans and receivables are not collectable.

The recoverable amount of the Company's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.
Impairment losses on an indivdual basis are determined by an evaluation of the exposures on an instrumnet by instrument basis. All individual instruments that are considered significant are subject to this approach.

Non-financial Assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds the recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is only reversed to the extent that the carrying value of the asset does not exceed the carrying value that the asset would have had, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Income Tax

Income tax expense comprises current and deferred taxation and is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly 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 reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- the initial recognition of goodwill
- differences relating to subsidiaries, associates and jointly controlled entities to the extent that they will probably not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be recognised.

(h) Earnings per Share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the number of shares outstanding to include the effects of all dilutive potential shares.

(i) Determination of Fair Values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made is disclosed in the notes specific to that asset or liability.

Loans and Receivables
The fair value of loans and receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives
The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based on government bonds.

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the reporting date.

(j) Statement of Cash Flows
The Statement of Cash Flows has been prepared using the direct approach.

(k) Standards and Interpretations That Have Been Issued or Amended But Are Not Yet Effective
Standards and interpretations that have been issued or amended but are not yet effective and have not been adopted by the Company for the interim reporting period ending 31 December 2007 are as follows:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS-8 'Operating Segments'	1-Jan-09	30-Jun-10
NZ IAS-1 'Presentation of Financial Statements (revised)'	1-Jan-09	30-Jun-10
NZ IFRS-4 'Insurance Contracts - Amendments'	1-Jan-09	30-Jun-10
NZ IAS-23 'Borrowing Costs'	1-Jan-09	30-Jun-10
NZ IFRIC 12 'Service Concession Arrangements'	1-Jan-08	30-Jun-09
NZ IFRIC-13 'Customer Loyalty Programmes'	1-Jan-08	30-Jun-09
NZ IFRIC-14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1-Jan-08	30-Jun-09

The above Standards are not likely to impact materially on the Financial Statements.

(l) Segment Reporting
A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The primary format is the business segment and the Company operates in only one business segment, being financial services.

	(Audited)	(Unaudited)
	Six Months Ended 31 December 2007	Six Months Ended 31 December 2006
	$000	*$000*
2 Interest Income		
Loans and receivables	**23,040**	**18,328**
3 Interest Expense		
Deposits and other borrowings	3,193	3,647
Debentures - secured	5,885	4,432
Bonds	2,051	2,060
Amounts due to Group entities	751	765
Bank loans - secured	4,241	923
	16,121	**11,827**

	(Audited)	(Unaudited)
	Six Months Ended 31 December 2007	Six Months Ended 31 December 2006
	$000	*$000*
4 Impairment		
Impairment changes:		
Movement in specific provision	188	(754)
Bad debts written off	129	330
	317	**(424)**
5 Operating Expenses		
Operating expenses include:		
Salaries	1,782	1,750
Rental and operating lease costs	87	104
Amortisation of Intangibles	38	39

Operating expenses include amounts that have been recharged from the Company's parent for rent, employee salaries, and administration services.

6 Auditor's Remuneration		
Amount paid to the auditor for:		
Review - PricewaterhouseCoopers	-	25
Audit - KPMG	55	-
	55	25

7 Taxation

a) Income Tax

The prima facie income tax expense on pre tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	(Audited) Six Months Ended 31 December 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
Current Income Tax expense		
Comprising:		
Current taxation expense	1,325	1,293
Origination and reversal of temporary differences	(62)	249
Total income Tax	1,263	1,542

Reconciliation of effective tax rate	2007	(Audited) Six Months Ended 31 December 2007 $000	2006	(Unaudited) Six Months Ended 31 December 2006 $000
Profit for the period		2,566		2,149
Total income tax expense		1,263		1,542
Profit excluding income tax		3,829		3,691
Income tax using Company's domestic tax rate	33.00%	1,263	33.00%	1,218
Non - deductible expenses			8.78%	324
	33.00%	1,263	41.78%	1,542

Income tax recognised directly in equity	(Audited) Six Months Ended 31 December 2007 $000	(Audited) Year Ended 30 June 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
Derivatives	461	570	472
Total income tax recognised directly in equity	461	570	472

(b) Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	(Audited) Six Months Ended 31 December 2007 $000	(Audited) Year Ended 30 June 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
Financial instruments	461	570	472
Provisions	358	296	343
	819	866	815

Change in tax rate

During the previous financial year the corporate tax rate in New Zealand was changed from 33% to 30% with effect for the Company from 1 July 2008. Deferred tax is recognised at the rates of tax that are expected to be in effect when the items giving rise to deferred tax crystallise.

Unrecognised tax losses / Unrecognised temporary differences
The Company does not have any unrecognised tax losses or unrecognised temporary differences.

c) Imputation Credit Account

	(Audited) Six Months Ended 31 December 2007 *$000*	(Unaudited) Six Months Ended 31 December 2006 *$000*
Opening balance	1,278	638
Income tax paid	860	640
Closing balance	2,138	1,278

This account is not recognised in the Financial Statements

8 Earnings per Share

The following reflects the income used in the basic and diluted earnings per share computations

Earnings used in calculating earnings per share		
For basic earnings per share		
Net profit attributable to ordinary equity holders	2,566	2,149
For diluted earnings per share		
Net profit attributable to ordinary equity holders	2,566	2,149
Weighted average number of shares	25,691,257	20,902,174
Earnings per share - basic	9.99	10.28
Earnings per share - diluted	9.99	10.28

9 Capital

All shares are fully paid, have no par value, carry equal voting rights and share equally in any profit on the winding up of the Company.

	(Audited) Six Months Ended 31 December 2007 *$000*	(Audited) Year Ended 30 June 2007 *$000*	(Unaudited) Six Months Ended 31 December 2006 *$000*
10 Reserves			
Hedge reserve	(751)	(950)	(730)
11 Deposits and Other Borrowings			
Rural Saver accounts	64,235	73,175	60,255
Deposits	1,165	1,331	3,094
Current accounts	20,172	21,829	22,481
	85,572	96,335	85,830

Both current and non-current secured client deposits are secured debenture stock consisting of fixed interest debt securities which are of equal ranking and are secured by a first ranking security interest over all the assets of PGG Wrightson Finance Limited in terms of a Trust Deed dated 7 October 2004. The interest rate for the secured debenture stock is fixed for the term of the investment at the time of application and is paid quarterly or as otherwise specified. Funding is sourced from within New Zealand.

12 Derivative Financial Instruments

	(Audited) Six Months Ended 31 December 2007 $000	(Audited) Year Ended 30 June 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
Derivative assets held for risk management			
Interest rate swaps	960	760	339
Derivative liabilities held for risk management			
Interest rate swaps	2,357	2,486	1,769
Net derivatives held for risk management	(1,397)	(1,726)	(1,430)

Cash flow hedges of interest rate risk

The Company uses interest rate swaps to hedge its exposure to changes in the market rates of variable and fixed interest rates.

The Company has interest rate swaps, designated in valid hedge relationships, with a notional contract amount of $248 million at 31 December 2007 (2006: $248 million).

Other derivatives held for risk management

The Company also uses interest rate swaps, not designated in a qualifying hedge relationship, to manage its exposure to the timing mismatch of assets and liabilities.

	(Audited) Six Months Ended 31 December 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
The profit and loss impact of derivatives not designated as qualifying hedges is as follows:		
Income	22	3
Expense	-	(231)
Net income/(loss) from derivative financial instruments	22	(228)

13 Trade and Other Payables

Trade and other payables	614	702	917

14 Debentures - Secured

Debentures - secured	152,325	136,854	133,694
Amounts payable within one year	137,629	107,911	107,654

Debentures consist of fixed interest debt securities which are of equal ranking and are secured by a first ranking security interest over all the assets of the Company in terms of a Trust Deed dated 7 October 2004. The interest rate for the secured debenture stock is fixed for the term of the investment at the time of application and is paid quarterly or as otherwise specified. Funding is sourced from within New Zealand.

15 Bonds

	Coupon	Face value $000	(Audited) Six Months Ended 31 December 2007 $000 Amortised Cost Value	(Audited) Year Ended 30 June 2007 $000 Amortised Cost Value	(Unaudited) Six Months Ended 31 December 2006 $000 Amortised Cost Value
PGG Wrightson Finance Limited 2009	8.25%	20,000	20,000	20,000	20,000
PGG Wrightson Finance Limited 2010	8.50%	25,216	24,596	24,442	24,287
		45,216	44,596	44,442	44,287

Both bond series are senior secured in terms of a Trust Deed dated 21 April 2005. They rank pari passu with secured deposits and bank funding with a 5% limitation on prior security. Interest is paid quarterly.

16 Bank Loans - Secured

The Company has bank facilities of $180,000,000 (31 December 2006 $125,000,000). The facilities expire on the 24 April 2009 and it is not intended to repay any advances in the coming year.

Security stock has been issued to two banks as security for advances to the company. The security stock is debenture stock which secures all liabilities owed by the Company to the banks, including principal, interest and costs in terms of a Trust Deed dated 7 October 2004 and ranks equally with debenture stock.

17 Amounts Due From Group Entities

	Transaction Value		Balance outstanding		
	31 December 2007	l December 2006	31 December 2007	30 June 2007	31 December 2006
	$000	*$000*	*$000*	*$000*	*$000*
Parent of the company	47,625	114,384	8,264	742	1,723

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

The transactions relate to payments and receiptes into and from PGG Wrightson Finance Ltd client accounts made by PGG Wrightson on behalf of PGG Wrightson Finance Ltd. In addition PGG Wrightsdon Finance Limited repays PGG Wrightson for expenses paid on behalf of PGG Wrightson Finance Limited including wages and salaries and Resident Withholding Tax.

18 Trade and other Receivables

	(Audited) Six Months Ended 31 December 2007	(Audited) Year Ended 30 June 2007	(Unaudited) Six Months Ended 31 December 2006
	$000	*$000*	*$000*
Trade and other Receivables	1,653	1,247	1,681

19 Loans and Receivables

	(Audited) Six Months Ended 31 December 2007	(Audited) Year Ended 30 June 2007	(Unaudited) Six Months Ended 31 December 2006
	$000	*$000*	*$000*
Finance receivables	450,742	395,342	359,714
Less provision for doubtful debts (note 20)	(1,087)	(899)	(1,041)
Total receivables	449,655	394,443	358,673

20 Provision for Doubtful Debts

Balance at beginning of period	(899)	(1,795)	(1,795)
Movement in provision	(188)	896	754
Balance as at end of period	(1,087)	(899)	(1,041)

21 Intangibles

Computer software			
Opening balance	208	246	285
Amortisation	(38)	(38)	(39)
Closing balance	170	208	246
Historical cost summary			
Cost (gross carrying amount)	355	355	355
Accumulated amortisation and impairment	(185)	(147)	(109)
Net carrying amount	170	208	246

	(Audited) Six Months Ended 31 December 2007	(Audited) Year Ended 30 June 2007	(Unaudited) Six Months Ended 31 December 2006
22 Asset Quality	*$000*	*$000*	*$000*
Impaired Assets			
Balance as at beginning of period	1,244	1,795	-
Additions	129	626	-
Repayments	(298)	(1,177)	(73)
Balance as at end of period	**1,075**	**1,244**	**(73)**
Interest charged on impaired loans	**121**	**140**	**-**
Past due loans (arrears in excess of 3 months but not impaired)			
Balance as at beginning of period	122	-	-
Additions	259	122	5,796
Deletions from past due status	(122)	-	-
Balance as at end of period	**259**	**122**	**5,796**

The loans are primarily secured over first and second mortgages and General Security agrrements.

23 Financial Instruments

Introduction

The Company is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore, takes on controlled amounts of risk when considered appropriate.

The primary risks are those of credit, market (liquidity, funding, price, interest rate) and operations risk.

The Board of Directors is responsible for the review and ratification of the Company's systems of risk management, internal compliance and control, code of conduct and legal compliance.

The Board maintains a formal set of delegated authorities (including policies for credit and treasury), that clearly define the responsibilities delegated to management and those retained by the Board. The Board approves these delegated authorities and reviews them annually.

Management formally reports on all aspects of key risks to the Audit Committee at least two times each year. In addition, the following management committee reviews and manage key risks:

- The Senior Management Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress.

Market Risk

Market risk is the potential for change in the value of balance sheet positions caused by a change in the value, volatility or relationship between market risks and prices. Market risk arises from the mismatch between assets and liabilities, both on and off balance sheet. Market risk includes funding, price and interest rate risk which are explained as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in raising funds at short notice to meet commitments associated with financial instruments. The Company monitors its liquidity daily, weekly and monthly and maintains appropriate liquid assets and committed bank funding facilities to meet all obligations in a timely and cost efficient manner. Management of liquidity risk is designed to ensure that the Company has the ability to meet financial obligations as they fall due.

The objectives of the Company's funding and liquidity policy is to:

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios, at lowest cost; and
- achieve sustainable, lowest-cost funding within the limitations of funding diversification requirements.

The Company monitors this risk by forecasting daily cash requirements and ensuring an adequate liquidity buffer is maintained of readily realisable investments and committed wholesale funding facilities.

Price and Interest Rate Risk

Price risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may reprice at a different time and / or by a different amount than financial liabilities.

This risk is managed by setting control limits on the present value amount of interest margin at risk and through monthly monitoring of this risk using an interest rate gap approach. When required to limit interest rate risk within policy, the Company uses interest rate hedging instruments including interest rate swaps.

Funding Risk

Funding risk is the risk of over-reliance on a funding source to the extent that a charge in that funding source could increase overall funding costs or cause difficulty in raising funds. The Company has a policy of funding diversification. The funding policy augments the Company's liquidity policy with its aim to ensure the Company has a stable diversified funding base without over-reliance on any one market sector.

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. The Company may enter into derivative transactions including interest rate swaps, forward rate agreement, futures, options and combinations of these instruments.

Sensitivity Analysis

The sensitivity of net profit after tax for the period to 31 December 2007, and shareholders equity at that date, to reasonably possible changes in conditions is as follows:

	Interest Rates Increase By 100 basis points $000	**Interest Rates Decrease By 100 basis points $000**
Impact on net profit after tax	388	(388)
Members' equity	162	(158)

The stress test uses the existing balance sheet interest rate mismatch against the cumulative mismatch between repricing assets and liabilities out from one to five years. Other market risks such as funding, pricing and liquidity are not considered likely to lead to material change over the next reporting period. For this reason sensitivity analysis of these market risks is not included.

(a) Interest Rate Repricing Schedule

The following tables include the Company's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2007

	Effective Interest Rate %	Within 6 months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Non Interest Bearing $000	Total $000
Assets								
Cash and cash equivalents		536	-	-	-	-	-	536
Derivative financial instruments		58,050	(18,900)	(33,150)	(6,000)	-	960	960
Amounts due from group entities	7.85%	8,264	-	-	-	-	-	8,264
Trade and other Receivables							1,653	1,653
Loans and receivables	11.2%	284,915	68,612	75,435	20,693	-	-	449,655
Total financial assets		351,765	49,712	42,285	14,693	-	2,613	461,068
Liabilities								
Deposits and other borrowings	8.33%	85,572	-	-	-	-	-	85,572
Derivative financial instruments		82,516	(12,000)	(25,500)	(45,016)	-	2,357	2,357
Trade and other payables		-	-	-	-	-	614	614
Tax payable		-	-	-	-	-	2,703	2,703
Debentures - secured	8.63%	74,356	63,273	14,056	640	-	-	152,325
Bonds	9.06%	-	-	20,000	24,596	-	-	44,596
Bank loans - secured	8.65%	125,000	-	-	-	-	-	125,000
Total financial liabilities		367,444	51,273	8,556	(19,780)	-	5,674	413,167

As at 31 December 2006

	Effective Interest Rate %	Within 6 months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Non Interest Bearing $000	Total $000
Assets								
Derivative financial instruments							339	339
Amounts due from group entities	7.85%	1,723	-	-	-	-	-	1,723
Trade and other Receivables							1,681	1,681
Loans and receivables	10.41%	188,556	25,674	55,285	83,784	5,374	-	358,673
Total financial assets		190,279	25,674	55,285	83,784	5,374	2,020	362,416
Liabilities								
Bank overdraft		-	-	-	-	-	567	567
Deposits and other borrowings	7.41%	85,830						85,830
Derivative financial instruments		(1,016)	(15,450)	(4,850)	21,316	-	1,769	1,769
Trade and other payables		-	-	-	-	-	917	917
Tax payable		-	-	-	-	-	1,371	1,371
Debentures - secured	7.41%	62,722	44,932	18,933	7,107	-	-	133,694
Bonds	9.06%	-	-	-	44,287	-	-	44,287
Bank loans - secured	7.65%	52,000	-	-	-	-	-	52,000
Total financial liabilities		199,536	29,482	14,083	72,710	-	4,624	320,435

(b) Maturity Analysis

The following tables analyse the Company assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Deposits include substantial customer savings deposits and cheque accounts, which are at call. History demonstrates that such accounts provide a stable source of long term funding for the Company.

As at 31 December 2007

	Within 6 months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Not Specified $000	Total $000
Assets							
Cash and cash equivalents	536	-	-	-	-	-	536
Derivative financial instruments	1	210	704	45	-	-	960
Amounts due from group entities	8,264	-	-	-	-	-	8,264
Trade and other Receivables	1,653	-	-	-	-	-	1,653
Loans and receivables	117,222	117,399	143,963	71,071	-	-	449,655
Total financial assets	**127,676**	**117,609**	**144,667**	**71,116**	**-**	**-**	**461,068**
Liabilities							
Deposits and other borrowings	85,572	-	-	-	-	-	85,572
Derivative financial instruments	282	936	1,139	-	-	-	2,357
Trade and other payables	614	-	-	-	-	-	614
Tax payable	-	-	2,703	-	-	-	2,703
Debentures - secured	74,356	63,273	14,056	640	-	-	152,325
Bonds	-	-	20,000	24,596		-	44,596
Bank loans - secured	-	-	-	125,000	-	-	125,000
Total financial liabilities	**160,824**	**64,209**	**37,898**	**150,236**	**-**	**-**	**413,167**
Undrawn Bank loans	55,000						55,000
Undrawn facility from Parent Company	30,300						30,300
	85,300						85,300

As at 31 December 2006

	Within 6 months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Not Specified $000	Total $000
Financial assets							
Derivative financial instruments	-	-	-	-	-	339	339
Amounts due from group entities	1,723	-	-	-	-	-	1,723
Loans and receivables	224,326	25,674	55,285	83,784	5,374	-	394,443
Total financial assets	**226,049**	**25,674**	**55,285**	**83,784**	**5,374**	**339**	**396,505**
Financial liabilities							
Deposits and other borrowings	85,830						85,830
Cash and cash equivalents	567	-	-	-	-	-	567
Derivative financial instruments	-	-	-	-	-	1,769	1,769
Trade and other payables	917	-	-	-	-	-	917
Tax payable	-	-	-	-	-	1,371	1,371
Debentures - secured	62,722	44,932	18,933	7,107	-	-	133,694
Bonds	-	-	-	44,287	-	-	44,287
Bank loans - secured	52,000	-	-	-	-	-	52,000
Total financial liabilities	**202,036**	**44,932**	**18,933**	**51,394**	**-**	**3,140**	**320,435**
Undrawn Bank loans	73,000						
Undrawn facility from Parent Company	30,300						
	103,300						

(c) Accounting classifications and fair values

The tables below set out the Company's classification of each class of financial assets and liabilities, and their fair values.

Interest rates used for determining fair value

	2007	2006
Loans and receivables	10%	10%
Deposits and other borrowings	10%	10%
Debentures - secured	10%	10%
Bonds	10%	10%

31-Dec-07

	Designated at Fair Value	Loans and receivables	Other amortised cost	Total Carrying Amount $000	Fair Value $000
Assets					
Cash and cash equivalents	-	536	-	536	536
Derivative financial instruments held for risk managei	960	-	-	960	960
Amounts due from group entities	-	8,264	-	8,264	8,264
Loans and receivables	-	449,655	-	449,655	399,458
	960	458,455	-	459,415	409,218
Liabilities					
Bank overdraft				-	-
Deposits and other borrowings	-	-	85,572	85,572	83,557
Derivative financial instruments held for risk managei	2,357	-	-	2,357	2,357
Trade and other payables	-	-	614	614	614
Tax payable	-	-	2,703	2,703	2,703
Debentures - secured	-	-	152,325	152,325	144,155
Bonds	-	-	44,596	44,596	34,955
Bank loans - secured	-	-	125,000	125,000	125,000
	2,357	-	410,810	413,167	393,341

31-Dec-06

	Trading	Loans and receivables	Other amortised cost	Carrying Amount $000	Fair Value $000
Assets					
Cash and cash equivalents				-	
Derivative financial instruments	339	-	-	339	339
Amounts due from group entities	-	1,723	-	1,723	1,723
Loans and receivables	-	358,673	-	358,673	354,223
	339	360,396	-	360,735	356,285
Liabilities					
Bank overdraft	-	-	567	567	567
Deposits and other borrowings	-	-	85,830	85,830	83,809
Derivative financial instruments held for risk managei	1,769	-	-	1,769	1,769
Trade and other payables	-	-	917	917	917
Tax payable	-	-	1,371	1,371	1,371
Debentures - secured	-	-	133,694	133,694	124,579
Bonds	-	-	44,287	44,287	31,725
Bank loans - secured	-	-	52,000	52,000	52,000
	1,769	-	318,666	320,435	296,737

The fair value of loans and advances are calculated using discounted cash flow models based on the interest rate re-pricing and maturity of the financial assets. Discount rates applied in this calculation are based on current market interest rates for Loans and Advances with similar credit profiles. The fair value of investment in securities is based on quoted market prices, where available, or calculated using discounted cash flows models based on current market rates. The fair value of all financial liabilities is calculated using discounted cash flow models based on the interest rate re-pricing and maturity of the instruments. The discount rate applied in this calculation is based on current market rates.

Geographical Distribution of Loans and Receivables

	(Audited) Six Months Ended 31 December 2007 $000	(Unaudited) Six Months Ended 31 December 2006 $000
(a) Loans and Receivables		
Auckland/Northland	18,819	10,817
King Country/Bay of Plenty/Waikato	36,167	30,313
Hawkes Bay/Gisborne	22,489	20,642
Taranaki/Manawatu	22,214	8,329
Wairarapa	9,667	5,635
Nelson/Marlborough	21,192	21,283
Canterbury	143,781	113,425
Southland/Otago	179,549	148,229
	453,878	358,673

(b) Concentration of Funding

The majority of company funding is from within New Zealand

Customer industry concentration of funding		
Retail investors	282,493	263,811
Wholesale investors	125,000	52,567
	407,493	316,378

Product concentration of funding		
Bank Overdraft	-	567
Deposits and other borrowings	85,572	85,830
Debentures - secured	152,325	133,694
Bonds	44,596	44,287
Bank loans - secured	125,000	52,000
	407,493	316,378

Geographical Distribution of Deposits and other borrowings, Debentures - secured and Bonds.

Auckland/Northland	14,444	14,714
King Country/Bay of Plenty/Waikato	30,572	25,777
Hawkes Bay/Gisborne	16,729	13,657
Taranaki/Manawatu	6,979	4,551
Wairarapa	7,647	6,985
Nelson/Marlborough	16,706	17,227
Canterbury	109,366	105,881
Southland/Otago	79,866	74,836
Overseas	184	183
	282,493	263,811

(c) Concentration of Credit Exposures

Credit risk is the risk of loan defaults. Collateral is obtained, where necessary, by the Company to cover credit risk exposures and such collateral includes properties, deposits, livestock, shares and other assets.

The Company is selective in targeting credit risk exposures and avoids exposures to any high risk area. Before approving a loan, the Company generally undertakes an independent credit check, seeks an asset valuation where appropriate and assesses the customer's capacity to make repayments, their financial position and their credit history with the company. Following any loan approval, the Company regularly monitors loan repayment arrears, takes prompt action to address arrears/default situations and takes fair but firm action to realise securities and minimise losses in the event of default.

All credit risks are within New Zealand.

	31 Dec 2007 $000	31 Dec 2006 $000
Registered banks	1,496	339
Group entities	8,264	1,723
Rural property and farms	449,190	358,673
Loans for share purchases	465	-
	459,415	360,735

Financial assets are presented at their carrying values.

	31 Dec 2007 *$000*	31 Dec 2006 *$000*
Concentration of Credit Exposures to Individual Counterparties		
Amount owing by 10 largest borrowers	84,005	75,878
As a % of gross loans and receivables	19%	21%
As a % of total equity	172%	176%
% of shareholders' funds		
10% to 19%	5	-
20% to 29%	3	2
30% to 39%	2	-
40% to 49%	-	1
50% to 59%	-	-
60% to 69%		1

The above tables have been complied using gross exposures and do not include any guarantee arrangements.

Exposure to Credit Risk
The carrying amount of financial assets represents the maximum credit exposure. The Company's material credit risk arises from loans and advances. The maximum exposure to credit risk on loans and advances at the reporting date was:

	Limit $000	Balance $000	Loan to Security Value Ratio %
First mortgage	377,266	351,024	44.24%
Second mortgage	32,827	26,406	58.81%
First General Security Agreement	79,925	58,998	58.05%
Other security	12,681	10,219	87.18%
Unsecured	12,033	8,716	
	514,732	**455,363**	**47.80%**

24 Reconciliation of Profit After Taxation with Net Cash Flow from Operating Activities

	(Audited) Six Months Ended 31 December 2007 *$000*	(Unaudited) Six Months Ended 31 December 2006 *$000*
Profit after taxation	**2,566**	**2,149**
Add/(deduct) non-cash items:		
Amortisation of Intanginbles	38	39
Bad debts written off (net)	-	330
Derivatives held for risk management	(22)	228
Increase/(decrease) in provision for doubtful debts	-	(754)
(Increase)/decrease in deferred taxation	(62)	249
	(46)	**92**
Add/(deduct) movement in working capital items:		
(Increase)/decrease in other receivables and prepayments	1	(112)
(Increase)/decrease in Trade and other Receivables	(406)	-
(Increase)/decrease in derivative assets held for risk management	(200)	(304)
Increase/(decrease) in derivative liabilities held for risk management	(129)	1,119
Increase/(decrease) in accruals and other liabilities	241	(1,513)
Increase/(decrease) in income tax payable	356	1,293
	(137)	**483**
Net cash flow from operating activities	**2,383**	**2,724**

25 Commitments

Credit related commitments:		
Commitments to extend credit	59,369	29,909

26 Related Party Transactions

Parent and ultimate controlling party

The immediate parent and ultimate controlling party of the Company is PGG Wrightson Ltd.

Key management personnel compensation

The compensation of the directors and executives, being the key management personnel of the Company paid on it's behalf by the parent Company is set out below:

	(Audited) Six Months Ended 31 December 2007	(Unaudited) Six Months Ended 31 December 2006
	$000	*$000*
- Current	180	180

The aggregate value of interest and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

	Interest Transaction Value		Balance outstanding	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	$000	$000	$000	$000
Craig Norgate and Baird McConnon				
Deposits and other borrowings	53	-	1,250	-
Baird McConnon				
Debentures - secured	13	-	500	-
Bonds	26	26	500	500
Brian Jolliffe				
Debentures - secured	3	3	60	60
Sir Selwyn Cushing				
Deposits and other borrowings	46	46	1,000	1,000

The Company has entered into certain transactions with its Parent company PGG Wrightson Limited as disclosed in note 19.

27 Contingent Liabilities

There were no contingent liabilities at balance date (31 December 2006: Nil).

28 Events Subsequent to Balance Date

There were no significant events subsequent to balance date (31 December 2006: Nil).

29 Transition to NZ IFRS

These are the Company's first interim financial statements prepared in accordance with NZ IFRS.

The accounting policies set out in the notes to the financial statements have been applied in preparing financial statements for the six month period ended 31 December 2007, the comparative information for the six months ended 31 December 2006, the financial statements for the year ended 30 June 2007 and in the preparation of an opening NZ IFRS balance sheet as at 1 July 2006, the Company's date of transition.

In preparing its opening NZ IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previously GAAP). An explanation of how the transition from previous GAAP to NZ IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that follow the tables.

Impacts of the Adoption of New Zealand Equivalents to International Financial Reporting Standards

Effect of NZ IFRS on the balance sheet as at 1 July 2006

	Note	Previous NZ FRS	Effect of Transition to NZ IFRS	NZ IFRS
		$000	*$000*	*$000*
EQUITY				
Share capital		14,000	-	14,000
Retained earnings		17,623	-	17,623
Reserves	c	-	(412)	(412)
Total equity		31,623	(412)	31,211
LIABILITIES				
Deposits and other borrowings		206,045	-	206,045
Derivative financial instruments	c	-	650	650
Trade and other payables		1,614	-	1,614
Amounts due to group entities		49,578	-	49,578
Tax payable		78	-	78
Bonds	b	45,216	(1,083)	44,133
Total liabilities		302,531	(433)	302,098
Total liabilities and equity		334,154	(845)	333,309
ASSETS				
Cash and cash equivalents		1,469	-	1,469
Derivative financial instruments	c	-	35	35
Loans and receivables	b	331,809	(1,083)	330,726
Property plant and equipment	a	284	(284)	-
Intangible assets	a	-	284	284
Deferred tax asset		592	203	795
Total assets		334,154	(845)	333,309

-

Effect of NZ IFRS on the income statement for the period ended 31 December 2006

	Note	Previous NZ FRS	Effect of Transition to NZ IFRS	NZ IFRS
		$000	*$000*	*$000*
Interest income	b	18,284	44	18,328
Interest expense	b	(11,672)	(155)	(11,827)
Net interest income		6,612	(111)	6,501
Other operating income	b	44	(44)	-
Total revenue from trading activities		**6,656**	**(155)**	**6,501**
Net income/(loss) from derivative financial instruments		-	(228)	(228)
Operating expenses	b	2,737	(155)	2,582
Profit from continuing operations before income tax		3,919	(228)	3,691
Income tax expense		(1,293)	(249)	(1,542)
Profit for the period		**2,626**	**(477)**	**2,149**

Effect of NZ IFRS on the balance sheet as at 31 December 2006

	Note	Previous NZ FRS	Effect of Transition to NZ IFRS	NZ IFRS
		$000	*$000*	*$000*
EQUITY				
Share capital		24,000	-	24,000
Retained earnings		20,249	(477)	19,772
Reserves	c	-	(730)	(730)
Total equity		44,249	(1,207)	43,042
LIABILITIES				
Cash and cash equivalents		567	-	567
Deposits and other borrowings		85,830	-	85,830
Derivative financial instruments	c	-	1,769	1,769
Trade and other payables		917	-	917
Tax payable		1,371	-	1,371
Debentures - secured		133,694	-	133,694
Bonds	b	45,216	(929)	44,287
Bank loans - secured		52,000	-	52,000
Total liabilities		**319,595**	**840**	**320,435**
Total liabilities and equity		**363,844**	**(367)**	**363,477**
ASSETS				
Derivative financial instruments	c	-	339	339
Amounts due from group entities		1,723	-	1,723
Loans and receivables	b	361,283	(929)	360,354
Property plant and equipment	a	246	(246)	-
Intangible assets	a	-	246	246
Deferred tax asset		592	223	815
Total assets		**363,844**	**(367)**	**363,477**

Effect of NZ IFRS on the income statement for the year ended 30 June 2007

	Note	Previous NZ FRS $000	Effect of Transition to NZ IFRS $000	NZ IFRS $000
Interest income	b	37,779	98	37,877
Interest expense	b	(24,755)	(309)	(25,064)
Net interest income		13,024	(211)	12,813
Other operating income	b	98	(98)	-
Total revenue from trading activities		**13,122**	**(309)**	**12,813**
Net income/(loss) from derivative financial instruments			(207)	(207)
Operating expenses	b	4,676	(309)	4,367
Profit from continuing operations before income tax		8,446	(516)	8,239
Income tax expense	d	(2,787)		(2,787)
Profit for the period		**5,659**	**(516)**	**5,452**

Effect of NZ IFRS on the balance sheet as at 30 June 2007

	Note	Previous NZ FRS $000	Effect of Transition to NZ IFRS $000	NZ IFRS $000
EQUITY				
Share capital		24,000	-	24,000
Retained earnings		17,782	(207)	17,575
Reserves	c	-	(950)	(950)
Total equity		**41,782**	**(1,157)**	**40,625**
LIABILITIES				
Cash and cash equivalents		475	-	475
Deposits and other borrowings		96,335	-	96,335
Derivative financial instruments	c	-	2,486	2,486
Trade and other payables		702	-	702
Tax payable		2,330	17	2,347
Debentures - secured		136,854	-	136,854
Bonds	b	45,216	(774)	44,442
Bank loans - secured		74,000	-	74,000
Total liabilities		355,912	1,729	357,641
Total liabilities and equity		**397,694**	**572**	**398,266**
ASSETS				
Derivative financial instruments	c	-	760	760
Amounts due from group entities		742	-	742
Trade and other receivables		1,247	-	1,247
Loans and receivables	b	394,443	-	394,443
Capitalised bond costs	b	774	(774)	-
Property plant and equipment	a	208	(208)	-
Intangible assets	a	-	208	208
Deferred tax asset		280	586	866
Total assets		**397,694**	**572**	**398,266**

(a) Intangible Assets

Under the requirements of NZ IFRS computer software that was previously presented as property, plant and equipment has now been reclassified to intangible assets. The reclassification has no impact on the reported ner assets of the Company.

(b) Deferred Fee Income/Expense

Under previous NZ GAAP, fee income and transaction costs were recognised immediately in the income statement.

Under the NZ IFRS directly attributable fee income and transaction costs will be amortised over the expected life of the loan using the effective interest rate.

The effective interest rate method is a method of calculating amortised cost of a financial asset or financial liability and of allocating fee income and fee expense over the relevant period.

The effect of this change is that certain transaction income and costs that were previously recognised under superseded NZ GAAP are now capitalised to the balance sheet and deferred over the life of the loan. All fee income and expense amortised using the effective interest rate is also presented as part of interest (income or expense). This has resulted in bond costs being included in the carrying value of the financial liability on an effective interest rate, rather than at straight line through the profit and loss but the financial impact has been minimal. There is also a reclassification from fee income / expense under previous NZ GAAP.

(c) Financial Instruments

In accordance with NZIFRS, all derivative financial instruments have been recognised as assets or liabilities at fair value. The measurement of all derivatives at fair value has created a hedge reserve of $ 412,000, Company assets of $35,000 and liabilities of $650,000 at transition on 1 July 2006.

The impact of the adoption of fair value accounting for derivatives in the comparative period ended 31 December 2006, has been to increase the hedge reserve by $ 318,000. Fair value accounting resulted in and the recognition of Derivative assets held for risk management of $339,000 and recognition of Derivative liabilities held for risk management of $ 1,769,000 as at 31 December 2006. The fair value losses on ineffective hedges of $228,000 was recored in the profit and loss.

The impact of the adoption of fair value accounting for derivatives in the year ended 30 June 2007, has been to increase the hedge reserve by $ 220,000. Fair value accounting resulted in and the recognition of Derivative assets held for risk management of $760,000 and recognition of Derivative liabilities held for risk management of $ 2,486,000 as at 31 December 2006. The fair value losses on ineffective hedges of $207,000 was recorded in the profit and loss.

(d) Deferred Tax

The measurement of all derivatives at fair value has created a deferred tax asset recognised directly to equity of $ 203,000 at 1 July 2006

In the year ended 30 June 2007 an additional $ 367,000 (from 1 July 2006) was recognised for deferred tax on financial instruments directly in equity; inclusive of $98,000 in the six month period to 31 December 2006, bringing the total IFRS adjustment related to deferred tax on financial instruments recognised directly in equity at 30 June 2007 to $ 570,000.