Pyne Gould Corporation

Pyne Gould Corporation Limited.

Annual Report 2011

Pyne Gould Corporation Limited
2011 Annual Report

In Memoriam.

Pyne Gould Corporation would like to acknowledge the impact of the massive 22 February 2011 earthquake which destroyed the PGC building in Christchurch, resulting in the deaths of 14 of our own people and causing injuries, some very severe, to many more.

The PGC team members who died as a result of the February earthquake were:

Jane-Marie Alberts
Helen Chambers
Patrick Coupe
Estelle Cullen
Adam Fisher
Amanda Hooper
Catherine Lunney
Kelly Maynard
Adrienne Meredith
Blair O'Connor
John O'Connor
Emma Shaharudin
Michael Styant
Julie Wong

To lose so many valued friends and colleagues from our tight-knit team in the Christchurch office was a tragedy in every sense. In the period since, we have worked hard with our team and the families of the deceased and the injured to assist them in dealing with, and recovering from, this disaster. They are showing tremendous courage and fortitude, as is the entire Canterbury region.

It has been a very difficult period for our Christchurch team in particular, and the entire PGC team. The Company extends our deepest sympathies and condolences to everyone who has been affected by the devastating Christchurch earthquake.

Bryan Mogridge
Chairman

Contents.

Financial Calendar.

30 **June 2011**
Year-end

16 **September 2011**
2011 year-end results announcement

30 **September 2011**
2011 Annual Report mailed

01 **November 2011**
Annual meeting

29 **February 2012**
Half-yearly results announcement for 2012

Company Report.

Dear Shareholders,

On behalf of the Board, please find the full year report for Pyne Gould Corporation Limited for the financial year ending June 30, 2011.

Posting a loss of $141.1 million after tax, while understandable, is not acceptable to the Board. Ongoing analysis of the controllable reasons behind this result will be used as a basis for improved future performance.

This loss occurred as a result of:

1. **Accounting losses of $114.2 million, arising from:**

   - Adjustment to market value for PGC's holding in Heartland New Zealand Limited (Heartland) when distributed to shareholders in-specie – $52.9m
   - Adjustment of the PGC's holding in PGG Wrightson Limited (PGW) to market – $37.3m
   - Removal of tax losses no longer able to be carried within the balance sheet – $14.7m
   - Provisions of $9.3m for the Real Estate Credit Limited management agreement with Heartland.

2. **Trading losses of $26.9 million, arising from:**

   - $16.5m of costs associated with the repair, restructure and group operating costs of PGC. (This is anticipated to not exceed $3m for the 2012 fiscal year.)
   - Impaired assets expense of $26.1m, of which $15.0m relates to the ex-MARAC property book.
   - These costs being offset by profits from the Heartland business since the in-specie of $12.5m, and our continuing wealth management business profit of $3.2m.

The past year saw the completion of the second phase of the three stage process, begun in 2009, for the reconstruction of PGC following the devastating impact of the global financial crisis upon the business. The first phase involved the recapitalisation and stabilisation of PGC. The second phase saw the separation of the financial service business suitably enhanced in size and skills in order to be positioned and capable of successfully applying for a banking licence. The third phase is to grow PGC's remaining wealth management businesses around a solid Australasian base.

That third phase – PGC's future – is now upon us, and, while markets are still very volatile, we are confident that we have the key resources largely in place for steady growth.

Comment about the past year cannot pass without sombre reflection upon the dreadful impact of the February 22nd earthquake on our offices in Christchurch. The loss of 14 wonderful people – 4 from MARAC and 10 from Perpetual – will be with us and their families forever. Ten people were seriously injured, some of whom have been able to return to work. The Board is humbled by the efforts and energy of all those who assisted our company in rebuilding from this terrible event. The earthquake has changed lives forever and our hearts go out to those directly and indirectly affected.

On the 4th of August this year, a former CEO and Board member, Richard Elworthy, died after a six year fight with cancer. Richard's integrity and contribution to PGC was significant. While deeply missed, he will be remembered as the key person who directed the very successful reshaping of PGC during the 1990s and early 2000s.

With this year behind us, the challenge now for the Board is to use the remaining balance sheet and resources of the team to successfully grow the firm such that shareholders may be adequately rewarded for their capital and patience.

This may take some time but shareholders can be assured that the directors are very determined to grow a profitable and successful business for the long term. We expect a modest trading profit from the 2012 financial year.

I look forward to addressing you at the Annual Shareholders' Meeting on November 1st and presenting more detail about the Board's strategies.

Yours sincerely,

Bryan W Mogridge
Chairman

Board of Directors.

Bryan Mogridge.

B Sc
Chairman – Independent Director

Bryan held chief executive and senior management positions for 20 years and has been a director of NZSX-listed companies since 1984. He became a director of MARAC Finance Limited in 1993, was appointed to the PGC Board in 2003, and appointed Chairman in May 2011.

Bruce Irvine.

B Com, LLB, FCA, AF Inst D, FNZIM
Independent Director

Bruce is a professional director and formerly a partner in the Christchurch office of Deloitte. He was a director of Perpetual Trust Limited from September 1996 to June 2010, and was appointed to the PGC Board in 2003. Bruce was Chairman of the Company from March 2010 to May 2011.

George Kerr.

B Com
Non-Independent Director

George has spent his career in financial services and was previously Chairman of Brook Asset Management Limited and Head of Investments at Sterling Grace Portfolio Management Group Limited. He was appointed to the PGC Board in August 2008.

George's great-great grandfather was FH Pyne who started Pyne & Co, one of the three founding companies of Pyne Gould Guinness Ltd.

John Duncan.

BBS, ACA
Managing Director – Non-Independent Director

John was appointed Managing Director in May 2011. He was previously Chief Executive Officer of Perpetual Group Limited. John was formerly an Executive Director of Macquarie Group where he had a 15 year investment banking career in the Asia and Pacific region and Europe.

Retired Directors

George Gould
Resigned 31 January 2011
Jeffrey Greenslade
Resigned 30 May 2011

Corporate Governance.

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

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

This governance statement outlines the main corporate governance practices as at 16 September 2011. During the year the Board reviewed and assessed the Company's governance structure and implemented a number of changes to ensure that it is consistent with best practice.

The Board considers it has complied with the NZX Corporate Governance Best Practice Code for the year ended 30 June 2011.

This section of the Annual Report reflects the requirements of the New Zealand Securities Commission's Governance Principles and Guidelines.

The Company's Constitution plus Board and Committee charters are available to view on the Company's website www.pgc.co.nz.

Principle 1 – Ethical Standards

PGC expects its directors and staff to at all times act honestly and in good faith, and in the best interests of the Company. They must act with the care, diligence and skill expected of a director or staff member of a Company that has shares that are publicly traded on the NZX. Directors and staff are required to act honestly and fairly in all dealings with the Company's shareholders, investors, clients and service providers.

Each director and staff member has an obligation, at all times, to comply with the spirit as well as the letter of the law, to comply with the principles of the Company's Corporate Governance Code and the Constitution of the Company and to exhibit a high standard of ethical behaviour.

The Company's Code of Conduct covers, amongst other things:

- Receipt and use of Company assets and property
- Receipt and use of Company information
- Conflicts of interest
- Buying and selling Company shares.

All directors and officers of the Company are required to obtain prior consent before buying or selling shares in the Company and to certify that their decision to buy or sell shares has not been made on the basis of inside information.

Principle 2 – Board Composition and Performance

Role of the Board

The Board of Directors is responsible for corporate governance and the Company's overall direction. The Board establishes objectives, strategies and an overall policy framework within which the business is conducted.

Day-to-day management is delegated to the Managing Director. The Board regularly monitors and reviews management's performance in carrying out their delegated duties.

The Board schedules 12 monthly meetings. In the current year, however, with the merger of MARAC Finance and the distribution of shares held in Building Society Holdings to shareholders, the Board met 17 times in total during the year.

Board Membership, Size and Composition

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

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

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

At each annual meeting, one-third of the directors retire from office by rotation. If they wish to continue they may stand for re-election.

Bruce Irvine is standing for re-election at this year's annual meeting, and John Duncan is standing for election.

Corporate Governance.

(continued)

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

The Board has determined that Bryan Mogridge and Bruce Irvine are independent directors. John Duncan, as Managing Director and George Kerr as a substantial security holder in the Company are non-independent directors.

Board Performance Assessment
The Board undertakes a regular review of the Board's, the Board committees' and individual directors' performance. This is to ensure it has the right composition and appropriate skills, qualifications, experience and background to effectively govern the Company and monitor the Company's performance in the interests of shareholders.

Principle 3 – Board Committees

Board Committees
The Board has two permanently constituted committees to assist the Board by working with management in specific areas of responsibility and then reporting their findings and recommendations back to the Board. Each of these committees has terms of reference which set out the committees' objectives, membership, procedures and responsibilities. Details are available on the Company's website.

Other ad hoc Board committees are established for specific purposes from time to time.

Audit and Risk Committee
The role of the Audit and Risk Committee is to assist the Board in:

- Discharging its financial reporting and regulatory responsibilities
- Ensuring that the ability and independence of the external auditor to carry out its statutory audit role is not impaired
- Maintaining effective internal audit and internal control systems
- Overseeing the Company's risk profile
- Approving the risk management framework within the context of the risk-reward strategy determined by the Board.

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

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

- Oversee a formal and transparent method of recommending director remuneration to shareholders
- Assist the Board in establishing remuneration policies and practices for the Company and in discharging its responsibilities for reviewing and setting the remuneration of the Managing Director and his direct reports
- Assist the Board in reviewing the Board's composition and the competencies required of prospective directors, identifying prospective directors, developing succession plans for the Board and making recommendations to the Board accordingly.

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

Members of the Corporate Trust Board are Sam Maling (Chairman), Euan Abernethy and Keith Rushbrook.

Principle 4 – Reporting and Disclosures

The Board is committed to ensuring the highest standards are maintained in financial reporting, and disclosure of all relevant information.

The Audit Committee oversees the quality and timeliness of all financial reports, including all Prospectuses issued by group companies.

Principle 5 – Remuneration

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

The Company's policy is to pay directors fees in cash. There is no requirement for directors to take a portion of their remuneration in shares and there is no requirement for directors to hold shares in the Company although all directors do so.

For senior executives the objective is to provide competitive remuneration that aligns the executive's remuneration with shareholder value and rewards the achievement of the Company's strategies and business plans.

All senior executives receive a base salary and selected executives are also on incentive plans under which they are rewarded for achieving key performance and operating results.

Principle 6 – Risk Management

The Board ensures that the Company has processes in place to identify and manage risk in the business. The three main types of risk identified are operational risk, business and market risks. Specific risk management strategies have been developed for each of these.

The Company also has in place insurance cover for insurable liability and general business risk.

Principle 7 – Auditors

The Audit and Risk Committee is responsible for overseeing the external, independent audit of the Company's financial statements and Prospectuses. The Committee ensures that the level of non-audit work undertaken by the auditors does not result in their independence being jeopardised.

The Company also has an internal audit function which is independent of the external auditors. The Committee approves the annual audit programme which is developed in consultation with management.

Principle 8 – Shareholder Relations

The Board is committed to maintaining a full and open dialogue with all shareholders.

The Company is well aware of and appreciative of the number of shareholders who have supported the Company over many years and have other relationships with the Company.

Principle 9 – Stakeholder Interests

The Board is committed to ensuring positive outcomes for all stakeholders, be they shareholders, clients, service providers, staff and the general public.

Financial Statements.

For the year ended 30 June 2011

Directors' Responsibility Statement.

The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2011 and the financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Group and 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 Group and the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Board of Directors of Pyne Gould Corporation Limited authorised the financial statements set out on pages 15 to 53 for issue on 16 September 2011.

For and on behalf of the Board

BW Mogridge
Director

J Duncan
Managing Director

16 September 2011

Statements of Comprehensive Income

For the year ended 30 June 2011

		GROUP		HOLDING COMPANY	
	NOTE	2011 $000	2010 $000	2011 $000	2010 $000
Continuing operations					
Interest income	5	1,661	3,641	104	694
Interest expense	5	3,517	492	69	476
Net interest income / (expense)		**(1,856)**	**3,149**	**35**	**218**
Dividend income		-	1,365	-	1,000
Fee and other income	6	23,518	30,949	2,669	7,228
Net operating income		**21,662**	**35,463**	**2,704**	**8,446**
Selling and administration expenses	7	33,598	24,989	12,007	7,694
Impaired asset expense	8	26,121	8,065	1,533	-
MARAC management agreement provision	28	9,331	-	-	-
Operating (loss) / profit		**(47,388)**	**2,409**	**(10,836)**	**752**
Write-down investment in PGW	23	(37,317)	-	(37,317)	-
Share of equity accounted investees' profit		(1,215)	4,382	-	-
(Loss) / profit before income tax and underwrite		**(85,920)**	**6,791**	**(48,153)**	**752**
Underwriting benefit		-	-	-	85,000
(Loss) / profit before income tax		**(85,920)**	**6,791**	**(48,153)**	**85,752**
Income tax expense / (benefit)	10	10,662	(358)	380	25,052
(Loss) / profit from continuing operations		**(96,582)**	**7,149**	**(48,533)**	**60,700**
Discontinued operation					
In-specie loss on distribution of BSHL shares	39	(52,929)	-	(52,929)	-
Profit from discontinued operations, before income tax	39	12,490	20,893	-	-
Income tax expense	10	4,087	6,036	-	-
(Loss) / profit from discontinued operation		**(44,526)**	**14,857**	**(52,929)**	**-**
(Loss) / profit for the year		**(141,108)**	**22,006**	**(101,462)**	**60,700**
Other comprehensive income					
Cash flow hedges:					
Effective portion of changes in fair value, net of income tax		600	4,208	-	-
Share of associates' other comprehensive income, after tax	22	1,014	(1,818)	-	-
Reclassification of cash flow hedges to loss on distribution of BSHL shares		1,390	-	-	-
Total comprehensive income for the year		**(138,104)**	**24,396**	**(101,462)**	**60,700**
Profit attributable to:					
Owners of the Company		(141,108)	22,006	(101,462)	60,700
Non-controlling interests		-	-	-	-
(Loss) / profit for the year		**(141,108)**	**22,006**	**(101,462)**	**60,700**
Total comprehensive income attributable to:					
Owners of the Company		(138,104)	24,396	(101,462)	60,700
Non-controlling interests		-	-	-	-
Total comprehensive (loss) / income for the year		**(138,104)**	**24,396**	**(101,462)**	**60,700**
Earnings per share - continuing operations					
Basic earnings per share	13	-13c	0.01c	-	-
Diluted earnings per share	13	-13c	0.01c	-	-

The notes on pages 20 to 53 are an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 30 June 2011

	NOTE	Share Capital $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
2010 - GROUP					
Balance at 1 July 2009		**87,225**	**(6,198)**	**103,234**	**184,261**
Total comprehensive income for the year					
Profit for the year		-	-	22,006	22,006
Other comprehensive income					
Share of associates' other comprehensive income, after tax	22	-	-	(1,818)	(1,818)
Effective portion of changes in fair value of cash flow hedges, net of income tax		-	4,208	-	4,208
Total other comprehensive income		**-**	**4,208**	**(1,818)**	**2,390**
Total comprehensive income for the year		**-**	**4,208**	**20,188**	**24,396**
Contributions by and distributions to owners					
Capital raising proceeds	14	272,531	-	-	272,531
Transaction costs associated with capital raising		(14,567)	-	-	(14,567)
Total transactions with owners		**257,964**	**-**	**-**	**257,964**
Balance at 30 June 2010		**345,189**	**(1,990)**	**123,422**	**466,621**
2011 - GROUP					
Balance at 1 July 2010		**345,189**	**(1,990)**	**123,422**	**466,621**
Total comprehensive income for the year					
Loss for the year		-	-	(141,108)	(141,108)
Other comprehensive income					
Share of associates' other comprehensive income, net of income tax	22	-	-	1,014	1,014
Effective portion of changes in fair value of cash flow hedges, net of income tax		-	600	-	600
Reclassification of cash flow hedges to loss on distribution of BSHL shares		-	1,390	-	1,390
Total other comprehensive income		**-**	**1,990**	**1,014**	**3,004**
Total comprehensive income for the year		**-**	**1,990**	**(140,094)**	**(138,104)**
Transactions with owners, recorded directly in equity					
Dividends to shareholders		-	-	(11,316)	(11,316)
In-specie distribution of BSHL shares	39	-	-	(185,009)	(185,009)
Director and staff share issues	14	1,535	-	-	1,535
Dividend reinvestment plan	14	11,316	-	-	11,316
Total transactions with owners		**12,851**	**-**	**(196,325)**	**(183,474)**
Balance at 30 June 2011		**358,040**	**-**	**(212,997)**	**145,043**

The notes on pages 20 to 53 are an integral part of these financial statements.

Statements of Changes in Equity (continued)

For the year ended 30 June 2011

	NOTE	Share Capital $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
2010 - HOLDING COMPANY					
Balance at 1 July 2009		**87,225**	**-**	**23,777**	**111,002**
Total comprehensive income for the year					
Profit for the year		-	-	60,700	60,700
Total comprehensive income for the year		**-**	**-**	**60,700**	**60,700**
Contributions by and distributions to owners					
Capital raising proceeds	14	272,531	-	-	272,531
Transaction costs associated with capital raising		(14,567)	-	-	(14,567)
Total transactions with owners		**257,964**	**-**	**-**	**257,964**
Balance at 30 June 2010		**345,189**	**-**	**84,477**	**429,666**
2011 - HOLDING COMPANY					
Balance at 1 July 2010		**345,189**	**-**	**84,477**	**429,666**
Total comprehensive income for the year					
Loss for the year		-	-	(101,462)	(101,462)
Total comprehensive income for the year		**-**	**-**	**(101,462)**	**(101,462)**
Transactions with owners, recorded directly in equity					
Dividends to shareholders		-	-	(11,316)	(11,316)
In-specie distribution of BSHL shares	39	-	-	(185,009)	(185,009)
Director and staff share issues	14	1,535	-	-	1,535
Dividend reinvestment plan	14	11,316	-	-	11,316
Total transactions with owners		**12,851**	**-**	**(196,325)**	**(183,474)**
Balance at 30 June 2011		**358,040**	**-**	**(213,310)**	**144,730**

The notes on pages 20 to 53 are an integral part of these financial statements.

Statements of Financial Position

As at 30 June 2011

		GROUP		HOLDING COMPANY	
		2011	2010	2011	2010
	NOTE	$000	$000	$000	$000
Assets					
Cash and cash equivalents	15	18,830	98,610	13,108	7,213
Finance receivables	16	11,130	1,140,035	-	-
Trade receivables		9,530	15,548	461	1,350
Assets held for sale	23	47,506	-	33,920	-
Operating lease vehicles	17	-	42,895	-	-
Investment property	18	39,760	41,838	-	-
Other assets	19	4,083	10,428	721	338
Other investments	20	33,644	30,250	-	-
Advances to subsidiaries	31	-	-	114,000	240,515
Deferred tax asset	21	2,700	23,978	-	300
Investment in associates	22	6,011	118,541	-	111,231
Investment in joint venture	24	-	2,124	-	-
Shares in subsidiaries		-	-	69,520	69,520
Intangible assets	25	13,292	37,040	-	1,900
Total assets		**186,486**	**1,561,287**	**231,730**	**432,367**
Liabilities					
Bank overdrafts	15	2,200	-	-	-
Borrowings	26	10,700	983,679	-	-
Current tax liability		-	4,217	-	11
Advances from subsidiaries	31	-	-	84,009	-
Other liabilities	27	19,212	106,761	2,991	2,681
Provisions	28	9,331	9	-	9
Total liabilities		**41,443**	**1,094,666**	**87,000**	**2,701**
Equity					
Share capital	14	358,040	345,189	358,040	345,189
Retained earnings and reserves		(212,997)	121,432	(213,310)	84,477
Total equity		**145,043**	**466,621**	**144,730**	**429,666**
Total equity and liabilities		**186,486**	**1,561,287**	**231,730**	**432,367**
Net tangible assets per share	14	60c	52c	-	-

The notes on pages 20 to 53 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 30 June 2011

		GROUP		HOLDING COMPANY	
	NOTE	2011 $000	2010 $000	2011 $000	2010 $000
Cash flows from operating activities					
Interest received		142,109	135,391	104	1,694
Rental and fees received from subsidiaries		-	-	2,689	1,500
Operating lease income received		13,667	14,604	-	-
Proceeds from sale of operating lease vehicles		14,765	12,377	-	-
Fees and other income received		27,614	14,467	890	628
Total cash provided from operating activities		**198,155**	**176,839**	**3,683**	**3,822**
Payments to suppliers and employees		71,228	39,264	11,420	6,748
Interest paid		92,783	91,084	69	485
Purchase of operating lease vehicles		17,194	20,014	-	-
Taxation paid		-	2,800	-	-
Net increase / decrease in intercompany balances		-	-	558	-
Total cash applied to operating activities		**181,205**	**153,162**	**12,047**	**7,233**
Net cash flows from / (applied to) operating activities	12	**16,950**	**23,677**	**(8,364)**	**(3,411)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		85	7,775	-	7,775
Proceeds from sale of investment in associates		41,092	-	39,994	-
Proceeds from staff share purchase schemes		151	-	151	-
Net decrease in finance receivables		(19,571)	80,201	-	-
Cash and equivalents acquired in a business combination		277,544	-	-	-
Total cash provided from investing activities		**299,301**	**87,976**	**40,145**	**7,775**
Net increase in advances to subsidiaries		-	-	27,414	200,334
Increase in investment in associates		-	36,096	-	33,074
Purchase of subsidiary, net of cash acquired		-	18,169	-	-
Net increase in other investments		17,920	20,199	-	-
Advance to staff share purchase schemes		-	5	-	5
Cash and equivalents disposed of on distribution of BSHL shares		263,197	85	-	-
Purchase of property, plant, equipment and intangible assets		19,051	1,374	7	303
Total cash applied to investing activities		**300,168**	**75,928**	**27,421**	**233,716**
Net cash flows from / (applied to) investing activities		**(867)**	**12,048**	**12,724**	**(225,941)**
Cash flows from financing activities					
Increase in share capital		1,535	272,531	1,535	272,531
Total cash provided from financing activities		**1,535**	**272,531**	**1,535**	**272,531**
Transaction costs associated with capital raising		-	14,567	-	14,567
Net decrease in borrowings		99,598	257,421	-	21,450
Total cash applied to financing activities		**99,598**	**271,988**	**-**	**36,017**
Net cash flows from / (applied to) financing activities		**(98,063)**	**543**	**1,535**	**236,514**
Net (decrease) / increase in cash and cash equivalents		**(81,980)**	**36,268**	**5,895**	**7,162**
Opening cash and cash equivalents		98,610	62,342	7,213	51
Closing cash and cash equivalents	15	**16,630**	**98,610**	**13,108**	**7,213**

The notes on pages 20 to 53 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2011

1 Reporting entity

The financial statements presented are the consolidated financial statements comprising Pyne Gould Corporation Limited ("the Holding Company" or "the Company") and its subsidiaries, joint ventures and associates ("the Group"). Reliance is placed on the Group continuing as a going concern.

All entities within the Group offer financial, trustee or asset management services. The Group operates and is predominantly domiciled in New Zealand. The registered office address is 305 Lincoln Road, Christchurch.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate to profit-oriented entities. The financial statements comply with International Financial Reporting Standards (IFRS).

The Company and all entities within the Group are profit-oriented entities. The Company is a reporting entity and an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Securities Regulations 2009.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Estimates and judgements

The preparation of financial statements requires the use of judgement, estimates and assumptions that effect reported amounts. Actual results may differ from these judgements. For further information about significant areas of estimation, uncertainty and critical judgements that have the most significant effect on the financial statements, refer to notes 20, 28 and 33.

3 Significant accounting policies

(a) Investments in subsidiary companies

Subsidiaries are entities controlled by the Group. Investments in subsidiary companies are recorded at cost by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(b) Loss of control

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

(c) Investments in associates and jointly controlled entities

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for by the Group using the equity method (equity accounted investees) and are recognised initially at cost. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Dividends received from associates and jointly controlled entities are recorded in profit or loss. The Company accounts for associates at cost with dividends received recorded in profit or loss.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(e) Interest

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

Interest on the effective portion of a derivative designated as a cash flow hedge is initially recognised in the hedging reserve. It is released to profit or loss at the same time as the hedged item or if the hedge relationship is subsequently deemed to be ineffective.

(f) Operating lease income and expense

Income 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.

Notes to the Financial Statements

For the year ended 30 June 2011

The estimated lives of operating lease vehicles vary up to 5 years. Vehicles held for sale are not depreciated but are tested for impairment.

(g) Fee and commission income

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

Performance management fees are recognised when it is probable that they will be received, and they can be reliably measured.

(h) Property, plant, equipment and depreciation

Land and buildings are recorded at cost less accumulated depreciation. Plant and equipment are recorded at cost less accumulated depreciation.

Property, plant and equipment other than land are depreciated on a straight line basis, at rates which will write off cost less estimated residual values over their estimated economic lives as follows:

Buildings	50 years
Plant and equipment	1-13 years

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash and liquid assets used in the day to day cash management of the Group. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

(j) Tax

Income tax expense for the period comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

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 recognised in respect of 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.

(k) Investment property

Investment properties have been acquired through the enforcement of security over finance receivables and are held to earn rental income or for capital appreciation (or both).

Investment property is initially recognised at its fair value, with subsequent changes in fair value recognised in profit or loss. Fair values are supported by independent valuations or other similar external evidence, adjusted for changes in market conditions and the time since the last valuation.

(l) 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.

(m) Other investments

Other investments consist of equity investments that do not have a quoted market price in an active market.

Other investments are carried at fair value, with fair value changes recognised in other comprehensive income, unless the Group has determined that the fair value cannot be reliably determined, refer to note 32 - Fair value.

If the fair value cannot be reliably determined, the investments are carried at cost. The Group will consider whether objective evidence exists that an impairment loss has been incurred on these assets, and provide for impairment losses in profit or loss as necessary.

(n) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, are remeasured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(o) Financial assets and liabilities

Recognition

The Group initially recognises finance receivables, 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 profit or loss) 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.

3 Significant accounting policies (continued)

(o) Financial assets and liabilities (continued)

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 Statement of Financial Position, 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 Statement of Financial Position. 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 investments	Available for sale
Other financial assets	Loans and receivables
Borrowings	Other liabilities at amortised cost
Other financial liabilities	Other liabilities at amortised cost
Derivatives	Fair value through profit and loss
Cash and cash equivalents	Loans and receivables

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings and trade and other payables.

Derivative financial instruments, including hedge accounting

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an on-going basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

Notes to the Financial Statements

For the year ended 30 June 2011

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

(p) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable net assets and contingent liabilities of the subsidiary. When the fair value of the identifiable net assets and contingent liabilities exceeds the cost of an acquisition, the resulting discount is recognised immediately in profit for the period. Goodwill is tested for impairment at least annually, and is carried at cost less accumulated impairment losses.

Identifiable intangible assets

Identifiable intangible assets include software, brands, licence, advisor books and management contracts. Identifiable intangible assets are recognised only where they have been acquired from a third party (either separately or as part of a business combination). They are initially recognised at cost, and subsequently tested for impairment and amortised over their useful lives. The estimated useful lives of the Group's intangible assets has been assessed as follows:

Advisor books	10 years
Software	3-4 years
Licences	5 years
Statutory right and brand	indefinite useful life
Management contracts	30 years

(q) Operating lease vehicles

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

(r) Impaired assets and past due assets

Impaired assets are those finance receivables 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.

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

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. In order to be classified as a restructured asset, following restructuring, the return under the revised terms is expected to be equal to or greater than the Group's average cost of funds, or a loss is not otherwise expected to be incurred.

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

Bad debts provided for are written off against individual or collective provisions. Amounts required to bring the provisions to their assessed levels are recognised in profit or loss. Any future recoveries of amounts provided for are taken to profit or loss. For further information about credit impairment provisioning refer to note 34 - Credit risk exposure.

(s) 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. Obligations to defined contribution superannuation schemes are recognised as an expense when the contribution is paid.

(t) Share schemes

The Company and the Group provide benefits to staff in the form of share based payments, whereby staff provide services in exchange for shares. Currently the following schemes are in place:

General staff share purchase scheme

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

Discretionary share schemes

Under these schemes the Company undertakes to transfer a specific number of shares to various key staff of the Group 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.

(u) Distribution of non-cash assets to owners

Non-reciprocal distributions of non-cash assets by the Group to its shareholders acting in their capacity as owners are recognised when authorised and approved by the Board of Directors and shareholders. Such distributions are measured at the fair value of assets to be distributed with any corresponding gain or loss recognised through profit or loss.

3 Significant accounting policies (continued)

(v) Provisions

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

(w) 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.

(x) Financial guarantees

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

(y) 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.

(z) 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.

(aa) Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a gain from a bargain purchase.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(ab) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.
When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(ac) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

(ad) Comparative balances

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

(ae) Changes in accounting policies

There have been no material changes in accounting policies in the current period.

Notes to the Financial Statements

For the year ended 30 June 2011

(af) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the period ended 30 June 2011, and have not been applied in preparing these financial statements. The new standards identified which may have an effect on the financial statements of the Group going forward are:

Standard and description	Effective for annual periods beginning on or after:	Expected to be initially applied in period ending:
NZ IAS 1 Presentation of Financial Statements, which clarifies that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, either in the statement of changes in equity or in the notes.	1-Jan-11	30-Jun-12
NZ IAS 34 Interim Financial Reporting, which adds examples to the list of events or transactions that require disclosure under NZ IAS 34, and removes references to materiality.	1-Jan-11	30-Jun-12
NZ IFRS 7 Financial Instruments: Disclosures, which adds an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.	1-Jan-11	30-Jun-12
NZ IFRS 7 Financial Instruments: Disclosures, which adds additional disclosures about the transfer of financial assets.	1-Jul-11	30-Jun-12
NZ IAS 12 Income taxes, which introduces a presumption that an investment property is recovered entirely through sale.	1-Jan-12	30-Jun-13
NZ IFRS 9 Financial Instruments, which specifies how an entity should classify and measure financial assets.	1-Jan-13	30-Jun-14
NZ IFRS 10 Consolidated Financial Statements introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.	1-Jan-13	30-Jun-14
NZ IFRS 11 Joint Arrangements focuses on the rights and obligations of joint ventures rather than the legal form as is currently the case and removes the proportionate consolidation option currently available, stipulating that all joint ventures must be equity accounted.	1-Jan-13	30-Jun-14
NZ IFRS 12 Disclosure of Interests in Other Entities contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities, and aims to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.	1-Jan-13	30-Jun-14
NZ IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.	1-Jan-13	30-June-14
NZ IAS 27 Separate Financial Statements (2011) supersedes NZ IAS 27 (2008). NZ IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.	1-Jan-13	30-June-14
NZ IAS 28 Investments in Associates and Joint Ventures (2011) supersedes NZ IAS 28 (2008), and states that NZ IFRS 5 applies to an investment, or portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not re-measure the retained interest.	1-Jan-13	30-Jun-14

These standards are not expected to have a significant impact on the financial statements of the Group. The Group currently has no plans to early adopt these standards.

Notes to the Financial Statements

For the year ended 30 June 2011

4 Segmental analysis

The Group has 4 reportable segments, as described below, which are the Group's strategic divisions.

The following summary describes the operations in each of the Group's reportable segments:

Financial services	Motor vehicle, commercial plant, equipment and business, marine and leisure financing and insurance services. *
Trustee services	Personal trust, estate and corporate trustee services.
Portfolio asset management	Provider of portfolio management services. Provision of asset and fund management, particularly specialised asset funds. Includes distressed loan and real estate assets in progress of recovery.
Rural services	Rural and horticultural supplies, livestock sales, irrigation and pumping, seeds and nutrition, real estate, funds management and rural finance.

Information regarding the results of each reportable segment is shown below. Performance is measured based on segment profit / (loss) for the year before income tax, as included in the internal management reports that are reviewed by the Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	GROUP	
	2011 $000	**2010 $000**
Profit / (loss) for the year		
Financial services *	-	(1,934)
Trustee services	1,235	2,577
Portfolio asset management **	(35,115)	1,978
Rural services	(1,081)	3,898
Head office	(61,621)	630
Profit / (loss) from continuing operations	**(96,582)**	**7,149**
In-specie loss on distribution of BSHL shares	(52,929)	-
Profit / (loss) from discontinued operation, net of income tax*	8,403	14,857
Profit / (loss) for the year	**(141,108)**	**22,006**
Net operating income and share of equity accounted profit		
Financial services *	-	(2,131)
Trustee services	10,684	15,834
Portfolio asset management **	8,140	16,777
Rural services	(1,081)	4,258
Head office	2,704	5,920
Discontinued operations	65,370	69,074
Total Group net operating income and equity accounted profit	**85,817**	**109,732**
Total assets		
Financial services *	-	1,275,351
Trustee services	8,780	4,515
Portfolio asset management	59,977	137,512
Rural services ***	33,920	111,231
Head office	83,809	32,678
Total Group assets	**186,486**	**1,561,287**

* In 2010 the financial services segment included MARAC Finance Limited and MARAC JV Holdings Limited.
As detailed in note 39, during the current year the Company disposed of its interest in these entities.

** Portfolio asset management loss includes MARAC management agreement provision of $9.3 million
and impaired asset expense of $24.6 million. Property assets held for sale of $13.6 million are included in total assets.

*** Included within total assets for rural services is a $33.9 million investment in PGG Wrightson, being assets held for sale.

Notes to the Financial Statements

For the year ended 30 June 2011

5 Net interest income

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Interest income				
Bank deposits	271	818	104	437
Finance receivables	1,390	2,823	-	-
Advances to subsidiaries	-	-	-	257
Total interest income	**1,661**	**3,641**	**104**	**694**
Interest expense				
Retail debenture stock	-	-	-	-
Bank borrowings	3,517	492	69	476
Total interest expense	**3,517**	**492**	**69**	**476**
Net interest income / (expense)	**(1,856)**	**3,149**	**35**	**218**

6 Fee and other income

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Management fee income	10,909	13,315	2,564	1,500
Trustee fee income	9,798	8,772	-	-
Gain on sale of property	(20)	4,100	(20)	4,100
Other income	2,831	4,762	125	1,628
Total fee and other income	**23,518**	**30,949**	**2,669**	**7,228**

On 31 March 2010, MARAC JV Holdings Limited (MJV) purchased MARAC Insurance Limited from a wholly owned subsidiary of the Company, MARAC Financial Services Limited (MFSL). MJV was jointly owned by MFSL and the New Zealand Automobile Association Limited. As a result of the sale, a gain of $2.5 million was included in other income for the period ended 30 June 2010.

7 Selling and administration expenses

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Personnel expenses	17,407	13,721	7,439	3,218
Superannuation	115	125	35	21
Directors' fees	403	677	403	677
Audit fees	221	135	108	33
Audit related fees	189	330	27	40
Depreciation - property	11	49	-	49
Depreciation - plant and equipment	369	265	9	17
Amortisation expense	635	335	367	100
Loss on disposal of assets	115	3	-	-
Operating lease expense as a lessee	1,026	917	76	153
Other operating expenses	13,107	8,432	3,543	3,386
Total selling and administration expenses	**33,598**	**24,989**	**12,007**	**7,694**

Notes to the Financial Statements

For the year ended 30 June 2011

7 Selling and administration expenses (continued)

Other operating expenses include one off restructuring costs of approximately $2.9 million as part of a large investment in people and systems to build the platform for future growth by Perpetual and Torchlight, and Canterbury earthquake costs.

Audit related fees include professional fees in connection with trustee reporting, review of prospectus documentation for various group entities, ad hoc accounting advice and review work.

The Holding Company paid the fees of the MARAC Finance Limited directors from 1 July 2010 until 4 January 2011. Building Society Holdings Limited (renamed Heartland New Zealand Limited) has paid its directors fees from 5 January 2011 to 30 June 2011.

8 Impaired asset expense

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Investment property change in fair value	9,016	8,065	-	-
Finance receivables individually assessed for impairment	5,959	-	-	-
Investments individually assessed for impairment	6,713	-	-	-
Impairment of EPIC goodwill	2,400	-	-	-
Impairment of AA licence	1,533	-	1,533	-
Other assets individually assessed for impairment	500	-	-	-
Total impaired asset expense	**26,121**	**8,065**	**1,533**	**-**

9 Significant controlled entities, associates and interests in jointly controlled entities

Significant subsidiaries	**Nature of business**	**2011 % held**	**2010 % held**
Perpetual Trust Limited	Trustee services	100%	100%
Perpetual Group Limited and its subsidiaries:	Holding company	100%	100%
Perpetual Portfolio Management Limited	Funds management	100%	100%
Perpetual Asset Management Limited	Asset management	100%	100%
Torchlight Investment Group Limited and its subsidiaries:	Holding company	100%	100%
Equity Partners Asset Management Limited	Asset management	100%	100%
Ferrero Investments Limited	Holding company	100%	100%
Equity Partners Infrastructure Management	Asset management	100%	100%
Torchlight (GP) 1 Limited	Asset management	100%	100%
Torchlight Management Limited	Asset management	100%	100%
Real Estate Credit Limited	Property asset management	100%	100%
Property Assets Limited	Property asset management	100%	100%
MARAC Financial Services Limited and its subsidiaries:	Investment holding company	100%	100%
MARAC Finance Limited	Motor vehicle and commercial financing	0%	100%
MARAC Securities Limited	Arranging structured finance	100%	100%
MARAC Investments Limited	Property and commercial financing	100%	100%
Associates			
PGG Wrightson Limited	Rural services	Note 23	18.3%
Van Eyk Research Limited	Investment research and fund management	38.1%	31.9%
Jointly controlled entities			
MARAC JV Holdings Limited	Holding company	0%	50%

Notes to the Financial Statements

For the year ended 30 June 2011

9 Significant controlled entities, associates and interests in jointly controlled entities (continued)

As discussed in notes 14 and 39, the Company distributed, through a series of transactions, its ownership in MARAC Finance Limited (MARAC) and MARAC JV Holdings Limited.

In addition, as discussed in note 22, the Company sold 8.8% of its investment in PGG Wrightson Limited (PGW) during the year ended 30 June 2011. As at 30 June 2011 the Company retains a 9.5% investment in PGW. This investment has been classified as a held for sale asset as at 30 June 2011.

10 Tax

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Current tax (benefit) / expense				
Current year	-	(830)	-	(278)
Reversal of previously recognised tax losses, tax credits and tax offsets	1,001	-	(10)	-
Deferred tax expense / (benefit)				
Origination and reversal of temporary differences	-	6,284	-	25,330
Impact of tax rate change	-	224	-	-
Prior period adjustment	70	-	90	-
Reversal of previously recognised tax losses, tax credits and net temporary differences	13,678	-	300	-
Total income tax expense / (benefit)	**14,749**	**5,678**	**380**	**25,052**
Reconciliation of effective tax rate				
(Loss) / profit before income tax	(126,359)	27,684	(101,082)	85,752
Less share of equity accounted investees' profit / (loss)	(1,215)	4,382	-	-
Total taxable profit / (loss)	**(125,144)**	**23,302**	**(101,082)**	**85,752**
Prima facie tax at 30%	(37,543)	6,991	(30,325)	25,726
(Less) / plus tax effect of items not taxable / deductible	33,277	(903)	28,125	(374)
Dividends	-	(410)	-	(300)
Unused tax losses and tax offsets not recognised as deferred tax assets	4,266	-	2,200	-
Reversal of previously recognised tax losses, tax credits and tax offsets	1,001	-	(10)	-
Prior period adjustment	70	-	90	-
Reversal of previously recognised tax losses, tax credits and net temporary differences	13,678	-	300	-
Total income tax expense / (benefit) *	**14,749**	**5,678**	**380**	**25,052**

* Income tax expense comprises of $10.6 million continuing operations and $4.1 million of discontinued operation, which is a reversal of prior year tax benefit.

Notes to the Financial Statements

For the year ended 30 June 2011

11 Imputation credit account

	GROUP		HOLDING COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Balance at beginning of year	51,780	48,980	16,211	16,211
Credits belonging to MARAC Finance Limited	(30,715)	-	-	-
Credits attached to dividends paid	(4,973)	-	(4,973)	-
Tax paid net of refunds	(100)	2,800	-	-
Balance at end of year	**15,992**	**51,780**	**11,238**	**16,211**

12 Reconciliation of profit / (loss) after tax to net cash flows from operating activities

	GROUP		HOLDING COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Profit / (loss) for the year	**(141,108)**	**22,006**	**(101,462)**	**60,700**
Add / (less) non-cash items:				
Non-cash movements related to in-specie distribution of BSHL shares	66,415	-	-	-
Accruals, capitalised interest and prepaid items	(5,843)	(23,971)	-	(401)
Disposal of property, plant and equipment	20	-	-	-
Disposal of business	(13,952)	-	52,949	-
Trade receivables written off as uncollectible	27,749	-	-	-
Reversal of trade receivables written off	(410)	-	-	-
Share of equity accounted investees' (profit) / loss	62	(4,382)	-	-
Change in fair value of hedging instruments	1,912	-	-	-
Impairment loss on non-current assets recognised in profit and loss	31,077	31,830	1,533	-
Write-down investment in associates - assets held for sale	38,407	360	37,317	360
Depreciation and amortisation of non-current assets	12,045	1,619	376	166
Underwriting (benefit) / expense to subsidiary	-	-	-	(85,000)
Provisions	(10,941)	-	(90)	-
Current tax	(18,715)	-	80	-
Deferred tax	33,294	6,284	300	25,330
Total non-cash items	**161,120**	**11,740**	**92,465**	**(59,545)**
Add / (less) movements in working capital items:				
Trade and other receivables	1,199	-	890	-
Other assets	(2,364)	(3,834)	-	(2,023)
Other liabilities	3,674	2,880	(81)	120
Related party payables	235	-	(558)	-
Trade and other payables	206	-	382	-
Operating lease vehicles	(6,011)	(6,686)	-	-
Current tax	-	1,724	-	1,437
Total movements in working capital items	**(3,061)**	**(5,916)**	**633**	**(466)**
Add / (less) items classified as investing activities:				
Gain on sale of assets and investments	-	(53)	-	-
Gain on sale of property	(1)	(4,100)	-	(4,100)
Total items classified as investing activities	**(1)**	**(4,153)**	**-**	**(4,100)**
Net cash flows from operating activities	**16,950**	**23,677**	**(8,364)**	**(3,411)**

Notes to the Financial Statements

For the year ended 30 June 2011

13 Earnings per share

The calculation of basic and diluted earnings per share at 30 June 2011 is based on the loss from continuing operations of $96.6 million loss (2010 profit: $7.1 million), and a weighted average number of shares on issue of 742.024 million (2010: 547.946 million).

14 Share capital

	2011 Number of shares 000	2010 Number of shares 000
Issued shares		
Opening balance	773,522	98,597
Shares issued during the period	-	674,925
Dividend Reinvestment Plan and Underwrite	30,419	-
Senior executive share plan	4,379	-
Cancellation of shares upon in-specie distribution	(591,690)	-
Closing balance	**216,630**	**773,522**

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

During the year ended 30 June 2010, the Company issued 591,577,740 new shares at 40 cents per share to existing shareholders, placed 69,627,907 new shares at 43 cents per share to institutions and investors, and issued 13,719,904 at 43 cents per share to existing shareholders under a Share Purchase Plan. The total new capital raised was $272.5 million.

In December 2010, the Company issued 12,422,517 new shares at 37.2 cents per share under the Dividend Reinvestment Plan that operated for the special dividend paid on 3 December 2010. The Company also issued a further 17,996,215 new shares at 37.2 cents per share under the terms of an Underwrite Agreement entered into with First NZ Capital Securities Limited in respect of that dividend.

During the year ended 30 June 2011, the Company also issued 4,378,998 new shares at 36.74 cents per share for a Senior Executive Plan.

As described in note 39, the Company distributed to its shareholders its 72.21% ownership interest in Building Society Holdings Limited (BSHL) effective 30 May 2011. In consideration for this distribution, 72.21% of the Company's shares, being 591,689,961 shares were cancelled. BSHL subsequently changed its name to Heartland New Zealand Limited (HNZ).

Net tangible assets is calculated by deducting deferred tax, intangible assets and liabilities from total assets. Net tangible assets per share is calculated by dividing the net tangible assets by the shares on issue at 30 June 2011.

15 Cash and cash equivalents

Cash and cash equivalents comprise:

	GROUP		HOLDING COMPANY	
	2011 $000	2010 $000	2011 $000	2010 $000
Cash and cash equivalents	18,830	98,610	13,108	7,213
Bank overdrafts	(2,200)	-	-	-
Total cash and cash equivalents	**16,630**	**98,610**	**13,108**	**7,213**

Notes to the Financial Statements

For the year ended 30 June 2011

16 Finance receivables

		GROUP	
	NOTE	2011 $000	2010 $000
Gross finance receivables		12,468	1,173,915
Less allowance for impairment	34	(1,338)	(33,880)
Total finance receivables		**11,130**	**1,140,035**

Included within finance receivables is a $nil (2010: $633,000) loan to a related party, PGG Wrightson Seeds Limited; refer to note 31.

17 Operating lease vehicles

	GROUP	
	2011 $000	2010 $000
Cost		
Opening balance	60,264	57,383
Additions	-	26,305
Disposals on in-specie distribution	(60,264)	(23,424)
Closing balance	**-**	**60,264**
Accumulated depreciation		
Opening balance	17,369	21,174
Depreciation charge for the period	-	9,314
Impairment losses	-	-
Disposals on in-specie distribution	(17,369)	(13,119)
Closing balance	**-**	**17,369**
Opening net book value	42,895	36,209
Closing net book value	**-**	**42,895**

All operating lease vehicles were owned by MARAC Finance Limited as at 30 June 2010. Post the in-specie distribution of shares in BSHL, the Group holds no operating lease vehicles.

18 Investment property

	GROUP	
	2011 $000	2010 $000
Opening balance	41,838	-
Acquisitions and enforced security	23,589	41,838
Change in fair value	(9,016)	-
Settlements	(3,064)	-
Transfer to assets held for sale	(13,587)	-
Closing balance	**39,760**	**41,838**

As at 30 June 2011, investment property comprises a mix of residential and commercial properties. During the period $23.6 million (2010: $41.8 million), investment properties acquired were as a result of enforcement of security over finance receivables. The Group intends to hold these properties for long-term capital appreciation and to earn rental income.

The Group's investment properties have been valued by valuation firms which specialise in the type of property contained within the portfolio. Notably these include Colliers, Jones Lang Salle, CB Richard Ellis plus a number of regional specialists. The majority of valuation reports are less than 12 months old and in a number of cases, are further supported by recent sales of comparable properties.

Notes to the Financial Statements

For the year ended 30 June 2011

Refer to note 31 in relation to security provided by Real Estate Credit Limited over investment property assets.

The following amounts were recognised in profit or loss in respect of investment property held during the year ended 30 June:

	GROUP	
	2011 $000	**2010 $000**
Rental income	1,565	-
Direct operating expenses arising from investment property that generated investment income	1,344	-
Direct operating expenses arising from investment property that did not generate investment income	1,626	-

During the year to 30 June 2010, given the acquisition dates of the investment properties, no material income or expenses are recognised in these financial statements relating to the properties.

19 Other assets

		GROUP		HOLDING COMPANY	
	NOTE	**2011 $000**	**2010 $000**	**2011 $000**	**2010 $000**
Derivative financial assets	29	-	5,013	-	-
Staff share purchase schemes		162	313	162	313
Intercompany receivables	31	-	25	558	-
Prepayments		14	3,713	-	-
Accrued revenue		-	-	-	-
Property		1,625	-	-	-
Plant and equipment		2,282	1,364	1	25
Total other assets		**4,083**	**10,428**	**721**	**338**

During the year ended 30 June 2011, the Company purchased a Christchurch property for $1.6 million.

All derivative financial assets were held by MARAC as at 30 June 2010. As at 30 June 2011, the Group and Holding Company were not party to derivative transactions.

20 Other investments

	GROUP	
	2011 $000	**2010 $000**
Torchlight Fund No. 1 Limited Partnership	14,359	15,000
Equity Partners Infrastructure Company No 1 Limited (EPIC)	9,695	14,500
Zero coupon bond	8,465	-
Other	1,125	750
Total investments	**33,644**	**30,250**

An impairment loss of $4.8 million in respect of the Group's investment in EPIC was recognised during the period largely due to adverse exchange rate movements in EPIC's UK investments. Also, during the year an impairment loss of $640,000 was recognised in relation to the Group's investment in Torchlight Fund No. 1 LP (Torchlight) due to an adverse movement in an offshore Torchlight investment during the period April 2011 to June 2011.

Other investments consists of a 10% investment in a Limited Partnership.

Notes to the Financial Statements

For the year ended 30 June 2011

21 Deferred tax

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Recognised deferred tax assets and liabilities				
Plant and equipment	-	58	-	-
Employee entitlements	-	813	-	301
Finance receivables	-	27,451	-	-
Derivatives held for risk management	-	812	-	-
Tax losses subject to a loss offset agreement	2,700	-	-	-
Tax assets	**2,700**	**29,134**	**-**	**301**
Plant and equipment	-	29	-	1
Intangible assets	-	2,290	-	-
Operating lease vehicles	-	2,241	-	-
Accruals	-	596	-	-
Unexpensed commissions	-	-	-	-
Tax liabilities	**-**	**5,156**	**-**	**1**
Net tax assets	**2,700**	**23,978**	**-**	**300**
The following deferred tax assets have not been recognised as at 30 June:				
Tax losses (subject to meeting shareholder continuity requirements)	15,008	-	1,877	-
Deductible temporary differences	4,431	-	489	-
Total unrecognised deferred tax assets	**19,439**	**-**	**2,366**	**-**

22 Investment in associates

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Carrying amount at beginning of year	118,541	78,517	111,231	78,517
Additional investment in associates	1,266	38,004	-	33,074
Decrease in investment in associates	-	(360)	-	(360)
Equity accounted earnings of associates before tax	(948)	6,166	-	-
Share of associates' income tax (expense) / benefit	(143)	(1,908)	-	-
Share of associates' other comprehensive income	1,014	(1,818)	-	-
Foreign currency translation	(115)	(60)	-	-
Reclassify to asset held for sale	(113,604)	-	(111,231)	-
Carrying amount at end of year	**6,011**	**118,541**	**-**	**111,231**
Goodwill included in carrying amount of associates	5,109	54,069	-	-
Total assets of associates	4,639	1,531,491	-	-
Total liabilities of associates	(2,271)	893,581	-	-
Total income of associates	12,380	1,151,082	-	-
Total net profit / (loss) after tax of associates	(20)	23,304	-	-

Van Eyk Research Limited

In May 2010, the Group purchased a 31.9% shareholding in Van Eyk Research Limited, an investment research and funds management company based in Australia. A further 6.2% was purchased in September 2010 increasing the total investment to 38.1%, for a cost of AUD$0.85m (NZD $1.1 million). The purchase price included AUD$1.6 million (NZD $1.8 million) which is payable over 18 months and has been included in other liabilities. The balance included in other liabilities at 30 June 2011 is NZD $0.57m. Van Eyk Research Limited is not a publicly listed entity and consequently does not have a published market value.

Notes to the Financial Statements

For the year ended 30 June 2011

PGG Wrightson Limited (PGW)

As described in note 23, this investment was reclassified as a held for sale asset during the year ended 30 June 2011.

During the period ended 30 June 2010, the Company participated in the PGW capital raising, contributing $33.1 million of new capital. The associate also made a private placement which resulted in the Company's investment being diluted to 18.3% (loss on dilution $360,000).

23 Assets held for sale

PGG Wrightson Limited (PGW)

On 23 December 2010, the Company signed a Lock-Up Deed with Agria (Singapore) Pte Limited (Agria), under which the Company agreed (subject to the conditions detailed in the Lock-Up Deed) to sell its shares into a partial takeover offer proposed to be made by Agria for the acquisition of an additional 38.3% of the shares in PGW at 60 cents per share. As the offer was a 'partial takeover offer', the acceptance of the Company's shares under the offer was subject to scaling.

The carrying value of the Company's investment in PGW was $113.6 million as at 30 June 2010, based on equity accounted earnings. Given the execution of the Lock-Up Deed with Agria in December 2010, the Company reclassified the investment in PGW as held for sale as at 31 December 2010. Upon initial classification as held for sale, this investment was written down to $83.3 million being the Company's best estimate of the fair value less costs to sell versus equity accounted earnings of $113.6 million as at that date.

Following the closing of the Agria partial takeover offer on 26 April 2011, the Company received $39.9 million in return for the sale to Agria of an 8.8% interest in PGW.

At 30 June 2011, the fair value of PGW shares held for sale was $33.9 million, resulting in an impairment charge of $37.3 million. As at 30 June 2011, the Company holds a 9.5% interest in PGW. This investment has been classified as a held for sale asset as at 30 June 2011.

Property assets

During the year $13.6 million of investment property was reclassified to assets held for sale from investment properties, as these properties are being actively marketed for sale.

24 Investment in joint venture

	GROUP	
	2011 $000	**2010 $000**
Carrying amount at beginning of year	2,124	-
Investment in joint venture	-	2,000
Equity accounted earnings of joint venture	(32)	124
Disposal of equity investment in joint venture	(2,092)	-
Carrying amount at end of the year	**-**	**2,124**
Total assets of joint venture	-	4,297
Total liabilities of joint venture	-	2,248
Total income of joint venture	-	1,119
Total net profit after tax of joint venture	-	248

As at 30 June 2010, MARAC JV Holdings Limited (MJV) was jointly owned by the Group and The New Zealand Automobile Association Limited. During the period ended 30 June 2011, the Group disposed of this equity investment. Refer to note 39 for further information. Until the date of disposal, the Group accounted for its investment in MJV by recognising 50% share of the consolidated MJV profits or losses and reserve movements.

Notes to the Financial Statements

For the year ended 30 June 2011

25 Intangible assets

	NOTE	AA licence & advisor books $000	Computer software $000	Statutory right & brands $000	Goodwill $000	Management contracts $000	Total $000
				GROUP			
Cost							
Opening balance 1 July 2009		-	3,036	12,901	11,148	-	27,085
Additions		2,000	686	-	2,400	8,025	13,111
Closing balance 30 June 2010		**2,000**	**3,722**	**12,901**	**13,548**	**8,025**	**40,196**
Opening balance 1 July 2010		2,000	3,722	12,901	13,548	8,025	40,196
Additions		2,368	-	-	20,141	-	22,509
Impairment		(2,000)	-	-	(2,400)	-	(4,400)
Disposal	39	-	(3,722)	(9,500)	(31,289)	-	(44,511)
Closing balance 30 June 2011		**2,368**	**-**	**3,401**	**-**	**8,025**	**13,794**
Accumulated amortisation							
Opening balance 1 July 2009		-	2,253	-	-	-	2,253
Amortisation charge for the period		100	568	-	-	235	903
Closing balance 30 June 2010		**100**	**2,821**	**-**	**-**	**235**	**3,156**
Opening balance 1 July 2010		100	2,821	-	-	235	3,156
Disposal		(467)	(2,821)	-	-	-	(3,288)
Amortisation charge for the period		367	-	-	-	267	634
Closing balance 30 June 2011		**-**	**-**	**-**	**-**	**502**	**502**
Opening net book value		1,900	901	12,901	13,548	7,790	37,040
Closing net book value		**2,368**	**-**	**3,401**	**-**	**7,523**	**13,292**

During the period ended 30 June 2011, Perpetual Portfolio Management Limited acquired three advisor books for $2.4 million.

The reduction in intangible assets is as a result of a $4.4 million impairment charge, and the in-specie distribution of the Group's ownership interest in Building Society Holdings Limited. Refer to note 39 for further information.

Impairment of intangible assets

Statutory right and brands are considered to have an indefinite life. The statutory right and brands of $3.4 million is allocated to Perpetual Trust Limited, which is included in the Trustee services segment. During the period both the statutory right and the brands have continued to be used in the Group's business and the Group invested further in them to maintain their value.

Impairment testing of goodwill, the statutory right and brands were performed by comparing the recoverable value of the cash-generating unit to which the intangible asset is allocated, with the current carrying amount of its net assets, including intangible assets.

The recoverable amount was determined based on its value in use. No impairment losses were recognised against the carrying amount of the Statutory right, brands or goodwill for the period ended 30 June 2011 (2010: nil).

During the period ended 30 June 2011, the Group impaired its investment in EPIC, refer note 20. Accordingly the goodwill of $2.4 million relating to the original acquisition of EPIC has been fully impaired (2010: nil). Also, during the period the Group fully impaired its investment in the AA Licence, refer note 31 for further information.

Notes to the Financial Statements

For the year ended 30 June 2011

26 Borrowings

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Bank borrowings sourced from New Zealand	-	5,000	-	-
Debenture stock sourced from New Zealand	-	796,435	-	-
Debenture stock sourced from overseas	-	32,946	-	-
Securitised borrowings sourced from New Zealand	-	149,298	-	-
Property book borrowings sourced from New Zealand	10,700	-	-	-
Total borrowings	**10,700**	**983,679**	**-**	**-**

As at 30 June 2011, the Group has bank facilities totalling $9.2m (2010: $353.3m). Also, Property Asset Limited, a wholly owned subsidiary has $10.7m of debt, secured over various property assets.

Bank borrowings are secured by a general security interest over the assets of the Holding Company and specific subsidiary companies.

As at 30 June 2011, the Group has Nil debentures on issue as a result of the in-specie distribution, refer note 39 for further information. There was no significant concentration of debenture funding to any particular region within New Zealand as at 30 June 2010.

MARAC Finance Limited bank borrowings and debenture stock borrowings (which include secured bonds) rank equally and were secured over MARAC Finance Limited's non-securitised assets in terms of its Trust Deed dated 9 March 1984 in favour of The New Zealand Guardian Trust Company Limited as trustee for the stockholders.

27 Other liabilities

		GROUP		HOLDING COMPANY	
	NOTE	**2011 $000**	**2010 $000**	**2011 $000**	**2010 $000**
Derivative financial liabilities	29	-	1,484	-	-
Trade payables and prepayments		16,632	100,102	1,523	2,574
Related party payables	31	-	2,524	20	20
Employee entitlements	31	2,580	2,651	1,448	87
Total other liabilities		**19,212**	**106,761**	**2,991**	**2,681**

28 Provisions

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Balance at 1 July	9	19	9	19
Provisions made during the year	9,331	(10)	-	(10)
Provisions disposed of through distribution	(9)	-	(9)	-
Balance at 30 June	**9,331**	**9**	**-**	**9**
Current	4,000	9	-	9
Non-current	5,331	-	-	-
	9,331	**9**	**-**	**9**

On 5 January 2011, Real Estate Credit Limited (RECL) entered into a management agreement with MARAC Finance Limited (MARAC). Under this agreement, RECL agreed to manage the remaining non-core real estate loans held by MARAC for a 5 year period, and assume the risk of loss on these loans over this period. Any payments due to MARAC under this agreement are due at the end of year 5 unless otherwise agreed.

28 Provisions (continued)

The payment obligations of RECL are 'limited in recourse' to a pool of security, comprising an $11 million 5 year zero coupon bond issued by Westpac and a minimum $22 million in security over investment property and finance receivables. The Group is obliged to top up the underlying security to the extent that there is a security shortfall. Under this agreement RECL received an upfront fee of $11 million and a management fee of $200,000 per annum. The upfront fee is being earned over the contract period in line with the provision of services. Provisions made during the year ended 30 June 2011 ($9.3m), represent the present value of amounts owing to MARAC under this agreement. The provision is calculated in accordance with Credit Risk policy, refer Note 34a Credit Impairment Provisioning. During the year it was agreed that RECL would advance MARAC $4.0 million in respect of amounts owing.

29 Derivative financial instruments

	2011 $000	2010 $000
Assets		
Derivatives held for risk management	-	5,013
Total derivative financial assets	**-**	**5,013**
Liabilities		
Qualifying cash flow hedges	-	1,484
Total derivative financial liabilities	**-**	**1,484**

Derivatives consisted of interest rate swaps and options held to manage the Group's exposure to interest rate repricing risk on its interest bearing assets and liabilities.

Derivative financial instruments

The Group used interest rate swaps to hedge the interest rate risk arising from both current and future floating rate bank debt and designated those swaps as qualifying cash flow hedges. The Group used interest rate swaps to hedge the interest rate risk arising from fixed rate debenture stock and designated those swaps as qualifying fair value hedges.

In prior periods, the Group's hedging activities were performed by MARAC Finance Limited. Due to the disposal of the Group's interest in this entity during the period ended 30 June 2011, refer note 39, no derivatives are held as at 30 June 2011.

30 Special purpose entities

MARAC Retirement Bonds Superannuation Fund and MARAC PIE Fund

The Group controlled the operations of MARAC PIE Fund, a portfolio investment fund that invested in MARAC Finance Limited debenture stock and the operations of MARAC Retirement Bonds Superannuation Fund, a superannuation scheme that invested in MARAC Finance Limited debenture stock. During the current year the Retirement Bonds Superannuation Fund was wound up, and due to the in-specie distribution, refer to note 39, the Group does not control MARAC PIE Fund as at 30 June 2011.

MARAC ABCP Trust 1 Securitisation

As at 30 June 2010, the Group had a securitised pool of receivables comprising commercial, motor vehicle and marine loans to the Trust. The Group substantially retained the credit risks and rewards associated with the securitised assets, and therefore recognised these assets and associated borrowings in the Statement of Financial Position as at 30 June 2010.

Due to the in-specie distribution, refer to note 39, the Group does not control MARAC ABCP Trust 1 Securitisation as at 30 June 2011.

Notes to the Financial Statements

For the year ended 30 June 2011

31 Related party transactions

For the year ended 30 June 2010, the immediate parent of MARAC was MARAC Financial Services Limited (MFSL). MFSL's ultimate parent is PGC. On 30 May 2011, PGC distributed directly to PGC shareholders its 72.21% stake in Building Society Holdings Limited (renamed Heartland New Zealand Limited). As a result, at 30 June 2011 Heartland New Zealand Limited incorporating MARAC are no longer related parties of the Group, refer note 39.

(a) Transactions with related parties

Sale of non-performing loans

In September 2009 MARAC entered into a sale and purchase agreement to transfer and assign legal and beneficial title to $175 million of non performing loans to its parent company MFSL. The loans were subsequently transferred to Real Estate Credit Limited (RECL), a wholly owned subsidiary of PGC.

The loans were transferred from MARAC at book value. In October 2009 the transfer was completed with MFSL paying $125 million in cash, and issuing a loan note of $50 million for the balance. As at 30 June 2010 the balance of the loan note was $42.6 million excluding accrued interest. During the year ended 30 June 2011 the loan note was settled in full, with MARAC receiving $39.8 million in cash and the remaining $3.9 million in tax losses (2010: $7.4 million tax losses). PGC guaranteed the obligations of MFSL under the loan note. Interest was accrued on the loan note on an arms length basis.

As a consequence of the loan transfer, MARAC entered into an Underwrite Agreement under which PGC undertook to underwrite credit losses on certain impaired property loans. The Underwrite Agreement was terminated on the 5 January 2011.

MARAC Management Agreement

On 5 January 2011, RECL entered into a management agreement with MARAC. Under this agreement, RECL will manage the remaining non-core real estate loans of MARAC for a 5 year period, and assume the risk and loss of those loans for that period. Any payment by RECL to MARAC in respect of that loss is due at the end of year 5 unless otherwise agreed. The payment obligations of RECL are "limited recourse" to a pool of security provided by RECL. This pool of security includes an $11 million 5 year zero coupon bond (issued by Westpac New Zealand Limited which is rated AA by Standard & Poor's (Australia) Pty Limited), and a minimum $22 million in security value of other assets (initially real estate or real estate loans). The Company will be obliged to top up the security pool to the extent there is a shortfall in the $22 million in security of other assets. The directors believe RECL has a pool of assets sufficient to meet its obligations under this agreement at this time.

MARAC paid RECL an upfront fee of $11 million (which will be amortised over the 5 year period of the arrangement), and will pay an on-going management fee of $200,000 per annum for the five year period.

The obligation of this management agreement is included in the profit and loss and provisions as at 30 June 2011, refer to note 28 for further information.

AA Licence

In March 2010, PGC entered into a 5 year exclusivity agreement with New Zealand Automobile Association (NZAA) to enable a range of financial services to be offered to NZAA members. In May 2011 as part of the in-specie distribution of shares in Heartland New Zealand Limited to PGC shareholders, PGC entered into a sub licence with MARAC Finance Limited where MARAC obtained the right to use the specified intellectual property of the NZAA, for an annual licence fee of $1.

On 30 May 2011, as part of the Building Society Holdings Limited in-specie distribution, MARAC is no longer a related party of the Group.

Other related party transactions

MARAC Finance Limited and Perpetual Group paid the Company a management fee for financial and administrative assistance. This management fee included compensation paid to certain members of MARAC Finance Limited key management personnel.

Included within finance receivables is a $nil (June 2010: $633,000) loan to a related party, PGG Wrightson Seeds Limited.

During the period MARAC Securities Limited and MARAC Insurance Limited invested in MARAC's debenture stock.

All transactions were conducted on normal commercial terms and conditions.

Notes to the Financial Statements

For the year ended 30 June 2011

31 Related party transactions (continued)

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Material transactions during the year with related parties were:				
Management fees and rent received from MARAC Finance Limited and Perpetual Group Limited	-	-	2,564	1,500
Management fees received from related parties	4,586	25	-	-
Underwritten amount of finance receivables for MARAC Finance Limited	-	-	-	85,000
Total	**4,586**	**25**	**2,564**	**86,500**
Material balances at year end with related parties were:				
Debenture stock held by MARAC Retirement Bonds	-	(5,922)	-	-
Debenture stock held by MARAC PIE Fund	-	(8,763)	-	-
Debenture stock held by MARAC Insurance Limited	-	(2,524)	-	-
Management and transaction fees owed by related parties	1,443	-	-	-
Finance receivables owing by PGG Wrightson Seeds Limited	-	633	-	-
Advances to subsidiaries	-	-	114,000	240,515
Advances from subsidiaries	-	-	(84,009)	-
Advances owing by related parties	-	25	558	-
Advances owing to employees and related parties	(1,432)	(2,651)	(1,432)	(87)
Total	**11**	**(19,202)**	**29,117**	**240,428**

As per note 39, the Group disposed of its interest in MARAC Finance Limited and MARAC JV Holdings Limited during the year ended 30 June 2011.

(b) Transactions with key management personnel

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

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Debenture investing:				
Maximum balance	872	5,096	-	-
Closing balance	-	721	-	-
Key management personnel compensation is as follows:				
Short-term employee benefits*	5,113	5,618	4,251	3,151
Share-based payments	1,937	157	1,937	39
Total	**7,050**	**5,775**	**6,188**	**3,190**

* Senior executives received a cash bonus which was utilised to acquire shares in the Company, refer notes 14 and 40.

Notes to the Financial Statements

For the year ended 30 June 2011

32 Fair value

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

Finance receivables

The carrying amount of the Group's finance receivables approximates their fair value. The fair value was calculated based on discounted cash flow analysis using current market interest rates for loans of similar nature and term or by reference to the value of the underlying collateral.

Other investments

The Group has determined that the fair value of other investments cannot be reliably determined as:

- there is no active market for the investments.
- the variability in the range of reasonable fair value estimates is significant for each instrument.
- the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

Consequently other investments are carried at cost, less allowance for impairment.

These investments are held for long term capital appreciation and the Group does not intend to dispose of these investments in the short-term.

Other financial assets and liabilities

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

Derivative items

There are no derivative items held as at 30 June 2011.

As at 30 June 2010 the fair value of cash flow hedges was modelled using observable market inputs (Level 2 under the fair value hierarchy). These derivatives were valued by the derivative counterparty using market interest rates based on the following yield curves:

Term	Market rate
1MO	2.92
3MO	3.12
6MO	3.37
1YR	3.69
2YR	4.055
3YR	4.345
4YR	4.56
5YR	4.7375
7YR	5.0425
10YR	5.3375

Notes to the Financial Statements

For the year ended 30 June 2011

32 Fair value (continued)

Borrowings

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

	2011		2010	
	Carrying Value $000	**Fair Value $000**	**Carrying Value $000**	**Fair Value $000**
GROUP				
Financial assets				
Cash and cash equivalents	18,830	18,830	98,610	98,610
Finance receivables	11,130	11,130	1,140,035	1,155,951
Other investments	25,179	25,179	30,250	30,250
Zero coupon bond	8,465	8,465	-	-
Assets held for sale - shares	33,920	33,920	-	-
Derivative financial assets	-	-	5,013	5,013
Other financial assets	9,532	9,532	15,573	15,574
Total financial assets	**107,056**	**107,056**	**1,289,481**	**1,305,398**
Financial liabilities				
Borrowings	12,900	12,900	983,679	1,003,590
Derivative financial liabilities	-	-	1,484	1,484
Other financial liabilities	19,212	19,212	105,277	105,277
Total financial liabilities	**32,112**	**32,112**	**1,090,440**	**1,110,351**

	2011		2010	
	Carrying Value $000	**Fair Value $000**	**Carrying Value $000**	**Fair Value $000**
HOLDING COMPANY				
Financial assets				
Cash and cash equivalents	13,108	13,108	7,213	7,213
Advances to subsidiary companies	114,000	114,000	240,515	240,515
Assets held for sale - shares	33,920	33,920	-	-
Other financial assets	461	461	1,350	1,350
Total financial assets	**161,489**	**161,489**	**249,078**	**249,078**
Financial liabilities				
Borrowings	-	-	-	-
Advances from subsidiary companies	84,009	84,009	-	-
Other financial liabilities	2,991	2,991	2,681	2,681
Total financial liabilities	**87,000**	**87,000**	**2,681**	**2,681**

33 Risk management policies

The Group is committed to the management of risk. The primary financial risks are credit, liquidity and interest rate. The Group's financial risk management strategy is set by the directors. The Group has put in place management structures and information systems to manage individual financial risks, has separated monitoring tasks where feasible and subjects all accounting systems to regular internal and external audit. The risk management polices and notes incorporate the activities of MARAC and its associated companies, through to 30 May 2011. These companies are no longer within the Group as a result of the in-specie distribution of BSHL shares (incorporating MARAC), refer note 39 for further information.

Notes to the Financial Statements

For the year ended 30 June 2011

Management of capital

Some members of the Group had minimum capital requirements which they are required to maintain in accordance with their borrowing facilities. Each of these companies maintained an appropriate buffer above these ratios and reported these to its Board of Directors monthly. These companies are no longer within the Group as a result of the in-specie distribution, refer note 39 for further information.

34 Credit risk exposure

Credit risk management framework

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. To manage this risk the Risk Committee, which is a sub committee of the Board of Directors (Board), has been delegated the task of overseeing a formal credit risk management strategy. The Risk Committee reviews the Group's credit risk exposures and has wide ranging credit policies to manage all aspects of credit risk.

Reviewing and assessing credit risk

The credit risk management strategies ensure that:

- Credit origination meets agreed levels of credit quality at point of approval.
- Maximum total exposure to any one debtor is actively managed.
- Changes to credit risk are actively monitored with regular credit reviews.

Lending standards and processes

The Group has adopted a detailed Credit Policy framework supported by Lending Standards providing criteria for finance products within each business sector. The combination of Credit Policy and Lending Standards guides credit assessment, credit risk grading, documentation standards, legal procedures and compliance with regulatory and statutory requirements.

Collateral requirements

The Group requires collateral for certain loans and receivables. This collateral is usually by way of first charge over the asset financed and generally includes personal guarantees from borrowers and business owners.

Credit risk rating

Exposures to credit risk in relation to finance receivables are graded by an internal risk rating mechanism. Grade 1 is the strongest risk grade for undoubted risk. Grade 7 represents the highest risk grade where a loss is probable. Grades 2 to 6 represent ascending steps in management's assessment of riskiness of exposures. The lending activities during the current and prior period were undertaken by MARAC, which is no longer a part of the Group. The Group is no longer undertaking lending activities. At 30 June 2011 the Group had $11.1 million of remaining finance receivables.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The directors have determined that there is no provision required for trade receivables at balance date (2010: nil).

(a) Credit impairment provisioning

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

Collective provisioning

Collective provisions are maintained where considered appropriate against a class of loans with common risk characteristics. Collective provisions are assessed with reference to risk profile groupings and historical loss data. Other judgemental factors including economic and credit cycle considerations are also taken into account in determining appropriate loss propensities to be applied. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the wider economic environment, interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy rates.

34 Credit risk exposure (continued)

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

There is no collective provision as at 30 June 2011. The collective provision at 30 June 2010 related to the portfolio of assets held by MARAC, which is no longer a part of the group.

Individual provisioning

Specific impairment provisions are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables. For individually significant loans for which the assessed risk grade is considered a "potential loss", an individual assessment is made of an appropriate provision for credit impairment.

Credit impairments are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). All relevant considerations that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the likely realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process. Furthermore, judgement can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are taken. Estimating the timing and amount of future cash repayments and proceeds from the realisation of collateral are management's most difficult and subjective judgements.

There is a provision for individually impaired assets at 30 June 2011 of $1.3 million. The provision for individually impaired assets at 30 June 2010 related primarily to the portfolio of assets held by MARAC, which is no longer a part of the group.

Concentrations of credit risk

In relation to the Finance Receivables and Trade Receivables balances at 30 June 2011, the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics (2010:nil).

The group has a concentration of credit risk in both the current and prior period in relation to its cash and cash equivalents balances which are deposited with a small number of financial institutions.

Maximum exposure to credit risk

The carrying amount of the Group's financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(i) Individually impaired assets

At 30 June 2011 the Group had $6.2 million in finance receivables which were considered to be impaired. In each case the counterparty to the impaired finance receivable has failed to make a payment when it was due under the terms of the agreement. In determining that these receivables were impaired the directors considered the business prospects for the counterparty and the likely cost and duration of the work out process. Based on the estimated future cash repayments and proceeds from any security held, the Group has recognised $1.3m of impairment provision against the gross finance receivables balance.

In the prior period the Group had $167 million in finance receivables which were individually determined to be impaired. Of these, $149.5 million were property receivables and $17.5 million related to other industry categories. In the financial period ended 30 June 2010 $41.8 million of investment property was acquired as a result of enforcement of security over finance receivables, refer note 18.

Refer to note 39 for information in respect of the in-specie distribution.

Notes to the Financial Statements

For the year ended 30 June 2011

(ii) Past due but not impaired

2011 - GROUP

At 30 June 2011 the Group did not have any receivables which were past due but not impaired.

At 30 June 2010 the Group had finance receivables of $118.9 million which were past due but not impaired. These balances were included in the portfolio of assets held by MARAC, which is no longer a part of the Group. The ages of the receivables which were past due but not impaired at 30 June 2010 are provided in the table below.

2010 - GROUP	**Total $000**
Less than 30 days old	15,456
31 and less than 60 days old	32,878
61 but less than 90 days old	9,212
More than 90 days old	61,373
Total past due but not impaired	**118,919**
More than 90 days as a % of gross finance receivables	5.23%

(b) Exposure to credit risk by internal risk grading

	2011 Total $000	**2010 Total $000**
GROUP		
Grade 1 - Undoubted	-	114
Grade 2 - Strong	3,560	41,468
Grade 3 - Sound	1,033	852,824
Grade 4 - Satisfactory	324	108,997
Grade 5 - Uncertain	1,000	53,745
Grade 6 - At risk	3,713	19,034
Grade 7 - Loss	1,500	63,853
Total maximum exposure to credit risk relating to finance receivables	**11,130**	**1,140,035**

As at 30 June 2010 $108 million of the Group’s loans were secured by a first ranking mortgage and $80 million by a second ranking mortgage or lower ranking security. At 30 June 2011 $10.1million of the Group’s loans are secured against property or other assets and $1.0 million is unsecured.

At 30 June 2011, of the $11.1 million finance receivable $9.8 million are loan receivables relating to the property sector.

35 Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments and arises from any mismatch of the maturity of financial assets and liabilities. During the period MARAC formed part of the Group responsibility for liquidity management was delegated to MARAC’s Asset and Liability Committee (ALCO). Post in-specie senior management monitor the Group’s cash position on a daily basis.

The Group managed liquidity and funding risk by:

- daily liquidity reporting and scenario analysis to quantify the Group’s current and forecast position.
- maintaining a diverse and stable funding base.
- retaining borrowing facilities committed to the Group by registered banks.
- holding a portfolio of liquid assets.
- ensuring the liquidity management framework is compliant with local regulatory requirements.

Notes to the Financial Statements

For the year ended 30 June 2011

35 Liquidity risk (continued)

Contractual liquidity profile of financial assets and liabilities.

	Effective Interest Rate	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
2011 - GROUP							
Financial assets							
Cash and cash equivalents	2.50%	18,830	-	-	-	-	18,830
Finance receivables	8.00%	-	8,335	2,874	1,000	-	12,209
Other investments		33,920	-	-	-	25,179	59,099
Derivative financial assets		-	-	-	-	-	-
Other financial assets		9,532	-	-	11,000	-	20,532
Total financial assets		**62,282**	**8,335**	**2,874**	**12,000**	**25,179**	**110,670**
Financial liabilities							
Borrowings		11,602	-	2,002	-	-	13,604
Derivative financial liabilities		-	-	-	-	-	-
Other financial liabilities		19,212	-	-	-	-	19,212
Total financial liabilities		**30,814**	**-**	**2,002**	**-**	**-**	**32,816**
Unrecognised loan commitments		-	-	-	-	-	-
Undrawn committed bank facilities		7,000	-	-	-	-	7,000

There are no unrecognised loan commitments at 30 June 2011. The undrawn committed bank facilities totalling $7.0 million are available to be drawn down on demand.

	Effective Interest Rate	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
2010 - GROUP							
Financial assets							
Cash and cash equivalents	2.74%	98,610	-	-	-	-	98,610
Finance receivables	11.01%	438,847	225,062	314,349	374,563	223	1,353,044
Other investments		-	-	-	-	30,250	30,250
Derivative financial assets		5,013	-	-	-	-	5,013
Other financial assets	12.79%	111,403	-	-	-	2,781	114,184
Total financial assets		**653,873**	**225,062**	**314,349**	**374,563**	**33,254**	**1,601,101**
Financial liabilities							
Borrowings		403,659	355,704	152,395	143,151	-	1,054,909
Derivative financial liabilities		1,484	-	-	-	-	1,484
Other financial liabilities		103,491	652	544	-	590	105,277
Total financial liabilities		**508,634**	**356,356**	**152,939**	**143,151**	**590**	**1,161,670**
Unrecognised loan commitments		70,495	-	-	-	-	70,495
Undrawn committed bank facilities		198,250	-	-	-	-	198,250

The undrawn committed bank facilities at 30 June 2010 totalling $198.3 million were available to be drawn down on demand.
To the extent drawn, $500,000 was contractually repayable on demand, with the remainder, $197.8 million repayable in 6-12 months time upon facility expiry.

Notes to the Financial Statements

For the year ended 30 June 2011

	Effective Interest Rate	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
2011 - HOLDING COMPANY							
Financial assets							
Cash and cash equivalents	2.50%	13,108	-	-	-	-	13,108
Advances to subsidiary companies		114,000	-	-	-	-	114,000
Other financial assets		34,381	-	-	-	-	34,381
Total financial assets		**161,489**	**-**	**-**	**-**	**-**	**161,489**
Financial liabilities							
Borrowings		-	-	-	-	-	-
Advances to subsidiary companies		84,009	-	-	-	-	84,009
Other financial liabilities		2,991	-	-	-	-	2,991
Total financial liabilities		**87,000**	**-**	**-**	**-**	**-**	**87,000**
Undrawn committed bank facilities		5,000	-	-	-	-	5,000
2010 - HOLDING COMPANY							
Financial assets							
Cash and cash equivalents		7,213	-	-	-	-	7,213
Advances to subsidiary companies		240,515	-	-	-	-	240,515
Other financial assets		1,350	-	-	-	-	1,350
Total financial assets		**249,078**	**-**	**-**	**-**	**-**	**249,078**
Financial liabilities							
Other financial liabilities		2,683	-	-	-	-	2,683
Total financial liabilities		**2,683**	**-**	**-**	**-**	**-**	**2,683**
Undrawn committed bank facilities		23,550	-	-	-	-	23,550

The Holding Company does not hold any derivative financial instruments (2010: nil).

As at 30 June 2010 undrawn committed bank facilities totalling $23.6 million were available to be drawn down on demand.

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

In the tables above, total financial assets do not include unrecognised loan commitments and total financial liabilities do not include undrawn committed bank facilities.

Notes to the Financial Statements

For the year ended 30 June 2011

36 Market risk

Interest rate risk

Interest rate risk is the risk that market interest rates will change and impact on the Group's financial results by affecting the margin between interest earning assets and interest bearing liabilities. The Group monitors market interest rates on a daily basis and regularly reviews interest rate exposure. Interest rate risk is mitigated by management's frequent monitoring of the interest rate repricing profiles of finance borrowings and finance receivables and where appropriate the establishment of derivative instruments.

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at 30 June. The analysis is prepared assuming the exposure outstanding at 30 June was outstanding for the whole year.

A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Group's profit for the year would increase / decrease by $0.13 million. This is mainly attributable to the Group's exposure to interest rates on its cash deposits and bank borrowings. There would be no impact to other equity reserves.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Holding Company's profit for the year would increase/decrease by $0.13 million. This is mainly attributable to the Holding Company's exposure to interest rates on its cash deposits. There would be no impact to other equity reserves.

The Group and Holding Company did not have a material exposure to interest rate risk at 30 June 2011.

Equity price risk

The Group is exposed to equity price risks arising from equity investments. Information on the Group's equity investments is included in note 20.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at 30 June 2011.

If equity prices had been 10% higher, the Group's:

- Profit for the year ended 30 June would have increased by $6.0 million (2010: nil) due to the reduction in impairment recognised on available-for-sale shares.

- Other equity reserves would have increased by $1 million (2010: $3.03 million) as a result of changes in the fair value of available-for-sale shares.

If equity prices had been 10% lower, the Group's:

- Profit for the year ended 30 June would have decreased by $6.0 million (2010: $3.03 million) as a result of additional impairment recognised on available-for-sale shares.

- Other equity reserves would have been unaffected as the impairment would be recognised in profit or loss (2010: nil).

If equity prices had been 10% higher, the Holding Company's:

- Profit for the year ended 30 June would have increased by $3.39 million due to the reduction in impairment recognised on available-for-sale shares.

- Other equity reserves would have been unaffected.

Notes to the Financial Statements

For the year ended 30 June 2011

If equity prices had been 10% lower, the Holding Company's:

- Profit for the year ended 30 June would have decreased by $3.39 million (2010: nil) as a result of additional impairment recognised on available-for-sale shares.

- Other equity reserves would have been unaffected (2010: nil).

Foreign exchange risk

The Group's exposure to foreign currency risk arising from its financial instruments is limited to $1.1 million of finance receivables and a $600,000 payable denominated in Australian dollars. A 10% increase/decrease in the New Zealand dollar against the Australian dollar would have resulted in a $61,000 increase/decrease to profit or loss for the year. There would be no impact on other comprehensive income as the gain or loss would be recorded in profit or loss.

The Group had no material exposure to foreign currency risk arising from financial instruments at 30 June 2010.

The Holding Company had no exposure to foreign exchange risk arising from financial instruments at 30 June 2011 or 30 June 2010.

37 Contingent liabilities and commitments

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Letters of credit, guarantees and performance bonds	-	6,772	75	75
Commitments to further investment	375	750	-	-
Capital commitments	-	227	-	-
Bank guarantee - Perpetual Trust Limited	-	-	4,200	3,000
Total contingent liabilities	**375**	**7,749**	**4,275**	**3,075**

Operating lease commitments

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities;

	GROUP		HOLDING COMPANY	
	2011 $000	**2010 $000**	**2011 $000**	**2010 $000**
Within 1 year	954	624	-	-
Between 1 & 5 years	2,832	1,579	-	-
Over 5 years	2,109	115	-	-
Total contingent liabilities	**5,895**	**2,318**	**-**	**-**

38 Acquisition of subsidiary

Business combination

On 5 January 2011, MARAC Financial Services Limited (MFSL), a wholly owned subsidiary of PGC, exchanged its 100% shareholding in MARAC and its 50% investment in MARAC JV Holdings for 72.21% of the shares in Building Society Holdings Limited (BSHL). The agreed consideration of $206.8 million converted to the issue of 3.94 fully paid shares in BSHL in exchange for each MARAC share. On the same date, Combined Building Society, a wholly owned subsidiary of BSHL, acquired all of the assets and engagements of Southern Cross Building Society (SCBS) and CBS Canterbury (CBS) for the total agreed consideration of $79.6 million. Combined Building Society then subsequently acquired all of the shares in MARAC through BSHL transferring its shareholding in MARAC to CBS (through its subsidiaries as intermediate holders).

As a result of the above transaction, PGC disposed of 27.79% of its investment in MARAC Finance Limited in exchange for a 72.21% shareholding in BSHL.

38 Acquisition of subsidiary (continued)

Acquisition of Combined Building Society

Fair value of consideration transferred at acquisition date	GROUP 5 Jan 11 $000
Shares issued, at fair value	79,574
Consideration transferred	**79,574**

Fair value of identifiable assets acquired and liabilities assumed	GROUP Fair value 5 Jan 11 $000
Assets	
Cash and cash equivalents	207,126
Investments	21,540
Finance Receivables	669,689
Other assets	12,075
Intangible assets	155
Total assets	**910,585**
Liabilities	
Borrowing	(841,335)
Other liabilities	(9,817)
Contingent liabilities	-
Total liabilities	**(851,152)**
Total fair value net identifiable assets	**59,433**
Total consideration transferred	79,574
Fair value of identifiable net assets	59,433
Goodwill	**20,141**

The non-controlling interest has been measured at fair value.

Goodwill on acquisition of $20.1 million has arisen due to expected benefits of the newly formed financial services group. Building Society Holdings Limited has the benefit of scale and scope and is expected to be value enhancing for all shareholders and offers a better outcome than could be expected as standalone entities.

Goodwill of $20.1 million was not allocated to individual cash generating units, as the future economic benefit is attributable to all business units of Combined Building Society.

As detailed in note 39, the Group disposed of its 72.21% interest in BSHL on 30 May 2011 by way of an in-specie distribution to its shareholders. The revenue and profit since acquisition have been disclosed in note 39 as discontinued operations.

39 Discontinued operations

In-specie distribution of Building Society Holdings Limited (BSHL) shares

On 30 May 2011, the Group disposed of its remaining interest in MARAC Finance Limited and MARAC JV Holdings Limited, held via its 72.21% shareholding in BSHL, by way of an in-specie distribution to PGC shareholders. As a result, PGC relinquished control of BSHL and the resulting loss on disposal has been recognised in profit and loss for the period. The distribution of the BSHL shares and cancellation of a proportion of PGC shares was effective as at 30 May 2011. The net effect of the distribution, including any profit or loss, is that the Group's net assets have reduced by $317.5 million.

The profit/(loss) for the year ended 30 June 2011 from discontinued operations represents 100% of MARAC Finance Limited's profit/(loss) for the period 1 July 2010 to 6 January 2011, and 72.21% of BSHL's profit/(loss) for the period 7 January 2011 to 30 May 2011.

Notes to the Financial Statements

For the year ended 30 June 2011

Profit / (loss) attributable to the discontinued operations were as follows:

	GROUP 2011 $000	GROUP 2010 $000
Results of discontinued operations		
Revenue	165,820	169,195
Expenses	153,330	148,302
Results from operating activities	12,490	20,893
Income tax expense	4,087	6,036
Results from operations, net of income tax	**8,403**	**14,857**
Loss on remeasurement to fair value	-	-
Loss on disposal of discontinued operation	52,929	-
Income tax on gain on sale of discontinued operation	-	-
Profit / (loss) from discontinued operations for the period	**(44,526)**	**14,857**
Profit / (loss) from discontinued operations attributable to:		
Owners of the Company	(45,310)	14,857
Non-controlling interests	784	-
Profit / (loss) from discontinued operations for the period	**(44,526)**	**14,857**
Basic earnings / (loss) per share	-6c	3c
Diluted earnings / (loss) per share	-6c	3c
Cash flows from discontinued operations		
Net cash from operating activities	13,854	30,373
Net cash from investing activities	(1,453)	193,504
Net cash from financing activities	(113,153)	(199,933)
Net cash from / (used in) discontinued operations	**(100,752)**	**23,944**
Effect of disposal on the financial position of the Group		
Cash and cash equivalents	(263,197)	-
Finance receivables	(1,733,233)	-
Operating lease vehicles	(32,899)	-
Investments	(19,273)	-
Investment property	(9,899)	-
Trade receivables	(6,078)	-
Other assets	(27,423)	-
Deferred tax asset	(6,460)	-
Intangible assets	(40,834)	-
Borrowings	1,790,266	-
Trade creditors	21,369	-
Other liabilities	10,149	-
Reduction in equity	**(317,512)**	**-**
Less non-controlling interest	79,574	-
Less in-specie loss on distribution of BSHL shares	52,929	-
Movements in equity	**(185,009)**	**-**
Consideration received	-	-
Cash and cash equivalents disposed of	(263,197)	-
Net cash inflow	**(263,197)**	**-**

39 Discontinued operations (continued)

In-specie distribution transaction summary

	GROUP 2011 $000	GROUP 2010 $000
BSHL carrying value	317,512	-
Less non-controlling interest	(79,574)	-
Carrying value of PGC's investment in BSHL	237,938	-
Less fair value of in-specie distribution	(164,639)	-
Loss on disposal / in-specie distribution	(73,299)	-
Recognised directly in equity in relation to dilution	(20,370)	-
Recognised directly in profit and loss in relation to the in-specie	(52,929)	-
	(52,929)	**-**

40 Staff share ownership arrangements

General staff share purchase scheme

During the year, the Trustees sold the 22,215 unallocated shares held in their name. At 30 June 2011 there were no shares held under this scheme.

Discretionary staff share schemes

At 30 June 2010 the Trustees held 136,445 shares. During the year 69,640 shares were transferred to staff at the end of the restrictive period, 3,073 additional shares were obtained with the Trustees participating in the Dividend Reinvestment Plan in respect of the December 2010 dividend paid by the Company, 17,370 unallocated shares were sold, and 38,436 shares were cancelled as part of the distribution of the Heartland New Zealand Limited shares. At 30 June 2011 the Trustees held 14,072 shares in PGC and 14,072 shares in Heartland New Zealand Ltd on behalf of senior staff of MARAC Finance Limited. The shares are held in trust for MARAC employees, formerly part of PGC Group. No current PGC employees hold shares under this scheme.

Directors' retirement share scheme

At 30 June 2010 the Trustees held 213,794 shares. During the year the Trustees purchased 7,170 shares, 8,251 additional shares were obtained with the Trustees participating in the Dividend Reinvestment Plan in respect of the December 2010 dividend paid by the Company, and 167,785 shares were cancelled as part of the distribution of the Building Society Holdings Ltd shares. At 30 June 2011 the Trustees held 61,430 shares in PGC and 61,430 shares in Heartland New Zealand Ltd on behalf of Directors (2010: 213,794).

Executive share plan

In January 2011 the PGC executive scheme share plan was established, resulting in the allotment of 4,378,998 shares at an issue price of $0.3674. A total of 2,189,500 shares were transferred to executives during the year ended 30 June 2011. In May 2011 the remaining shares were exchanged for 586,786 Heartland New Zealand Limited shares, with 1,602,712 PGC shares being cancelled. At 30 June 2011 the trustees held 586,786 shares in PGC and 586,786 shares in Heartland New Zealand Limited for these former PGC executives.

The shares are held in trust for MARAC employees and former PGC employees who transferred to Heartland New Zealand Limited. No current PGC employees hold shares under this scheme.

The total expense recognised, including PAYE, during the year was $2.37 million.

Notes to the Financial Statements

For the year ended 30 June 2011

41 Subsequent events

PGC participation in EPIC banking restructure

PGC acquired a NZ$14 million participation in NAB's first ranking loan facilities to EPIC. This was completed in two tranches, the first for NZ$7.5 million was completed on 8 July 2011. The second tranche of NZ$6.5 million was completed on 15 July 2011, after PGC had obtained a waiver from the NZX Listing Rule 9.21.1. A waiver of this Listing Rule was required as EPIC and Torchlight (an investor in EPIC) are related parties of PGC. The related party issue arises through, amongst other things, PGC being the owner of EPIC's manager as well as the owner of Torchlight's general partner.

The participation sees PGC holding a share in NAB's first ranking facility, whereby interest is paid to both NAB and PGC on a pro rata basis, subject to the principal amount of PGC's participation being subordinated behind NAB's share and PGC's interest component being subordinated on an event of default occurring.

Participation in Heartland New Zealand capital raising

On 14 June 2011 Heartland New Zealand Limited (Heartland) and PGC entered into a Deed relating to the placement of shares and an underwrite of Heartland's share purchase plan which were part of a $55 million capital raise by Heartland. The Deed was subsequently amended on 19 July 2011 under which PGC agreed to certain changes to the capital raise, which were requested by Heartland, the most significant of which is to allow Heartland to raise an additional $3 million which brought the capital raise to $58 million. On 30 August 2011 in accordance with the Deed, PGC subscribed for 13,333,333 new Heartland shares at $0.75 per share for an aggregate issue price of $10 million. Also in accordance with the Deed under PGC's underwrite obligations PGC acquired 10,048,352 new Heartland shares at an issue price of $0.65 per share. Payment of $16,531,428.80 was made on 30 August 2011 and 23,381,685 shares were allotted on 31 August 2011 representing 6.02% ownership of Heartland. The acquisition of shares in Heartland was funded by bank debt of $16,531,428.80 and for a term of 9 months to 31 May 2012. The bank facility is secured by two separate specific security deeds, with one over PGC's shareholding in PGG Wrightson Limited and the other one over PGC's shareholding in Heartland.

Other than the above matters, there have been no material events subsequent to balance date that would affect the amounts recorded or disclosed in these financial statements.

Auditor's Report.

KPMG

To the Shareholders of Pyne Gould Corporation Limited

Report on the Company and Group Financial Statements

We have audited the accompanying financial statements of Pyne Gould Corporation Limited (''the company") and the group, comprising the company and its subsidiaries, on pages 15 to 53. The financial statements comprise the statements of financial position as at 30 June 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' Responsibility for the Company and Group Financial Statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company and group in relation to audit related services and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

Opinion

In our opinion the financial statements on pages 15 to 53:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 30 June 2011 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Pyne Gould Corporation Limited as far as appears from our examination of those records.

KPMG

16 September 2011
Auckland

Statutory Disclosures.

Directors

The following persons respectively held office as directors of the Company and the Company's subsidiaries during the year ended 30 June 2011.

Pyne Gould Corporation Limited
GAC Gould (resigned 31 January 2011)
BW Mogridge (appointed 27 January 2003)
BR Irvine (appointed 27 January 2003)
JK Greenslade (resigned 30 May 2011)
GDC Kerr (appointed 26 August 2008)
J Duncan (appointed 27 May 2011)

Corporate Trust of New Zealand Limited
BW Mogridge (appointed 26 March 2010)
J Duncan (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)

MARAC Financial Services Limited
BR Irvine (appointed 24 March 2010)
JK Greenslade (appointed 28 August 2010)

Pegasus Fund Managers Limited
JK Greenslade (resigned 22 June 2011)
J Duncan (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)

Perpetual Group Limited
J Duncan (appointed 17 February 2010)
GCD Kerr (appointed 17 February 2010)
BW Mogridge (appointed 22 December 2009)
JK Greenslade (resigned 18 May 2011)

Perpetual Trust Limited
J Duncan (appointed 6 July 2010)
P Middleton (appointed 6 July 2010)
BW Mogridge (appointed 27 January 2003)

Ascend Finance Limited
BR Irvine (resigned 18 May 2011)
JK Greenslade (resigned 18 May 2011)
BW Mogridge (appointed 29 April 2011)
J Duncan (appointed 29 April 2011)

Greenlight Finance Limited
BR Irvine (resigned 18 May 2011)
JK Greenslade (resigned 18 May 2011)
BW Mogridge (appointed 29 April 2011)
J Duncan (appointed 29 April 2011)

i-Financial Services Limited
BR Irvine (resigned 18 May 2011)
JK Greenslade (resigned 18 May 2011)
BW Mogridge (appointed 29 April 2011)
J Duncan (appointed 29 April 2011)

MARAC Investments Limited
BR Irvine (resigned 18 May 2011)
JK Greenslade (resigned 18 May 2011)
BW Mogridge (appointed 29 April 2011)
J Duncan (appointed 29 April 2011)

Perpetual Portfolio Management Limited
J Duncan (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)
BW Mogridge (appointed 23 December 2009)

Perpetual Asset Management Limited
J Duncan (appointed 15 June 2010)
P Middleton (appointed 21 June 2010)
BW Mogridge (appointed 15 June 2010)

Webserve Limited
BR Irvine (resigned 18 May 2011)
JK Greenslade (resigned 18 May 2011)
BW Mogridge (appointed 29 April 2011)
J Duncan (appointed 29 April 2011)

Torchlight Investment Group Limited
J Duncan (appointed 26 March 2010)
GCD Kerr (appointed 17 July 2009)
BW Mogridge (appointed 17 July 2009)
JK Greenslade (resigned 18 May 2011)

Equity Partners Asset Management Limited
P Middleton (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
J Duncan (appointed 14 August 2009)

Equity Partners Infrastructure Management Limited
J Duncan (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)
GCD Kerr (resigned 7 July 2010)

Ferrero Investments Limited
J Duncan (appointed 30 April 2010)
P Middleton (appointed 30 April 2010)

New Zealand Credit Trustee Limited
GCD Kerr (appointed 28 October 2009)

Real Estate Credit Limited
J Duncan (appointed 26 March 2010)
GCD Kerr (resigned 7 July 2010)
BW Mogridge (appointed 26 March 2010)

Khyber Pass Limited
J Duncan (appointed 26 April 2010)
GCD Kerr (resigned 7 July 2010)

Land House Limited
J Duncan (appointed 12 April 2010)

Willis Limited
J Duncan (appointed 26 April 2010)
GCD Kerr (resigned 7 July 2010)

Pegasus Investment Fund Limited
J Duncan (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)

Perpetual Charitable Nominees Limited
J Duncan (appointed 7 April 2010)

Perpetual Trust Services Limited
J Duncan (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)

Torchlight Management Limited
J Duncan (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
GCD Kerr (appointed 1 October 2010)

Aegis Asset Holdings Limited
J Duncan (appointed 26 April 2010)
GCD Kerr (resigned 7 July 2010)

Torchlight (GP) 1 Limited
J Duncan (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
GCD Kerr (appointed 1 October 2009)

Torchlight (GP) 2 Limited
J Duncan (appointed 30 April 2010)
GCD Kerr (appointed 30 April 2010)

Arvensis Holdings Limited
J Duncan (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)

Crawford Property Fund Limited
J Duncan (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)

Insignis Nominees Limited
J Duncan (appointed 26 March 2010)
B Mogridge (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)

NZ Foundation Nominees Limited
J Duncan (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)

Nikau Apartments Limited
J Duncan (appointed 5 August 2010)
P Middleton (appointed 5 August 2010)
MR Alcock (resigned 5 August 2010)
AR Knight (resigned 5 August 2010)

Perpetual Nominees Limited
J Duncan (appointed 7 April 2010)
P Middleton (appointed 28 January 2011)

Perpetual Nominees (Christchurch) Limited
J Duncan (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)

Perpetual Trust Security Trustee Limited
S Maling (appointed 28 October 2010)
EH Abernethy (appointed 2 October 2006)
KR Rushbrook (appointed 2 August 2007)
KR Familton (resigned 28 October 2010)

Property Assets Limited
J Duncan (appointed 20 December 2010)

Streat Property Fund Limited
J Duncan (appointed 26 March 2010)
BW Mogridge (appointed 26 March 2010)
P Middleton (appointed 26 March 2010)

Supreme 2010 Limited
J Duncan (appointed 29 July 2010)

MARAC Securities Limited
J Duncan (appointed 29 April 2011)
BW Mogridge (appointed 29 April 2011)
BR Irvine (resigned 18 May 2011)
JK Greenslade (resigned 18 May 2011)

Disclosures of interests

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

BW Mogridge
Director
- BUPA Care NZ Limited (Chairman)

Director and Shareholder
- Heartland New Zealand Limited
- Mogridge & Associates Limited
- Mainfreight Limited
- Rakon Limited (Chairman)
- Trio Group Limited (Retired May 2011)
- Paragon Limited

Vice Chairman
- UBS New Zealand Limited

Trustee
- Starship Foundation (Chairman)

BR Irvine
Director
- Heartland New Zealand Limited (Chairman)
- PGG Wrightson Limited
- Market Gardeners Limited
- Christchurch City Holdings Limited
- Godfrey Hirst (NZ) Limited
- House of Travel Holdings Limited
- Rakon Limited
- Skope Limited
- Scenic Circle Limited
- Retail Adventures Pty Limited

Trustee
- Christchurch Art Gallery Trust
- Christchurch Symphony Trust

GCD Kerr
Shareholder
- Heartland New Zealand Limited

Ownership of limited partnership interests in Torchlight Fund No1 LP

J Duncan
Shareholder
– Heartland New Zealand Limited

GAC Gould (resigned 31 January 2011)
Director
- Orion New Zealand Limited
- Christchurch International Airport Limited
- PGG Wrightson Limited
- Gould Holdings Limited

JK Greenslade (resigned 30 May 2011)
Director and Shareholder
- Provisional Tax Finance Limited

P Middelton
(no specific disclosures)

MA Smith
(Director of MARAC Finance Limited, which ceased to be a subsidiary on 30 May 2011)
Director
- Christchurch Arts Festival Trust
- Medical Assurance Society

EJ Harvey
(Director of MARAC Finance Limited, which ceased to be a subsidiary on 30 May 2011)
Director
- Kathmandu Holdings Limited
- DNZ Property Fund Limited
- Port Otago Limited
- New Zealand Opera Limited
- Pomare Investments Limited

Shareholder
- PGG Wrightson Limited

General disclosure

All directors have provided a general notice that they may from time to time undertake personal business transactions with the Company, including utilising the Company's services. All such transactions are carried out in accordance with the Company's normal business criteria for those types of transactions. The Company obtains services from Trio Group Limited and Paragon Limited, of which BW Mogridge is a shareholder. These services are provided on normal commercial terms.

Information used by directors

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

Indemnification and insurance of directors and officers

The Company has given indemnities to directors and selected employees and has arranged insurance for directors and officers of the Company and its subsidiaries.

These indemnify and insure directors and officers against liability and costs for actions undertaken by them in the course of their duties to the extent permitted by the Companies Act 1993. The cost of the insurance premiums to the Company and its subsidiaries for the year was $50,498.

Shares held and share dealings by directors

All directors had their shareholding reduced as a consequence of the share cancellation and distribution of shares in Building Society Holdings Limited to shareholders in May 2011. Details of individual directors share dealings are as follows:

	Beneficial	Associated Person	Non Beneficial (Staff Shares)
BR Irvine			
Balance 30 June 2010	228,354	748,730	122,224
1.12.10 Purchase of shares	3503	-	-
3.12.10 Dividend reinvestment plan	8,813	28,896	3,073
12.5.11 Sale of shares	-	-	(39,585)
19.5.11 Transfers to staff	-	-	(33,204)
30.05.11 Share cancellation	(176,170)	(569,222)	(38,436)
Balance 30 June 2011	**64,500**	**208,404**	**14,072**
GCD Kerr			
Balance 30 June 2010	115,044,353	-	-
23.9.10 Sale of shares	(7,500,000)	-	-
25.11.10 Transfer of shares	(5,000,000)	5,000,000	-
25.11.10 Purchase of shares	-	1,687,738	-
3.12.10 Dividend reinvestment plan	4,150,617	-	-
30.05.11 Share cancellation	(78,100,718)	(4,895,424)	-
Balance 30 June 2011	**28,594,252**	**1,792,314**	**-**
BW Mogridge			
Balance 30 June 2010	270,634	4,800,000	122,224
1.12.10 Purchase of shares	3,667	-	-
3.12.10 Dividend reinvestment plan	10,444	185,253	3,073
12.5.11 Sale of shares	-	-	(39,585)
19.5.11 Transfers to staff	-	-	(33,204)
30.5.11 Share cancellation	(208,433)	(3,649,205)	(38,436)
Balance 30 June 2011	**76,312**	**1,336,048**	**14,072**
J Duncan			
Balance 18 May 2011 (on appointment to the Board)	-	3,190,000	-
30.5.11 Share cancellation	-	(2,335,080)	-
Balance 30 June 2011	**-**	**854,920**	**-**
GAC Gould			
Balance 30 June 2010 (and on retirement from the Board)	**2,007,412**	**27,676,883**	**-**
JK Greenslade			
Balance 30 June 2010	-	700,000	213,794
1.12.10 Purchase of shares	-	-	7,170
3.12.10 Dividend reinvestment plan	-	27,016	8,251
26.1.11 Executive share scheme	1,300,000	-	-
Balance on retirement from the Board	**1,300,000**	**727,016**	**229,215**

Remuneration of directors

The total remuneration received by each director who held office in the Company and its subsidiary companies during the 30 June 2011 year was as follows:

Parent Company directors	Remuneration
GAC Gould	$61,959*
BR Irvine	$200,709
GCD Kerr	$88,000
BW Mogridge	$175,250

* Retired during year.

Subsidiary Company directors	
MA Smith	$90,625
EJ Harvey	$73,333
GR Leech	$39,583
GR Kennedy	$38,542
CR Mace	$34,375
GT Ricketts	$35,417

The subsidiary Company directors are directors of MARAC Finance Ltd and Building Society Holdings Ltd, and the fees are for the period these companies were subsidiaries of PGC. The total aggregate of directors' fees paid was $837,792. With MA Smith and EJ Harvey being independent directors in accordance with Listing Rule 3.5.1, the aggregate paid to the other directors was $673,834, which compares with the total of directors' fees approved by shareholders of $700,000.

Executive directors do not receive directors' fees. Their remuneration, during the period they were directors of the Company was as follows:

JK Greenslade (resigned 30 May 2011)	$1,392,293
J Duncan (appointed 27 May 2011)	$ 988,557

Executive employees' remuneration

The number of employees of the Company and its subsidiary companies, including executive directors, who received remuneration, including non-cash benefits, in excess of $100,000 for the year-ended 30 June 2011 is set out in the remuneration bands detailed below.

Remuneration	Total Group	PGC*
$100,000 to $110,000	12	3
$110,000 to $120,000	8	2
$120,000 to $130,000	7	2
$130,000 to $140,000	6	4
$140,000 to $150,000	2	-
$150,000 to $160,000	2	-
$160,000 to $170,000	2	1
$170,000 to $180,000	1	-
$180,000 to $190,000	1	1
$190,000 to $200,000	1	-
$200,000 to $210,000	3	1
$210,000 to $220,000	1	-
$220,000 to $230,000	3	1
$260,000 to $270,000	1	-
$310,000 to $320,000	1	-
$440,000 to $450,000	1	-
$470,000 to $480,000	1	-
$650,000 to $660,000	1	-
$770,000 to $780,000	1	1
$790,000 to $800,000	1	-
$940,000 to $950,000	1	-
$1,350,00 to $1,360,000	1	1
$1,390,000 to $1400,000	1	-

* This is the Executive Employee Remuneration of those employees of PGC post the distribution of the Building Society Holdings shares.

Donations

The Company has settled a Charitable Trust from which donations are made to various organisations.
No donations were made during the year.

During the year the Company established a charitable trust – the PGC Earthquake Trust – to receive financial donations to support those PGC staff and their families affected by the collapse of the PGC Building during the devastating earthquake on 22 February. No donations were made in the period to 30 June 2011.

Shareholder Information.

As at 22 August 2011

Size of shareholding	Number of holders	% of issued capital
1 – 1,000	724	0.17
1,001 – 5,000	1,593	1.92
5,001 – 10,000	960	3.08
10,001 – 50,000	1,203	11.22
50,001 – 100,000	206	6.54
100,001 and over	182	77.07
	4,868	**100.00**

Domicile of shareholders	Number of shares	% of issued capital
New Zealand	166,607,107	76.91
Overseas	50,022,503	23.09
	216,629,610	**100.00**

Twenty largest shareholders	Number of shares	% of issued capital
Citibank Nominees (NZ) Ltd	48,352,175	22.32
Pyne Family Holdings Ltd	28,594,252	13.20
Gould Holdings Ltd	7,417,405	3.42
Accident Compensation Corporation	6,550,778	3.02
PM Carter	3,838,866	1.77
HSBC Nominees (NZ) Ltd	2,776,679	1.28
FNZ Custodians Ltd	2,475,649	1.14
Custodial Services Ltd	2,440,475	1.13
Loris Equities Ltd	2,100,852	0.97
Wyuna Trustees Ltd	1,876,000	0.87
GCD Kerr and SB Lowe	1,792,314	0.83
Perpetual Trust Ltd & GA & JBL Savill	1,786,989	0.83
SJ Field	1,608,000	0.74
Leveraged Equities Finance Ltd	1,577,680	0.73
Investment Custodial Services Ltd	1,555,050	0.72
Custodial Services Ltd	1,545,767	0.71
JB Were (NZ) Nominees Ltd	1,486,364	0.69
Hugh Green Investments Ltd	1,449,523	0.67
JB Were (NZ) Nominees Ltd	1,394,032	0.64
BW & HJ Mogridge	1,336,048	0.62
	121,954,898	**56.30**

Substantial security holders

GCD Kerr has advised that he has a beneficial interest in 30,386,355 shares in the Company through his associated entities Pyne Holdings Limited and the Kerr Family Trust (GCD Kerr and SB Lowe Trustees). Pyne Holdings Limited has an interest in 28,594,252 ordinary shares in the Company.

Baker Street Capital L.P. has advised an interest in 42,848,301 shares through its nominee Citibank Nominees Limited. Citibank Nominees Limited has an interest in 42,848,301 ordinary shares in the Company.

The Accident Compensation Corporation and Harrogate Trustee Limited have both advised they cease to hold a substantial holding.

New Zealand Stock Exchange waivers

During the year the Company obtained the following waiver from the NZX:

Distribution of shares in Building Society Holdings Ltd
A waiver was granted allowing the Investment Statement and Prospectus for the distribution of shares in Building Society Holdings Limited to exclude those matters which are not relevant in the context of the distribution.

This was granted as the subscribers under the offer are PGC shareholders, the issue was not an issue to the public, shares in BSHL would be received pro rata, and there was no subscription money payable.

Directory.

Directors.

BW Mogridge: Chairman
J Duncan: Managing Director
BR Irvine
GCD Kerr

Executives.

John Duncan:
Managing Director

Patrick Middelton:
Chief Executive Officer
– Perpetual Group

James West:
Head of Perpetual
Operations and
Financial Controller

Elliot Worrall:
Executive Officer
– Corporate Finance

Auditors.

KPMG
KPMG Centre
18 Viaduct Harbour
Auckland 1140
T: 09 367 5800

Solicitors.

Russell McVeagh
Vero Centre
48 Shortland Street
PO Box 8
Auckland 1140
T: 09 367 8000

Bankers.

Bank of New Zealand
BNZ Tower
125 Queen Street
Auckland
T: 09 375 1300

Share Registry.

Link Market Services Ltd
PO Box 384,
Ashburton 7740
T: 03 308 8887
F: 03 308 1311
E: info@linkmarketservices.com
W: www.linkmarketservices.com

Registered Office.

305 Lincoln Road
Addington,
Christchurch 8024
PO Box 167,
T: 03 365 0000
E: info@pgc.co.nz
W: www.pgc.co.nz

Pyne Gould Corporation

www.pgc.co.nz