Pyne Gould Corporation

PYNE GOULD CORPORATION LIMITED

INTERIM REPORT TO 31 DECEMBER 2009

MARAC

Perpetual

PGG Wrightson

INTERIM RESULTS OVERVIEW

- The Company returned to profitability during a period of considerable internal and external change.
- All of PGC's businesses delivered solid operating results for the first-half.
- The Company completed an operational and governance restructure as part of the first phase of its business transformation.
- PGC successfully raised $272.5m in capital from existing and new shareholders.
- The Company has taken steps towards phase two of its business transformation to best position the Company for growth and profit in the future.

KEY FINANCIAL RESULTS

	This period	Corresponding period
Net profit/(loss) after tax	$10.1m	($17.0m)
Net operating income	$49.5m	$41.0m
Total assets	$1,554.1m	$1,514.0m
Shareholder funds	$454.4m	$223.7m
Net tangible assets per share	$0.51	$1.89

FINANCIAL CALENDAR

Year-end	30 June 2010
2010 year-end results announcement	31 August 2010
Annual meeting	29 October 2010

Pyne Gould Corporation

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CHAIRMAN AND MANAGING DIRECTOR'S REPORT

SAM MALING
Chairman

JEFF GREENSLADE
Managing Director

During the six months to 31 December 2009, PGC achieved a number of milestones. These included the Company returning to profitability, with a net profit after tax of $10.1m, and successfully completing the first phase of our business transformation – which included restructuring our operational and governance structures and undertaking significant capital raising. We have also taken early steps towards achieving the second and final phase of our business transformation, which includes transitioning the Company to become a market-leading niche bank and wealth management business.

Interim Financial Performance

PGC achieved a net profit after tax of $10.1m, 13% above the budgeted figure for the period of $8.9m, and compared to a $17.0m net after tax loss for the same period in 2008. This result was built on particularly strong performances from MARAC's consumer business and Perpetual's Torchlight Fund, and includes the budgeted one-off sale of the Christchurch building for a profit of $4.1m.

MARAC achieved a net profit before tax of $8.2m, after including a one-off $3.3m pre-tax provision for a loan irregularity. Perpetual contributed $3.7m, ahead of both this year's budget and last year's result. PGG Wrightson, which reported a net profit after tax of $4.1m, contributed $0.4m to the Group result.

This result was delivered during a period of considerable internal and external change. At the same time as the New Zealand economy was pulling itself out of recession, PGC was undertaking an organisational transformation in order to be best positioned to grow its business and profit in a post-recession environment.

For the full year to 30 June 2010 the Company expects to achieve its previously advised Prospective Financial Information (PFI) forecast of $20.9m net profit after tax.

Business Transformation

PGC has been reorganised into two operating subsidiaries with their own Boards: MARAC and Perpetual Group. The strategic objective for MARAC is to achieve a banking licence. The strategic objective of Perpetual Group is to become a specialist asset management group with the businesses of Perpetual Trust and two new businesses, Perpetual Asset Management and Perpetual Portfolio Management. Perpetual Asset Management is a specialist asset management and investment business that invests across a range of asset classes, and Perpetual Portfolio Management works closely with clients to develop personalised financial plans and investment portfolios.

Capital Raising

During the period PGC undertook a large capital raising to:

- support the strategic repositioning of the business;
- strengthen MARAC's balance sheet as a vital step towards meeting the business's goal of becoming a New Zealand-owned registered bank;
- grow Perpetual Group's asset management business by investing in EPIC and the new Torchlight Fund;
- strengthen PGG Wrightson through further investment in the business;
- repay all bank debt at the parent Company level; and
- retain surplus funds for future investment opportunities.

The Company successfully raised a total of $272.5m in new capital from existing and new shareholders.

As a consequence of the rights issue and placement, 674.9m new shares were issued. This increased the total number of shares on issue to 773.5m and the number of shareholders doubled to nearly 5,000.

With its market capitalisation at the end of the period reaching $340m, PGC has featured in the NZX's Top 50 Index since 18 January 2010.

No Dividend to be Declared

As advised in PGC's Investment Statement and Prospectus for the capital raising, and as a result of the Board's focus on growing the PGC businesses and taking advantage of the improving market conditions, the Company does not expect to pay a dividend for the financial year to 30 June 2010.

Boards of Directors

To implement the new direction of the Company, the PGC Board took the decision in 2009 to reduce the size of the parent PGC Board and to establish separate subsidiary Boards for MARAC and the Perpetual Group.

Appointments to the new subsidiary Boards and the new appointments to the parent PGC Board have been made with a focus on directors with the requisite skills and experience to deliver on the objectives of the individual subsidiary businesses and of the parent.

Warwick Steel stepped down from the PGC Board prior to the Annual Meeting in October 2009, and Richard Elworthy and Stephen Montgomery at the end of 2009. Sam Maling also announced his intention to step down after completion of the Board review, following eleven years as Chairman and fourteen years on the PGC Board.

The PGC Board at 31 December 2009 comprised Sam Maling (Chairman), Jeff Greenslade (appointed Managing Director by the Board in December), Bruce Irvine, George Kerr and Bryan Mogridge.

It was proposed that Bruce Irvine be elected Chairman of the parent PGC Board, and George Gould be appointed a new independent director. The composition of the Board was subsequently discussed and confirmed at a special meeting of shareholders on 4 March 2010.

The new Board of MARAC consists of Bruce Irvine (Chairman), Jeff Greenslade (Managing Director) and Bryan Mogridge, plus two new independent directors John Harvey and Michelle Smith.

The new Board of Perpetual Group consists of Bryan Mogridge (Chairman), John Duncan (Chief Executive Officer), Bruce Irvine, George Kerr and Jeff Greenslade.

A separate corporate trust Board oversees the corporate trust business of Perpetual Trust. The members of this corporate trust Board are independent from all other parts of the business. The members are Keith Familton (Chairman), Euan Abernethy and Keith Rushbrook.

Bruce Irvine and George Gould are PGC's appointees to the Board of PGG Wrightson.

Senior Management Team

A number of significant senior appointments were made to strengthen the team and employ management with the specialist skills required to drive the future success of PGC and its subsidiary businesses.

Jeff Greenslade was appointed Managing Director of PGC and MARAC and is also a director of Perpetual Group. John Duncan was appointed Chief Executive Officer of Perpetual Group and is a director on the Perpetual Group Board.

A number of other senior executives were appointed. These were:

- Sean Kam – Chief Financial Officer
- Craig Stephen – Chief Investment Officer
- Michael Jonas – Group Legal Counsel
- Patrick Middleton – Chief Operating Officer of Perpetual Asset Management.

MARAC

- MARAC performed solidly achieving a net profit before tax of $8.2m.
- MARAC continued to enjoy market share growth in consumer lending and insurance.

MARAC Performance

MARAC performed solidly achieving a net profit before tax of $8.2m after including a one-off $3.3m pre-tax provision for a loan irregularity of $4.4m.

PGC strengthened MARAC's balance sheet by investing a further $35m in new capital, not requiring MARAC to pay a dividend, and arranging the sale of $175m of property loans at face value to another PGC subsidiary. Collectively, these steps resulted in MARAC's total equity increasing from $153m (10.8%) at 30 June 2009 to $197m (15.2%) at 31 December 2009.

MARAC's balance sheet has never been stronger and had $283m of liquidity at 31 December 2009. The company remains focused on securing a banking licence. This will require returning to a consistent track record of earnings, regaining an investment grade credit rating and building further scale in the business.

Business Division: Commercial

During the period, business lending to small and medium-sized businesses remained constrained due to the economic conditions. This, coupled with a successful deliberate business strategy of exiting higher risk accounts, resulted in a reduced level of receivables.

In the latter part of the year new lending increased, leaving MARAC commercial well positioned for further growth into the next period if market conditions continue to improve.

Business Division: Property

MARAC's property lending continued to be managed downwards as part of the previously indicated plan to withdraw from this market. Ongoing uncertainty in the property market means this withdrawal may be slow to complete.

Consumer Division

MARAC's consumer division enjoyed a strong half-year and continued to grow market share. MARAC's focus remains on the middle-tier section of this market – new and near-new cars. MARAC Insurance also enjoyed market share gains in the motor vehicle market. Strategic partnerships with the Automobile Association (AA) and Kiwibank continue to grow MARAC's access to consumer finance and insurance customers.

Review of Loan Book

A thorough review by both the internal audit team and the company's external auditors has been carried out following the discovery of an unauthorised loan of $4.4m. This review has concluded that this loan was a one-off incident and MARAC is confident it has controls in place to prevent any future occurrences of this type. The company is pursuing all avenues to recover as much of this loan as possible.

Perpetual Group

- Perpetual's half-year result of $3.7m net profit before tax is ahead of this year's budget.
- There was a strong start from Perpetual Asset Management.

Perpetual Group Performance

Perpetual Group achieved a net profit before tax of $3.7m, a solid performance and a good contribution to the overall PGC result. It was ahead of both this year's budget and last year's result.

Perpetual Trust Performance

Perpetual Trust experienced an increase in client numbers in its personal client business and a 3% revenue increase. The Corporate Trust's revenue increased by 3%.

Perpetual Asset Management Performance

Perpetual Asset Management, including the investments in Real Estate Credit (the ex-MARAC property loans), EPIC (holdings in Thames Water and Moto Hospitality) and the Torchlight Fund, performed strongly, generating a pre-tax contribution of $1.9m.

This part of the business has enjoyed a strong first six months of the year with a successful capital raising for EPIC, the launch of the Torchlight Fund and a capital raising in progress.

In Real Estate Credit there are no significant changes to the overall ex-MARAC property portfolio with some small realisations totalling $2.0m.

Perpetual Portfolio Management Performance

The business's strategy is to provide financial advisory services to the retail wealth management market and provide diversified investment portfolios through their own adviser channel.

Key senior management are now in place, and are on track to expand the adviser network and deliver on funds under administration (FUA) and funds under management (FUM) goals.

PGG Wrightson

PGG Wrightson Performance

Associate Company PGG Wrightson's net profit after tax was $4.1m for the period, compared to a loss of $32.8m last year. This contributed (net of dilution) $0.4m to PGC's result.

Capital Raising

PGC participated fully in PGG Wrightson's capital raising, investing a further $33m to help strengthen PGG Wrightson's balance sheet. Following the introduction of Agria as a new substantial shareholder, PGC's holding reduced to 18.3%.

Summary and Outlook

The six months to the end of 2009 have delivered a satisfactory result, especially when considered against the fact that the period was made up of the first two post-recession quarters after 18 months in recession.

With a strong financial position, and all three operating businesses trading well, the Company is on track to meet the PFI forecast of $20.9m for the full year to 30 June 2010.

In saying that, our aspirations are higher.

With the completion of the first phase of a significant transformation, the Company is well positioned to take advantage of a slowly improving economy and positive signs in business and consumer confidence.

With new Boards leading each of its operating businesses, a new highly experienced and skilled senior management team, and an improved and strong financial position, we are confident of taking advantage of future business growth opportunities.

We now enter phase two, focused on plans to create a market-leading niche bank and a new wealth management business.

To our shareholders, staff and customers, thank you for your continuing loyalty and support through a difficult period and going forward as we prepare the business for the future.

SAM MALING
Chairman

JEFF GREENSLADE
Managing Director

26 February 2010

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring that the interim financial statements give a true and fair view of the financial position of the Group as at 31 December 2009 and the financial performance and cash flows for the period ended on that date.

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

The Board of Directors of Pyne Gould Corporation Limited authorised the interim financial statements set out on pages 7 to 20 for issue on 26 February 2010.

For and on behalf of the Board.

S R MALING
Chairman

B R IRVINE
Director

26 February 2010

Pyne Gould Corporation

INTERIM FINANCIAL STATEMENTS

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 December 2009

	NOTE	Unaudited 6 months Dec 2009 $000	Unaudited 6 months Dec 2008 $000	Audited 12 months Jun 2009 $000
Continuing operations				
Interest revenue		79,194	90,858	174,070
Interest and funding expense		50,507	62,313	116,640
Net interest income		**28,687**	**28,545**	**57,430**
Operating lease revenue		8,187	8,722	16,344
Operating lease expense		5,379	6,687	11,591
Net operating lease income		**2,808**	**2,035**	**4,753**
Gain on sale of property		4,100	-	-
Fee and other revenue		13,926	10,435	21,464
Net operating income		**49,521**	**41,015**	**83,647**
Selling and administration expenses	6	24,382	21,184	43,218
Impaired asset expense	5	12,584	34,336	98,634
Operating profit / (loss)		**12,555**	**(14,505)**	**(58,205)**
Share of Associate Company's profit / (loss)	10	737	(6,949)	(13,793)
Profit / (loss) before income tax		**13,292**	**(21,454)**	**(71,998)**
Income tax expense / (benefit)		3,189	(4,410)	(17,643)
Profit / (loss) for the period		**10,103**	**(17,044)**	**(54,355)**
Other comprehensive income / (expense)				
Cash flow hedges:				
Effective portion of changes in fair value, before income tax		4,763	(10,296)	(6,328)
Income tax expense / (benefit) on the effective portion of changes in fair value		1,429	(3,089)	(1,898)
Effective portion of changes in fair value, after income tax		**3,334**	**(7,207)**	**(4,430)**
Share of other comprehensive expense of equity accounted Associate Company, net of income tax		(1,279)	(2,110)	(2,281)
Other comprehensive expense for the period, net of income tax		**(1,279)**	**(2,110)**	**(2,281)**
Total comprehensive income / (expense) for the period		**12,158**	**(26,361)**	**(61,066)**
Profit / (loss) attributable to:				
Owners of the Company		10,103	(17,044)	(54,355)
Profit / (loss) for the period		**10,103**	**(17,044)**	**(54,355)**
Total comprehensive income / (expense) attributable to:				
Owners of the Company		12,158	(26,361)	(61,066)
Total comprehensive income / (expense) for the period		**12,158**	**(26,361)**	**(61,066)**
Earnings per share from continuing operations				
Basic earnings per share	7	3c	-17c	-55c
Diluted earnings per share	7	3c	-17c	-55c

The notes on pages 11 to 20 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2009

	NOTE	Share Capital $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
Dec 2009					
Balance at 1 July 2009		**87,225**	**(6,198)**	**103,234**	**184,261**
Total comprehensive income for the period					
Profit for the period		-	-	10,103	10,103
Share of other comprehensive expense of equity accounted Associate Company, net of income tax	10	-	-	(1,279)	(1,279)
Effective portion of changes in fair value of cash flow hedges, net of income tax		-	3,334	-	3,334
Total comprehensive income for the period		**-**	**3,334**	**8,824**	**12,158**
Transactions with owners, recorded directly in equity					
Capital raising proceeds	14	272,531	-	-	272,531
Transaction costs associated with capital raising	14	(14,567)	-	-	(14,567)
Total transactions with owners		**257,964**	**-**	**-**	**257,964**
Balance at 31 December 2009		**345,189**	**(2,864)**	**112,058**	**454,383**
Dec 2008					
Balance at 1 July 2008		**85,885**	**(1,768)**	**177,558**	**261,675**
Total comprehensive income for the period					
Loss for the period		-	-	(17,044)	(17,044)
Share of other comprehensive expense of equity accounted Associate Company, net of income tax	10	-	-	(2,110)	(2,110)
Effective portion of changes in fair value of cash flow hedges, net of income tax		-	(7,207)	-	(7,207)
Total comprehensive income for the period		**-**	**(7,207)**	**(19,154)**	**(26,361)**
Transactions with owners, recorded directly in equity					
Dividends to shareholders		-	-	(12,763)	(12,763)
Staff share issues	14	326	-	-	326
Dividend Reinvestment Plan	14	802	-	-	802
Total transactions with owners		**1,128**	**-**	**(12,763)**	**(11,635)**
Balance at 31 December 2008		**87,013**	**(8,975)**	**145,641**	**223,679**

The notes on pages 11 to 20 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2009

	NOTE	Share Capital $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
Jun 2009					
Balance at 1 July 2008		**85,885**	**(1,768)**	**177,558**	**261,675**
Total comprehensive income for the period					
Loss for the period		-	-	(54,355)	(54,355)
Share of other comprehensive expense of equity accounted Associate Company, net of income tax	10	-	-	(2,281)	(2,281)
Effective portion of changes in fair value of cash flow hedges, net of income tax		-	(4,430)	-	(4,430)
Total comprehensive income for the period		**-**	**(4,430)**	**(56,636)**	**(61,066)**
Contributions by and distributions to owners					
Dividends to shareholders		-	-	(17,688)	(17,688)
Staff share issues	14	326	-	-	326
Dividend Reinvestment Plan	14	1,014	-	-	1,014
Total transactions with owners		**1,340**	**-**	**(17,688)**	**(16,348)**
Balance at 30 June 2009		**87,225**	**(6,198)**	**103,234**	**184,261**

INTERIM STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	NOTE	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Assets				
Cash and cash equivalents		102,657	28,994	62,342
Finance receivables	9	1,203,100	1,288,101	1,211,217
Operating lease vehicles		37,878	42,810	36,209
Investment in Associate Company	10	110,689	85,532	78,517
Other assets	11	99,762	68,611	79,704
Total assets		**1,554,086**	**1,514,048**	**1,467,989**
Liabilities				
Borrowings	13	1,054,595	1,249,532	1,238,709
Other liabilities		45,108	40,837	45,019
Total liabilities		**1,099,703**	**1,290,369**	**1,283,728**
Equity				
Share capital	14	345,189	87,013	87,225
Retained earnings and reserves		109,194	136,666	97,036
Total equity		**454,383**	**223,679**	**184,261**
Total equity and liabilities		**1,554,086**	**1,514,048**	**1,467,989**

The notes on pages 11 to 20 are an integral part of these interim financial statements.

INTERIM STATEMENT OF CASH FLOWS

For the period ended 31 December 2009

	NOTE	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Cash flows from operating activities				
Cash was provided from:				
Interest and dividends received		68,003	83,746	138,827
Proceeds from sale of operating lease vehicles		5,996	6,693	14,373
Dividends received from Associate Company		-	6,869	6,869
Operating lease revenue received		7,491	8,829	16,103
Fees and other income received		13,926	10,849	21,464
Total cash provided from operating activities		**95,416**	**116,986**	**197,636**
Cash was applied to:				
Payments to suppliers and employees		23,250	30,238	46,723
Interest paid		51,613	62,910	118,662
Purchase of operating lease vehicles		11,913	3,693	9,176
Taxation paid		-	4,295	5,971
Total cash applied to operating activities		**86,776**	**101,136**	**180,532**
Net cash flows from operating activities	8	**8,640**	**15,850**	**17,104**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of property		7,775	-	-
Net decrease in investments		-	5	11
Net decrease in finance receivables		6,008	53,306	98,614
Total cash provided from investing activities		**13,783**	**53,311**	**98,625**
Cash was applied to:				
Net increase in investment in Associate Company		33,074	-	-
Net increase in investments		15,499	-	-
Advance to staff share purchase schemes		-	323	138
Purchase of property, plant, equipment and intangible assets		8,746	948	2,123
Total cash applied to investing activities		**57,319**	**1,271**	**2,261**
Net cash flows (to) / from investing activities		**(43,536)**	**52,040**	**96,364**
Cash flows from financing activities				
Cash was provided from:				
Increase in share capital		272,531	1,128	1,340
Total cash provided from financing activities		**272,531**	**1,128**	**1,340**
Cash was applied to:				
Transaction costs associated with capital raising		14,567	-	-
Dividends paid		-	12,763	17,688
Net decrease in borrowings		182,753	35,212	42,729
Total cash applied to financing activities		**197,320**	**47,975**	**60,417**
Net cash flows from / (to) financing activities		**75,211**	**(46,847)**	**(59,077)**
Net increase in cash held		40,315	21,043	54,391
Opening cash balance		62,342	7,951	7,951
Closing cash balance		**102,657**	**28,994**	**62,342**

The notes on pages 11 to 20 are an integral part of these interim financial statements.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 1: Reporting entity

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

All entities within the Group offer financial services, they all operate and are domiciled in New Zealand. The registered office address is 233 Cambridge Terrace, Christchurch.

Note 2: Basis of preparation

The interim financial statements presented here are for the following periods:
At 31 December 2009: 6 month period - Unaudited
At 31 December 2008: 6 month period - Unaudited
At 30 June 2009: 12 month period - Audited

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and NZ IAS 34 Interim Financial Statements. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Group as at and for the year ended 30 June 2009. By complying with NZ IAS 34 the Group is also in compliance with IAS 34.

The Company is a profit-oriented entity. The Company is a reporting entity and an issuer for the purposes of the Financial Reporting Act 1993 and its interim financial statements comply with that Act. The interim 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 interim financial statements have been prepared on the basis of historical cost, unless stated otherwise.

(c) Functional and presentation currency

These interim 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 interim financial statements requires the use of management judgement, estimates and assumptions that effect reported amounts. Actual results may differ from these judgements.

(e) Going concern

The interim financial statements have been prepared on a going concern basis after considering the Company's and Group's funding and liquidity position.

Note 3: Significant accounting policies

(a) Associate companies

Associate companies are accounted for at cost in the Company with dividends received recorded in the Interim Statement of Comprehensive Income. Associate companies are equity accounted in the Group.

(b) Investments in subsidiary companies

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

(c) Interest

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

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

(d) Operating lease revenue and expense

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

Operating lease vehicles are depreciated on a straight line basis over their expected life after allowing for any residual values. The estimated lives of operating lease vehicles vary up to 5 years. Vehicles held for sale are not depreciated but are tested for impairment.

(e) Fee and commission revenue

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

(f) Property, plant, equipment and depreciation

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 3: Significant accounting policies (cont)

(g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and unrestricted balances held with banks. Cash and cash equivalents are carried at amortised cost in the Interim Statement of Financial Position.

(h) Management of capital

Some members of the Group have minimum capital requirements which they are required to maintain in accordance with their Trust Deeds and borrowing facilities. Each of these companies maintains an appropriate buffer above these ratios and reports these to its Board monthly.

(i) Tax

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

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

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

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

(j) Derivative financial instruments

Derivative financial instruments are contracts entered into to reduce the exposure to fluctuations in interest rates on variable rate borrowings. The financial instruments are subject to the risk that market values may change subsequent to their acquisition, however such changes would be offset by corresponding, but opposite, effects on the variable rate borrowings being hedged. Derivatives are initially valued at fair value and subsequently remeasured at fair value. Fair value movements of derivatives that are not designated in a qualifying hedge relationship, are recognised in the Interim Statement of Comprehensive Income.

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

(k) Finance receivables

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

(l) Financial assets and liabilities

Recognition

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

Derecognition

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

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

The Group enters into transactions whereby it transfers assets recognised on its Interim 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 Interim 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 3: Significant accounting policies (cont)

(l) Financial assets and liabilities (cont)

Classification

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

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

(m) Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic value of that asset. Amortisation of software is on a straight line basis, at rates which will write off cost over their estimated economic lives of 3 to 4 years.

(n) Operating lease vehicles

Operating lease vehicles are stated at cost less accumulated depreciation. Current period depreciation and profits or losses on the sale of operating lease vehicles are included as part of the operating lease expense. 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 years.

(o) Impaired assets and past due assets

Impaired assets are those loans for which the Group has evidence that it has incurred a loss, and will be unable to collect all principal and interest due according to the contractual terms of the loan.

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 entity'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 its 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 the Interim Statement of Comprehensive Income. Any future recoveries of amounts provided for are taken to the Interim Statement of Comprehensive Income.

The Company maintained an underwriting deed with its subsidiary MARAC Finance Limited to provide security for certain identified and not yet identified losses arising on impaired assets.

Where MARAC Finance Limited identified that a provision was required in relation to a particular loan or a group of loans, the existence of the Company's underwrite was taken into account in determining the value of the provision.

(p) Employee benefits

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

(q) Provisions

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

(r) Share schemes

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

General staff share purchase scheme

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 3: Significant accounting policies (cont)

(r) Share schemes (cont)

Discretionary share schemes

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

Directors' retirement share scheme

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

(s) Borrowings

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

(t) Financial guarantees

Financial guarantees (underwrites) 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.

(u) GST

As the Group is predominantly involved in providing financial services, only a proportion of GST paid on inputs is recoverable. The non-recoverable proportion of GST is treated as an expense.

(v) Statement of Cash Flows

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

(w) Comparative balances

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

(x) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2009, and have not been applied in preparing these interim financial statements. None of these will have an effect on the interim financial statements of the Group, except for:

- NZ IAS 24 Related party disclosures (revised 2009), which simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, effective 1 January 2011.
- NZ IFRS 9 Financial Instruments, specifies how an entity should classify and measure financial assets, effective 1 January 2013.

These standards are not likely to have a significant impact on the financial statements of the Group.

(y) Changes in accounting policies

The Group has adopted NZ IAS 1 Presentation of Financial Statements (revised 2007) effective as of 1 July 2009. Since the change in accounting policy only affects presentation aspects, there is no impact on any of the amounts recorded in the current or comparative financial periods in the financial statements. There have been no other changes in accounting policies in the current period.

Note 4: Segmental analysis

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

Business segments

The Group operates predominantly within New Zealand and comprises the following main business segments:

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

Portfolio management is a new business segment, which covers the operations of the newly established entity, Perpetual Asset Management Limited ("PAM"). PAM is a wholly owned subsidiary of the Company.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 4: Segmental analysis (cont)

	NOTE	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Profit / (loss) for the period				
Financial Services		5,112	(9,715)	(39,957)
Trustee services		1,267	1,647	3,314
Portfolio management		1,105	-	-
Rural Services	10	377	(6,949)	(13,793)
Unallocated		2,242	(2,027)	(3,919)
Total Group profit / (loss) for the period		**10,103**	**(17,044)**	**(54,355)**
Operating revenue				
Financial Services		87,229	101,833	195,213
Trustee services		7,718	7,912	16,197
Portfolio management		5,349	-	-
Rural Services	10	377	(6,949)	(13,793)
Unallocated		5,471	270	468
Total Group operating revenue		**106,144**	**103,066**	**198,085**
Total Assets				
Financial Services		1,274,229	1,415,689	1,358,123
Trustee services		3,435	4,611	3,955
Portfolio management		130,887	-	-
Rural Services	10	110,689	85,532	78,517
Unallocated		34,846	8,216	27,394
Total Group assets		**1,554,086**	**1,514,048**	**1,467,989**

Note 5: Impaired asset expense

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Property finance receivables individual impairment	1,227	16,527	90,108
Property finance receivables collective impairment	5,747	14,770	(2,330)
Other assets individually assessed for impairment	3,657	652	5,740
Assets assessed for impairment on a collective basis	1,953	2,387	5,116
Total impaired asset expense	**12,584**	**34,336**	**98,634**

Note 6: Selling and administration expenses

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Personnel expenses	13,506	12,202	23,216
Superannuation	232	178	330
Directors fees	322	326	664
Audit fees	141	143	252
Other audit related fees paid to auditors	44	30	87
Depreciation - property	49	61	145
Depreciation - plant and equipment	185	351	620
Amortisation - intangible assets	430	278	637
Rental costs	92	90	101
Loss on disposal of assets	3	-	-
Operating lease expense as a lessee	668	614	1,318
Other operating expenses	8,710	6,911	15,848
Total selling and administration expenses	**24,382**	**21,184**	**43,218**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 7: Earnings per share

The calculation of basic and diluted earnings per share at 31 December 2009 is based on the profit for the period of $10,103k (Dec 2008: loss of $17,044k; Jun 2009: loss of $54,355k), and a weighted average number of shares on issue of 323,602k (Dec 2008: 98,263k; Jun 2009: 98,397k).

The earnings per share calculated based on the closing number of shares (refer Note 14) rather than the weighted average number of shares, results in basic and diluted earnings per share of 1c at 31 December 2009 (Dec 2008: -17c; Jun 2009: -55c).

Note 8: Reconciliation of profit / (loss)after income tax to net cash flows from operating activities

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Profit / (loss) for the period	**10,103**	**(17,044)**	**(54,355)**
Add / (less) non-cash items:			
Depreciation	5,608	6,401	11,865
Impaired asset expense	12,584	34,336	98,634
Share of Associate Company's earnings	(737)	13,818	20,662
Deferred tax	93	(12,331)	(30,007)
Accruals, capitalised interest and prepaid items	(7,285)	(1,121)	(34,807)
Total non-cash items	**10,263**	**41,103**	**66,347**
Add / (less) movements in working capital items:			
Other assets	(13,197)	(5,374)	3,730
Insurance policy liabilities	35	199	283
Current tax	2,615	537	2,397
Other liabilities	2,918	(3,571)	(1,298)
Total movements in working capital items	**(7,629)**	**(8,209)**	**5,112**
Less items classified as investing activities:			
Profit on sale of assets	(4,097)	-	-
Total items classified as investing activities	**(4,097)**	-	-
Net cash flows from operating activities	**8,640**	**15,850**	**17,104**

Note 9: Finance receivables

Gross finance receivables	1,223,436	1,327,125	1,309,273
Less allowance for impairment	(20,336)	(39,024)	(98,056)
Total finance receivables	**1,203,100**	**1,288,101**	**1,211,217**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 10: Investment in Associate Company

	NOTE	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Carrying amount at beginning of period		78,517	101,460	101,460
Dilution of investment in Associate Company		(360)	-	-
Equity accounted earnings of Associate Company		737	(6,949)	(13,793)
Net expense of Associate Company recognised directly to equity		(1,279)	(2,110)	(2,281)
Additional investment in Associate Company		33,074	-	-
Bonus issue dividend from Associate Company		-	-	3,122
Dividends from Associate Company		-	(6,869)	(9,991)
Carrying amount at end of period		**110,689**	**85,532**	**78,517**
Goodwill included in carrying amount of Associate Company		49,977	49,977	49,977
Total assets of Associate Company		1,590,125	1,561,017	1,544,146
Total liabilities of Associate Company		993,812	1,147,343	1,153,225
Total revenue of Associate Company		583,252	754,445	1,280,741
Total net profit / (loss) after tax of Associate Company		4,059	(32,761)	(66,444)

During the period the Company participated in the PGG Wrightson Limited capital raising, contributing $33.1m of new capital. The capital raising resulted in the Company's investment being diluted to 18.3% (value of dilution $360k).

The carrying amount has been tested for impairment at December 2009 using a value in use calculation. The exercise confirmed there were no impairment issues necessitating a write down.

Note 11: Other assets

	NOTE	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Derivative financial assets		3,986	10,706	7,704
Staff share purchase schemes		494	681	496
Trade receivables		9,908	8,542	5,603
Prepayments		4,461	5,712	4,798
Investments in other companies		10	10	10
Property		-	2,855	3,407
Plant and equipment		1,518	1,780	1,561
Intangible assets	12	32,685	24,701	24,831
Investments		16,531	1,038	1,032
Deferred tax		30,169	12,586	30,262
Total other assets		**99,762**	**68,611**	**79,704**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 12: Intangible assets

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Computer software	810	653	783
Statutory right and brands at cost	12,901	12,901	12,901
Goodwill	18,974	11,147	11,147
Total intangible assets	**32,685**	**24,701**	**24,831**

On the 17 August 2009, the Group acquired 100% of Equity Partners Asset Management Limited ("EPAM"). As part of this acquisition, an additional $7,827k of goodwill has been recognised during the period. This goodwill includes the EPAM brand, and the value of the management contracts held by that company.

Impairment of intangible assets

The Statutory right and brands are considered to have an indefinite life. During the period they continued to be used in the Company's business and the Company invested further in them to maintain their value. They have been tested for impairment at December 2009 on a value in use basis. There was no indication that there had been impairment necessitating a write down.

Goodwill has also been tested for impairment at December 2009. The exercise confirmed there were no impairment issues necessitating a write down.

Note 13: Borrowings

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Bank borrowings sourced from New Zealand	8,300	253,412	171,750
Debenture stock sourced from New Zealand	864,905	769,069	886,921
Debenture stock sourced from overseas	32,077	25,013	29,310
Securitised borrowings sourced from New Zealand	149,313	202,038	150,728
Total borrowings	**1,054,595**	**1,249,532**	**1,238,709**

The Group has bank facilities totalling $352.5 million (Dec 2008: $596.3m; June 2009: $357.5 million). There is no significant concentration of debenture funding to any particular region within New Zealand.

MARAC Finance Limited's bank borrowings and debenture stock borrowings (which include secured bonds) rank equally and are 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. Other bank borrowings are secured by a general security interest over the assets of the Company and specific subsidiary companies.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 14: Share capital

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Opening balance	87,225	85,885	85,885
Capital raising proceeds	272,531	-	-
Transaction costs associated with capital raising	(14,567)	-	-
Director and staff share issues	-	326	326
Dividend Reinvestment Plan	-	802	1,014
Closing share capital balance	**345,189**	**87,013**	**87,225**

	Holding Company		
	Dec 2009 Number of Shares 000	Dec 2008 Number of Shares 000	Jun 2009 Number of Shares 000
Issued shares			
Opening balance	98,597	98,147	98,147
Shares issued during the period	674,925	315	450
Closing balance	**773,522**	**98,462**	**98,597**

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

During the period 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 new investors, and issued 13,719,904 to existing shareholders under a Share Purchase Plan. The total new capital raised totalled $272.5m.

Note 15: Special purpose entities

MARAC Retirement Bonds Superannuation Fund and MARAC PIE Fund

The Group controls the operations of the MARAC Retirement Bonds Superannuation Fund, a superannuation scheme that invests in MARAC Finance Limited debenture stock and of the MARAC PIE Fund, a portfolio investment fund that invests in MARAC Finance Limited debenture stock. Investments by these funds are represented in debenture stock borrowings as follows:

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
MARAC Retirement Bonds Superannuation Fund	9,857	23,365	21,348
MARAC PIE Fund	11,870	2,186	14,718

MARAC ABCP Trust 1 Securitisation

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

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Bank balance - Securitised	6,624	16,506	5,223
Finance receivables - Securitised	157,946	196,372	157,941
Borrowings - Securitised	(149,313)	(202,038)	(150,728)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period ended 31 December 2009

Note 16: Related party transactions

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:

	Dec 2009 $000	Dec 2008 $000	Jun 2009 $000
Debenture investing:			
Maximum balance	3,510	3,331	5,314
Closing balance	2,511	3,074	1,997
Key management personnel compensation is as follows:			
Short-term employee benefits	2,037	1,693	4,166
Share-based payments	36	95	222
Total	**2,073**	**1,788**	**4,388**

During the period the Group acquired 100% of an established New Zealand based asset management firm, Equity Partners Asset Management Limited ("EPAM"). EPAM was formerly controlled by George Kerr, one of the Company's directors and the largest shareholder.

Note 17: Staff share ownership arrangements

General staff share purchase scheme

During the period the Trustees transferred 3,600 shares to staff on satisfaction of the conditions of the scheme. The Trustees sold the rights to the Company's capital raising, realising $683.

At 31 December 2009 the Trustees held 22,215 unallocated shares.

Discretionary staff share schemes

During the period 96,357 shares were transferred to participants on the scheme's terms being satisfied. The Trustees, acting on behalf of participants sold 469,728 rights and subscribed for 372,197 new shares in the Company's capital raising. Of these new shares, 223,182 were transferred to participants.

At 31 December 2009 the Trustees held 285,460 shares on behalf of participants.

Directors retirement share scheme

During the period the Trustees transferred 109,326 shares to a director on his retirement. The Trustees, acting on behalf of participants sold 179,088 rights and subscribed for 370,688 new shares in the Company's capital raising.

At 31 December 2009 the Trustees held 352,968 shares on behalf of directors.

Note 18: Subsequent events

There have been no material events subsequent to balance date that would affect the interpretation of the interim financial statements or the performance of the Group.

DIRECTORY

Directors as at 31 December 2009

Sam Maling, Chairman
Jeff Greenslade, Managing Director
Bruce Irvine
George Kerr
Bryan Mogridge

Directors as at 4 March 2010

Bruce Irvine, Chairman
Jeff Greenslade, Managing Director
George Gould
George Kerr
Bryan Mogridge

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