INTERIM FINANCIAL STATEMENTS

For the period from 1 July 2010 to 7 January 2011

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 7 January 2011 and the financial performance and cash flows for the period from 1 July 2010 to 7 January 2011.

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 Building Society Holdings Limited authorised the interim financial statements set out on pages 3 to 36 for issue on 16 March 2011.

For and on behalf of the Board

Director

Director

EXPLANATORY FOREWORD

The interim financial statements presented are those of Building Society Holdings Limited (Company) and its subsidiaries (Group).

On 7 January, the Group was formed through the business combination of CBS Canterbury (CBS), Southern Cross Building Society (SCBS), MARAC Finance Limited (MARAC) and Combined Operations Limited.

From a legal perspective MARAC is a subsidiary of the Company. Under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) MARAC is treated as the acquirer of CBS and SCBS. The effect of this is that the interim financial statements represent a continuation of the MARAC business.

As described in Note 1, the Group's current period and comparative results reflect the operations of MARAC prior to the transaction to bring together the Group on 7 January 2011, whilst the Statement of Financial Position as at 7 January 2011 reflects the new Group.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 July 2010 to 7 January 2011

		GROUP	
	NOTE	7 Jan 11 $000	30 Jun 10 $000
Interest income	5	67,820	148,337
Interest expense	5	40,488	89,271
Net interest income		**27,332**	**59,066**
Operating lease income	6	9,225	16,617
Operating lease expenses	6	5,755	10,037
Net operating lease income		**3,470**	**6,580**
Lending and credit fee income		541	1,071
Other income	7	39	2,364
Net operating income		**31,382**	**69,081**
Selling and administration expenses	8	17,401	25,025
Profit before impaired asset expense and income tax		**13,981**	**44,056**
Impaired asset expense	29 (a)(ii)	6,094	23,765
Profit before income tax		**7,887**	**20,291**
Income tax expense	9	2,764	5,992
Profit for the period		**5,123**	**14,299**
Other comprehensive income			
Cash flow hedges:			
Effective portion of changes in fair value, before income tax		657	6,011
Income tax expense on other comprehensive income		197	1,803
Other comprehensive income for the period, net of income tax		**460**	**4,208**
Total comprehensive income for the period		**5,583**	**18,507**

All comprehensive income for the period is attributable to owners of the Group.

The notes on pages 8 to 36 are an integral part of these interim financial statements.

The results of the Group for the period from 1 July 2010 to 7 January 2011 and the comparatives of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Refer to the Note 1 for further information.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the period from 1 July 2010 to 7 January 2011

	Share Capital $000	Hedging Reserve $000	Retained Earnings $000	Total Equity $000
7 Jan 11 - GROUP				
Balance at 1 July 2010	**55,000**	**(1,984)**	**153,452**	**206,468**
Total comprehensive income for the period				
Profit for the period	-	-	5,123	5,123
Other comprehensive income, net of income tax				
Effective portion of changes in fair value of cash flow hedges, net of income tax	-	460	-	460
Total other comprehensive income	**-**	**460**	**-**	**460**
Total comprehensive income for the period	**-**	**460**	**5,123**	**5,583**
Contributions by and distributions to owners				
Issue of share capital	82,074	-	-	82,074
Total transactions with owners	**82,074**	**-**	**-**	**82,074**
Balance at 7 January 2011	**137,074**	**(1,524)**	**158,575**	**294,125**
30 Jun 10 - GROUP				
Balance at 1 July 2009	**20,000**	**(6,192)**	**139,153**	**152,961**
Total comprehensive income for the period				
Profit for the period	-	-	14,299	14,299
Other comprehensive income				
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**	**-**	**4,208**
Total comprehensive income for the period	**-**	**4,208**	**14,299**	**18,507**
Contributions by and distributions to owners				
Issue of share capital	35,000	-	-	35,000
Total transactions with owners	**35,000**	**-**	**-**	**35,000**
Balance at 30 June 2010	**55,000**	**(1,984)**	**153,452**	**206,468**

The notes on pages 8 to 36 are an integral part of these interim financial statements.

The results of the Group for the period from 1 July 2010 to 7 January 2011 and the comparatives of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Refer to Note 1 for further information.

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INTERIM STATEMENT OF FINANCIAL POSITION

As at 7 January 2011

		GROUP	
	NOTE	**7 Jan 11 $000**	**30 Jun 10 $000**
Assets			
Cash and cash equivalents	12	285,675	86,406
Investments	13	21,540	-
Due from related parties	26	27,525	43,664
Finance receivables	14	1,756,895	1,102,181
Operating lease vehicles	15	38,005	42,895
Other assets	16	31,411	18,509
Investment in joint venture	17	2,500	-
Intangible assets	18	21,729	901
Total assets		**2,185,280**	**1,294,556**
Liabilities			
Borrowings	21	1,845,991	983,679
Other liabilities	22	45,164	104,409
Total liabilities		**1,891,155**	**1,088,088**
Equity			
Share capital	24	137,074	55,000
Retained earnings and reserves		157,051	151,468
Total equity		**294,125**	**206,468**
Total equity and liabilities		**2,185,280**	**1,294,556**

The notes on pages 8 to 36 are an integral part of these interim financial statements.

The comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

INTERIM STATEMENT OF CASH FLOWS

For the period from 1 July 2010 to 7 January 2011

	NOTE	GROUP 7 Jan 11 $000	GROUP 30 Jun 10 $000
Cash flows from operating activities			
Interest received		63,627	136,420
Operating lease income received		7,377	14,604
Proceeds from sale of operating lease vehicles		9,621	12,377
Lending, credit fees and other income received		2,814	1,146
Total cash provided from operating activities		**83,439**	**164,547**
Payments to suppliers and employees		13,743	21,041
Interest paid		39,805	90,319
Purchase of operating lease vehicles		14,869	20,014
Taxation paid		-	2,800
Total cash applied to operating activities		**68,417**	**134,174**
Net cash flows from operating activities	11	**15,022**	**30,373**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	20
Proceeds from sale of investments		-	65
Proceeds from sale of finance receivables to related party	26	-	125,000
Net decrease in finance receivables		-	69,291
Total cash provided from investing activities		**-**	**194,376**
Net increase in finance receivables	7	40,800	-
Purchase of office fit-out, equipment and intangible assets		1,096	872
Purchase of investment property		2,182	-
Total cash applied to investing activities		**44,078**	**872**
Net cash flows (applied to) / from investing activities		**(44,078)**	**193,504**
Cash flows from financing activities			
Net increase in borrowings		21,199	-
Increase in share capital		-	35,000
Total cash provided from financing activities		**21,199**	**35,000**
Net decrease in borrowings		-	234,933
Total cash applied to financing activities		**-**	**234,933**
Net cash flows from / (applied to) financing activities		**21,199**	**(199,933)**
Net (decrease) / increase in cash held		**(7,857)**	**23,944**
Opening cash and cash equivalents		86,406	62,462
Cash balance on amalgamation	34	207,126	-
Closing cash and cash equivalents	12	**285,675**	**86,406**

The notes on pages 8 to 36 are an integral part of these interim financial statements.

The cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and the comparatives of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Refer to Note 1 for further information.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the period from 1 July 2010 to 7 January 2011

1 Reporting entity

The interim financial statements presented are the consolidated interim financial statements comprising Building Society Holdings Limited (Company) and its subsidiaries (Group).

The Group was formed following a series of transactions during the period from 5 to 7 January 2011. The Company, through its subsidiaries, owns 100% of Combined Building Society (Society) and 100% of Combined Operations Limited. Combined Building Society owns 100% of MARAC Finance Limited (MARAC) and Combined Operations Limited holds a 50% joint venture interest in MARAC JV Holdings Limited.

On 5 January 2011:

- All of the assets and liabilities of CBS Canterbury (CBS), Southern Cross Building Society (SCBS) (net of the shares held by SCBS in CBS), CBS Warehouse A Trust Securitisation and Southern Cross Building Society Charitable Trust were amalgamated to form the Society.
- The borrowings of MARAC Finance Limited were transferred to the Society.
- The shares in MARAC Finance Limited (MARAC) were transferred from MARAC Financial Services Limited to the Society.

On 7 January 2011:

- CBS and SCBS amalgamated into the Group.

From a legal perspective MARAC is a subsidiary of the Company. Under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) the series of transactions described above is treated as a reverse acquisition and MARAC is treated as the acquirer of CBS and SCBS. As a result, the business combination is accounted for as if MARAC acquired 100% of the Company with the Company owning 72.21% of the Society through its subsidiaries.

The effect of this treatment is that the interim financial statements represent a continuation of the business of MARAC and the results of the Group include the total comprehensive income of MARAC Group for the period 1 July 2010 to 7 January 2011. Group comparatives presented for the year ended 30 June 2010 are those of MARAC Group.

The MARAC Group comprises MARAC, MARAC ABCP Trust 1 (MARAC Trust), MARAC Retirement Bonds Superannuation Fund and MARAC PIE Fund.

As the Company commenced operations on 5 January 2011, the Interim Statement of Comprehensive Income is presented for the Group only.

The Group includes MARAC Trust and CBS Warehouse A Trust Securitisation, collectively known as the Trusts. The assets securitised into the Trusts continue to be recognised in the Group's interim financial statements.

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

2 Basis of preparation

The interim financial statements presented here are for the following periods:

At 7 January 2011: 6 month, 7 day period - Audited
At 30 June 2010: 12 month period - Audited

(a) Statement of compliance

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and with NZ IAS 34 Interim Financial Statements. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate to profit-oriented entities. The interim financial statements comply with International Financial Reporting Standards (IFRS).

The Company and all entities within the Group are profit-oriented entities, except for the Southern Cross Building Company Charitable Trust. 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.

2 Basis of preparation (continued)

(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. For further information about significant areas of estimation, uncertainty and critical judgements that have the most significant effect on the interim financial statements, refer to Note 29 - Credit risk exposure.

(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.

The Society currently has a guarantee under the Crown Retail Deposit Guarantee Scheme, being a guarantee that expires on 31 December 2011. This helps provide it with a range of significant funding options to support further growth of the business.

3 Significant accounting policies

(a) Consolidation of subsidiaries

Subsidiaries are entities that are controlled by the Group. Investments in subsidiary companies are recorded at cost by the Company.

The consolidated interim financial statements are prepared by consolidating the financial statements of the Company and its subsidiaries. All intercompany transactions, balances and unrealised profits are eliminated on consolidation.

(b) Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. The interim financial statements of special purpose entities are included in the Group's interim financial statements where the substance of the relationship is that the Company controls the special purpose entity.

(c) 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.

(d) 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. 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) Lending and credit fee income

Lending and credit 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 lending and credit fee income is recognised as the related services are rendered.

(f) Tax

Income tax expense for the year 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 year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is 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.

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3 Significant accounting policies (continued)

(g) Management of capital

The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group has minimum capital requirements which it is required to maintain in accordance with its Trust Deeds (detailed in Note 21), borrowing facilities and the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. The Group maintains an appropriate buffer above these ratios and reports these to its Board of Directors monthly.

(h) 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.

(i) Finance receivables

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

(j) 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 year depreciation and losses on the sale of operating lease vehicles are included as part of operating lease expenses.

(k) 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 profit or loss.

Fair value movements of the effective portion of a qualifying hedge derivative, are recognised directly in other comprehensive income and held in the hedging reserve in equity. The amount recognised in equity is transferred to profit or loss in the same year as the hedged cash flow affects profit or loss, disclosed in the same line as the hedged item. Any ineffective portion of changes in fair value of the derivative are recognised immediately in profit or loss. Fair value movements of a derivative designated as a fair value hedge are recognised directly in profit or loss together with the hedged item.

(l) Property, plant, equipment and depreciation

Land and buildings are measured at fair value. Fair value is determined on the basis of independent valuations prepared by external valuation experts, based on discounted cash flows or capitalisation of net income.

Any revaluation increase arising on the revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment.
Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The following annual rates are used in the calculation of depreciation:

Buildings	1.0% - 2.5%
Fixtures and fittings	5.5% - 36.0%
Office equipment and furniture	6.0% - 30.0%
Computer equipment	16.2% - 48.0%
Motor vehicles	21.0% - 25.2%

3 Significant accounting policies (continued)

(m) Investment properties

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.

(n) Investments

The Group holds investments in local authority stock, public securities and corporate bonds. Investments held are classified as being available for sale and are stated at fair value less impairment. The fair values are derived by reference to published price quotations in an active market.

(o) Financial assets and liabilities

Classification

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

Financial Assets/Liabilities	Accounting Category
Finance receivables	Loans and Receivables
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	Held for trading (or qualifying hedges as described in Note 3(k))

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 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.

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.

(p) Intangible assets

Goodwill

Goodwill arising on acquisition 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. 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 year. Goodwill is tested for impairment at least annually, and is carried at cost less accumulated impairment losses.

Computer software

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

3 Significant accounting policies (continued)

(q) 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.

(r) Impaired assets and past due assets

Impaired assets are those loans for which the Group has evidence that it will incur 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 29 - Credit risk exposure.

(s) 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.

(t) 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.

(u) Defined benefit plan

The cost of providing benefits for defined benefit superannuation plans is determined using the Projected Unit Credit Method. Actuarial gains and losses are recognised in full in the period in which they occur by way of a movement in the defined benefit plan reserve, and are presented in the Statement of Changes in Equity.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefit becomes vested. The defined benefit obligation is deducted from the fair value of the defined benefit plan asset to derive the defined benefit plan surplus recognised on the balance sheet.

(v) Borrowings

Bank borrowings, deposits 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.

(w) Share schemes

The Group provides 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:

Discretionary share schemes

Under these schemes Pyne Gould Corporation Limited undertakes to transfer a specific number of its 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 periods over which any conditions are required to be met.

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3 Significant accounting policies (continued)

(x) 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.

(y) 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 7 January 2011, and have not been applied in preparing these interim financial statements. The new standards identified which may have an effect on the interim financial statements of the Group are:

Standard and description	*Effective for annual periods beginning on or after:*	*Expected to be initially applied in year 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 January 2011	30 June 2012
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 January 2011	30 June 2012
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 January 2011	30 June 2012
NZ IFRS 7 Financial Instruments: Disclosures, which adds additional disclosures about the transfer of financial assets.	1 July 2011	30 June 2012
NZ IAS 12 Income taxes, which introduces a presumption that an investment property is recovered entirely through sale.	1 January 2012	30 June 2013
NZ IFRS 9 Financial Instruments, which specifies how an entity should classify and measure financial assets.	1 January 2013	30 June 2014

The impact of these standards on the interim financial statements of the Group has not yet been assessed.

(z) Changes in accounting policies

There have been no material changes in accounting policies in the current period. The accounting policies applied in these interim financial statements are consistent with those applied in the MARAC Finance Limited 30 June 2010 annual financial statements.

4 Segmental analysis

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

All income received is from external sources, except those transactions with related parties, refer to Note 26.

The Group's operating segments are different than the industry categories detailed in Note 29. The operating segments are primarily categorised by security type, whereas Note 29 categorises exposures by the industry the borrowers operate in.

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4 Segmental analysis (continued)

Operating segments

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

Rural	Specialist financial services to the farming sector primarily offering livestock, rural mortgage lending, seasonal and working capital financing, as well as leasing solutions to farmers.
Consumer	Finance of motor vehicles, boats and leisure assets.
Retail	Providing a comprehensive range of financial services, including transactional and savings based deposit accounts together with residential and commercial mortgage lending.
Business	Providing term debt, plant and equipment finance and working capital solutions for small-to-medium sized New Zealand businesses.

	GROUP					
	Rural $000	**Consumer $000**	**Retail * $000**	**Business $000**	**Other $000**	**Total $000**
7 Jan 11						
Net interest income	49	11,841	-	14,936	506	27,332
Net operating lease income	-	3,415	-	55	-	3,470
Lending, credit fee and other income	-	283	-	11	286	580
Net operating income	**49**	**15,539**	**-**	**15,002**	**792**	**31,382**
Depreciation and amortisation	-	-	-	-	527	527
Other selling and administration expenses	115	1,999	-	2,211	12,549	16,874
Selling and administration expenses	**115**	**1,999**	**-**	**2,211**	**13,076**	**17,401**
Profit before impaired asset expense and income tax	**(66)**	**13,540**	**-**	**12,791**	**(12,284)**	**13,981**
Impaired asset expense	-	(896)	-	6,990	-	6,094
Profit/(loss) before income tax	**(66)**	**14,436**	**-**	**5,801**	**(12,284)**	**7,887**
Income tax expense	-	-	-	-	2,764	2,764
Profit/(loss) for the period	**(66)**	**14,436**	**-**	**5,801**	**(15,048)**	**5,123**
Total assets	79,811	557,323	677,767	607,766	262,613	**2,185,280**
Total liabilities	-	-	-	-	1,891,155	**1,891,155**
Total equity	-	-	-	-	294,125	**294,125**
30 Jun 10						
Net interest income	-	19,871	-	38,206	989	59,066
Net operating lease income	-	6,351	-	229	-	6,580
Lending, credit fee and other income	-	2,808	-	13	614	3,435
Net operating income	**-**	**29,030**	**-**	**38,448**	**1,603**	**69,081**
Depreciation and amortisation	-	-	-	-	968	968
Other selling and administration expenses	-	3,810	-	5,357	14,890	24,057
Selling and administration expenses	**-**	**3,810**	**-**	**5,357**	**15,858**	**25,025**
Profit before impaired asset expense and income tax	**-**	**25,220**	**-**	**33,091**	**(14,255)**	**44,056**
Impaired asset expense	-	2,357	-	18,126	3,282	23,765
Profit/(loss) before income tax	**-**	**22,863**	**-**	**14,965**	**(17,537)**	**20,291**
Income tax expense	-	-	-	-	5,992	5,992
Profit/(loss) for the period	**-**	**22,863**	**-**	**14,965**	**(23,529)**	**14,299**
Total assets	-	560,700	-	628,040	105,816	**1,294,556**
Total liabilities	-	-	-	-	1,088,088	**1,088,088**
Total equity	-	-	-	-	206,468	**206,468**

** MARAC Group did not previously operate in the Retail segment, as a result there is no profit or loss items included in the Retail segment above.*

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

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5 Net interest income

	GROUP	
	7 Jan 11	30 Jun 10
	$000	$000
Interest income		
Cash and cash equivalents	1,087	2,668
Finance receivables	66,654	145,669
Derivatives held for risk management:		
- Net interest income on cash flow hedges	79	-
Total interest income	**67,820**	**148,337**
Interest expense		
Retail debenture stock	29,977	66,640
Bank and securitised borrowings	10,511	18,411
Derivatives held for risk management:		
- Net interest expense on cash flow hedges	-	4,220
Total interest expense	**40,488**	**89,271**
Net interest income	**27,332**	**59,066**

Included within interest on finance receivables is $2,628,000 (June 2010: $1,363,000) on individually impaired assets.

6 Net operating lease income

Operating lease income		
Lease income	7,610	14,545
Gain on disposal of lease vehicles	1,615	2,072
Total operating lease income	**9,225**	**16,617**
Operating lease expense		
Depreciation on lease vehicles	5,457	9,314
Direct lease costs	298	723
Total operating lease expenses	**5,755**	**10,037**
Net operating lease income	**3,470**	**6,580**

7 Other income

On 30 June 2010, MARAC purchased GMAC New Zealand Limited's (GMAC) retail motor vehicle financing book for $70.3 million. The acquisition date of the book was 31 May 2010, with settlement occurring on the 30 July 2010. The fair value of the identifiable assets and liabilities acquired was determined to be $2.2 million above the purchase price, taking into account comparative market interest rates and an allowance for impairment. The gain arising from the purchase of the GMAC book was included in other income for the year ended 30 June 2010.

The purchase of GMAC's retail motor vehicle financing book has been reflected in the Interim Statement of Cash flows in the period ended 7 January 2011.

8 Selling and administration expenses

		GROUP	
		7 Jan 11	30 Jun 10
	NOTE	$000	$000
Personnel expenses		7,298	12,790
Superannuation		119	259
Audit fees		118	265
Audit related fees		42	276
Depreciation - property, plant and equipment	19	177	400
Amortisation - intangible assets	18	350	568
Operating lease expense as a lessee		442	907
Legal and professional fees		3,321	1,206
Other operating expenses		5,534	8,354
Total selling and administration expenses		**17,401**	**25,025**

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

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

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		GROUP	
		7 Jan 11 $000	30 Jun 10 $000
9	**Income tax expense**		
	Current tax expense		
	Current period	3,176	3,396
	Deferred tax (expense) / benefit		
	Origination and reversal of temporary differences	(395)	2,691
	Impact of tax rate change	(17)	(95)
	Total income tax expense	**2,764**	**5,992**
	Reconciliation of effective tax rate		
	Profit before income tax	7,887	20,291
	Prima facie tax at 30%	2,366	6,087
	Plus / (less) tax effect of items not taxable / deductible	398	(95)
	Total income tax expense	**2,764**	**5,992**
10	**Imputation credit account**		
	Balance at beginning of period	33,515	30,715
	Tax paid net of refunds	-	2,800
	Balance at end of period	**33,515**	**33,515**
11	**Reconciliation of profit after tax to net cash flows from operating activities**		
	Profit for the period	**5,123**	**14,299**
	Add / (less) non-cash items:		
	Depreciation and amortisation expense	527	968
	Impaired asset expense	6,094	23,765
	Deferred tax	395	(2,691)
	Derivatives, capitalised interest and accruals	(178)	(3,141)
	Total non-cash items	**6,838**	**18,901**
	Add / (less) movements in working capital items:		
	Operating lease vehicles	4,885	(6,686)
	Other assets	981	1,358
	Current tax	(1,323)	1,474
	Other liabilities	(1,483)	1,102
	Total movements in working capital items	**3,060**	**(2,752)**
	Add / (less) items classified as investing activities:		
	Gain on sale of assets and investments	1	(75)
	Total items classified as investing activities	**1**	**(75)**
	Net cash flows from operating activities	**15,022**	**30,373**
12	**Cash and cash equivalents**		
	Cash and cash equivalents	279,547	82,798
	Cash and cash equivalents - securitised	6,128	3,608
	Total cash and cash equivalents	**285,675**	**86,406**

Cash and cash equivalents are short term funds held with New Zealand registered international banks.

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

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		NOTE	GROUP 7 Jan 11 $000	GROUP 30 Jun 10 $000
13	**Investments**			
	Public securities and corporate bonds		19,540	-
	Local authority stock		2,000	-
	Total investments		**21,540**	**-**
14	**Finance receivables**			
	Non-securitised			
	Gross finance receivables		1,612,704	970,558
	Less allowance for impairment	29(a)(i)	50,212	29,230
	Total non-securitised finance receivables		**1,562,492**	**941,328**
	Securitised			
	Gross finance receivables		195,337	161,971
	Less allowance for impairment	29(a)(i)	934	1,118
	Total securitised finance receivables		**194,403**	**160,853**
	Total finance receivables		**1,756,895**	**1,102,181**

Gross finance receivables of $68.4 million were purchased from GMAC on 30 June 2010, refer Note 7 for more information.

		NOTE	7 Jan 11 $000	30 Jun 10 $000
15	**Operating lease vehicles**			
	Cost			
	Opening balance		60,264	57,383
	Additions		8,578	26,305
	Disposals		(15,490)	(23,424)
	Closing balance		**53,352**	**60,264**
	Accumulated depreciation			
	Opening balance		17,369	21,174
	Depreciation charge for the period		5,457	9,314
	Disposals		(7,479)	(13,119)
	Closing balance		**15,347**	**17,369**
	Opening net book value		42,895	36,209
	Closing net book value		**38,005**	**42,895**

Additions for the year to 30 June 2010 includes $6.3 million for the lease book purchased from GMAC, refer Note 7 for more information.

		NOTE	7 Jan 11 $000	30 Jun 10 $000
16	**Other assets**			
	Derivative financial assets	23	4,995	5,013
	Trade receivables		3,187	2,007
	Current tax		842	-
	Prepayments		2,828	3,369
	Investment property		2,182	-
	Property, plant and equipment	19	10,172	520
	Deferred tax asset	20	7,205	7,600
	Total other assets		**31,411**	**18,509**

17 Investment in joint venture

On 7 January 2011 Combined Operations Limited (COL), a wholly owned subsidiary of BSHL, acquired 50% of MARAC JV Holdings Limited for $2.5 million. MARAC JV Holdings Limited is jointly owned by COL and The New Zealand Automobile Association Limited.

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

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18 Intangible assets

	GROUP		
	Computer Software $000	Goodwill $000	Total $000
Cost			
Opening balance 1 July 2009	3,036	-	3,036
Additions	686	-	686
Closing balance 30 June 2010	**3,722**	**-**	**3,722**
Opening balance 1 July 2010	3,722	-	3,722
Additions	882	-	882
Acquired on amalgamation	1,083	20,141	21,224
Closing balance 7 January 2011	**5,687**	**20,141**	**25,828**
Accumulated amortisation			
Opening balance 1 July 2009	2,253	-	2,253
Amortisation charge for the period	568	-	568
Closing balance 30 June 2010	**2,821**	**-**	**2,821**
Opening balance 1 July 2010	2,821	-	2,821
Amortisation charge for the period	350	-	350
Acquired on amalgamation	928	-	928
Closing balance 7 January 2011	**4,099**	**-**	**4,099**
Opening net book value	901	-	901
Closing net book value	**1,588**	**20,141**	**21,729**

On 5 January 2011, 100% of each of SCBS and CBS amalgamated to form the Society. As part of this amalgamation $20.1 million of goodwill was recognised, refer to Note 34 - Business combination for more details.

Goodwill of $20.1 million has not been allocated to individual cash generating units as at 7 January 2011 as the adjustments in respect of the acquisition discussed in Note 34 have only been provisionally determined as at the balance sheet date. The Group expects to complete the allocation during the 2011 calendar year.

19 Property, plant and equipment

	GROUP	
	7 Jan 11 $000	30 Jun 10 $000
Cost		
Opening balance	4,284	4,115
Additions	214	209
Acquired on amalgamation	10,470	-
Disposals	(11)	(40)
Closing balance	**14,957**	**4,284**
Accumulated depreciation		
Opening balance	3,764	3,381
Depreciation charge for the period	177	400
Acquired on amalgamation	855	-
Disposals	(11)	(17)
Closing balance	**4,785**	**3,764**
Opening net book value	520	734
Closing net book value	**10,172**	**520**

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

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20 Deferred tax

	GROUP	
	7 Jan 11	30 Jun 10
	$000	$000
Property, plant and equipment	78	58
Employee entitlements	190	250
Finance receivables	8,170	8,771
Derivatives held for risk management	669	812
Tax assets	**9,107**	**9,891**
Intangible assets	64	50
Operating lease vehicles	1,838	2,241
Tax liabilities	**1,902**	**2,291**
Net tax assets	**7,205**	**7,600**

The corporate tax rate will change from 30% to 28% effective 1 July 2011. The tax effect on the temporary differences reported above, that will not reverse prior to this change in tax rate, is an increase in the Group's deferred tax asset of $112,000 (June 2010: $95,000).

All deferred tax movements are included in profit or loss except for those in respect of cash flow hedges which are recognised directly in equity.

21 Borrowings

	GROUP	
	7 Jan 11	30 Jun 10
	$000	$000
Bank borrowings sourced from New Zealand	-	5,000
Deposits sourced from New Zealand	1,636,889	-
Debenture stock sourced from New Zealand	-	796,435
Deposits sourced from overseas	39,824	-
Debenture stock sourced from overseas	-	32,946
Securitised borrowings sourced from New Zealand	169,278	149,298
Total borrowings	**1,845,991**	**983,679**

The Group has bank facilities totalling $475.0 million (June 2010: $350.3 million). There is no significant concentration of deposits to any particular region within New Zealand.

Bank borrowings and deposits (which include NZDX bonds) rank equally and are unsecured. Deposits are issued in terms of a Master Trust Deed, Supplemental Trust Deed (Accounts) and Supplemental Trust Deed (Bonds) each dated 29 October 2010 and a Supplemental Trust Deed dated 14 December 2010 (collectively the Trust Deeds), all with Trustee Executors Limited as trustee in respect of deposits.

The Group has securitisation facilities in relation to the Trusts totalling $275.0 million. Investors in MARAC ABCP Trust 1 rank equally with each other and are secured over the securitised assets of that Trust. Investors in the CBS Warehouse A Trust Securitisation rank equally with each other and are secured over the securitised assets of that Trust.

22 Other liabilities

		GROUP	
		7 Jan 11	30 Jun 10
	NOTE	$000	$000
Derivative financial liabilities	23	2,405	1,484
Current tax		3,895	5,218
Trade payables		19,528	82,804
GST payable		13,444	9,937
Due to related parties	26	3,558	3,354
Employee benefits		2,334	1,612
Total other liabilities		**45,164**	**104,409**

As at 30 June 2010, the Group's trade payables includes $70.3m for the final settlement of the purchase of GMAC's retail motor vehicle financing book, refer Note 7 for more information.

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

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23 Derivative financial instruments

	GROUP	
	7 Jan 11 $000	30 Jun 10 $000
Assets		
Qualifying fair value hedges - non-securitised	4,995	5,013
Total derivative financial assets	**4,995**	**5,013**
Liabilities		
Qualifying fair value hedges - non-securitised	1,044	-
Qualifying cash flow hedges - securitised	1,217	1,484
Qualifying cash flow hedges - non-securitised	144	-
Total derivative financial liabilities	**2,405**	**1,484**

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

The Group uses interest rate swaps to hedge the interest rate risk arising from both its current and future floating rate bank debt and designates those swaps as qualifying cash flow hedges. The Group uses interest rate swaps to hedge the interest rate risk arising from fixed rate debenture stock and fixed rate mortgage loans and designates these swaps as qualifying fair value hedges.

Securitised derivatives are held in the name of the Trust to hedge the interest rate risk arising in the Trust.

24 Share capital

The share capital reflected in the following note represents the share capital of Building Society Holdings Limited. This differs from the share capital reflected in the Group Statement of Financial Position as a result of the reverse acquisition accounting applied, refer Note 1 - Reporting Entity.

	COMPANY	
	7 Jan 11 Number of shares 000	30 Jun 10 Number of shares 000
Issued shares		
Opening balance	-	-
Shares issued during the period	300,000	-
Closing balance	**300,000**	**-**

On 5 January 2011:

- MARAC Financial Services Limited (MFSL) exchanged its shareholding in MARAC and its investment in MARAC JV Holdings Limited for shares in BSHL.
- BSHL issued further shares to MFSL so that its total shares after that issue were 216,630,283 fully paid ordinary shares.

On 7 January 2011:

- BSHL issued 39,128,321 fully paid ordinary shares to former CBS shareholders in exchange for all of the assets and engagements of CBS.
- BSHL issued 44,241,396 fully paid ordinary shares to former SCBS shareholders in exchange for all of the assets and engagements of SCBS.

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

25 Special purpose entities

MARAC PIE Fund and MARAC Retirement Bonds Superannuation Fund

The Group controls the operations of MARAC PIE Fund, a portfolio investment fund that invests in the Group. The Group controlled the operations of MARAC Retirement Bonds Superannuation Fund, a superannuation scheme that invested in the Group's debenture stock. The Group wound up the Retirement Bonds Superannuation Fund with effect from 31 October 2010.

25 Special purpose entities (continued)

Investments by these funds are represented in debenture stock borrowings as follows:

	GROUP	
	7 Jan 11 $000	30 Jun 10 $000
MARAC Retirement Bonds Superannuation Fund	-	5,922
MARAC PIE Fund	8,148	8,763

MARAC ABCP Trust 1 Securitisation and CBS Warehouse A Trust Securitisation

The Group has securitised a pool of receivables comprising residential, commercial, motor vehicle and marine loans to the Trust. The Group substantially retains the credit risks and rewards associated with the securitised assets, and continues to recognise these assets and associated borrowings on the 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.

Bank balance - Securitised	4,487	3,608
Finance receivables - Securitised	194,403	160,853
Borrowings - Securitised	(169,278)	(149,298)

Southern Cross Building Society Charitable Trust (Charitable Trust)

The directors of the Society are trustees of the Charitable Trust, therefore the Charitable Trust results have been included in the Society and the Group. Included in the Society and Group cash and cash equivalents balance is:

Deposits - legal / non beneficial basis	971	-

26 Related party transactions

The Company's immediate parent is MARAC Financial Services Limited (MFSL), a wholly owned subsidiary of Pyne Gould Corporation Limited (PGC).

For the year ended 30 June 2010, the immediate parent of MARAC was MFSL.

(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 MARAC Financial Services Limited. The loans were subsequently transferred to Real Estate Credit Limited (RECL), a wholly owned subsidiary of Torchlight Investment Group Limited. The ultimate parent of all companies is currently 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 the 7 January 2011 the balance of the loan note is $26.8 million excluding accrued interest (June 2010: $42.6 million). PGC guarantees the obligations of MFSL under the loan note. Interest is accrued on the loan note on an arms length basis.

As a consequence of the loan transfer, MARAC entered 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.

RECL Management agreement

On 5 January 2011, the Group entered into a management agreement with Real Estate Credit Limited (RECL). Under this arrangement, RECL will manage the remaining non-core real estate loans (not previously sold in September 2009) of MARAC for a 5 year period, and assume the risk of loss on those loans for that period. Any payment by RECL to MARAC in respect of that loss is due at the end of the 5 year period (with some limited right on the part of MARAC to earlier payment). The payment obligations of RECL are "limited in recourse" to a pool of security provided by RECL. This pool of security will include 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). PGC will be obliged to top up the security pool to the extent there is a shortfall in the $22 million in security value of other assets.

26 Related party transactions (continued)
(a) Transactions with related parties (continued)

RECL Management agreement
RECL received an upfront fee of $11 million (which will be amortised over the 5 year period of the arrangement), and an ongoing monthly management fee of $200,000 per annum.

The benefit of this management agreement is included in the determination of the charge and the analysis of risk gradings and the classification of individually impaired assets as at 7 January 2011 as noted in Note 29 - Credit risk exposure. Whilst the nominal loss is covered by the management agreement, the agreement does not cover the loss arising from the time value of money and therefore a provision is included in the Group's interim financial statements.

Other related party transactions
MARAC Finance Limited provides administration services to Real Estate Credit Limited. The Group also received underwriting, financial and administrative assistance, computer services and leased premises from PGC during the period.

MARAC provided administrative assistance to MARAC Insurance Limited, MARAC PIE Fund and MARAC Retirement Bonds Superannuation Fund and received insurance commission from MARAC Insurance Limited.

During the period MARAC Securities Limited, MARAC Insurance Limited, MARAC PIE Fund, MARAC Retirement Bonds Superannuation Fund and some key management personnel invested in MARAC's debenture stock. PIE and Fund investments at the 7 January 2011 are detailed in Note 25. Key management personnel investments are detailed in Note 26(b).

Included within finance receivables is a $673,000 (June 2010: $633,000) loan to a related party, PGG Wrightson Seeds Limited.

All transactions were conducted on normal commercial terms and conditions.

	GROUP	
	7 Jan 11 $000	30 Jun 10 $000
Material related party transactions		
MFSL - Parent		
Interest income	2,059	4,406
Due from parent	27,525	43,664
Due to parent	-	1
PGC - Ultimate parent		
Selling and administration expenses	(1,503)	(1,415)
Due to ultimate parent	109	-
Other related parties		
Lending and credit fee income	262	524
Other income	39	75
Interest expense	-	(180)
Total transactions with other related parties	**301**	**419**
Due to other related parties	3,449	3,353
Total due from related entities	**27,525**	**43,664**
Total due to related entities	**3,558**	**3,354**

26 Related party transactions (continued)

(b) Transactions with key management personnel

Key management personnel, being directors of the Company and those staff reporting directly to the Chief Executive Officer and their immediate relatives, have transacted with the Group during the period as follows:

	GROUP	
	7 Jan 11	**30 Jun 10**
	$000	**$000**
Debenture investments by key management personnel:		
Maximum balance	4,605	5,096
Closing balance	4,520	721
Loans to key management personnel:		
Closing balance	1,255	-
Key management personnel interest expense and compensation is as follows:		
Interest expense	21	73
Short-term employee benefits	570	1,184
Share-based payments	39	118
Total	**630**	**1,375**

27 Fair value

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

Finance receivables
The fair value of the Group's finance receivables is calculated using a valuation technique which assumes current market interest rates for loans of a similar nature and term.

The current market rate used to fair value finance receivables with a fixed interest rate is 11.03% (June 2010: 11.29%). Finance receivables with a floating interest rate are deemed to be at current market rates. The current amount of credit provisioning has been deducted from the fair value calculation of finance receivables as a proxy for future losses. Prepayment rates have not been factored into the fair value calculation as they are not deemed to be material.

Investments
Shares in listed companies, public securities and corporate bonds are classified as being available for sale and are stated at fair value less impairment, with the fair value being based on quoted market prices. (Level 1 under the fair value hierarchy).

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

Derivative items
The fair value of interest rate contracts is modelled using observable market inputs (Level 2 under the fair value hierarchy).

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.

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

27 Fair value (continued)

GROUP	7 Jan 11 Carrying Value $000	7 Jan 11 Fair Value $000	30 Jun 10 Carrying Value $000	30 Jun 10 Fair Value $000
Financial assets				
Cash and cash equivalents	285,675	285,675	86,406	86,406
Finance receivables	1,562,492	1,560,723	941,328	951,401
Finance receivables - securitised	194,403	200,387	160,853	166,696
Derivative financial assets	4,995	4,995	5,013	5,013
Investments	21,540	21,540	-	-
Other financial assets	30,712	30,712	45,671	45,671
Total financial assets	**2,099,817**	**2,104,032**	**1,239,271**	**1,255,187**
Financial liabilities				
Borrowings	1,676,713	1,690,938	834,381	854,292
Borrowings - securitised	169,278	169,278	149,298	149,298
Derivative financial liabilities	2,405	2,405	1,484	1,484
Other financial liabilities	38,864	38,864	97,707	97,707
Total financial liabilities	**1,887,260**	**1,901,485**	**1,082,870**	**1,102,781**

28 Risk management policies

The Group is committed to the management of risk. The primary risk categories are credit, liquidity, interest rate and operational. The Group's risk management strategy is set by the directors. The Group has put in place management structures and information systems to manage risks incorporated in the Group's Risk Management Programme (RMP). The Group has separated monitoring tasks where feasible and subjects all risk processes to internal audit and accounting systems to regular internal and external audits.

29 Credit risk exposure

Credit risk management framework
Credit risk is the risk of financial loss to the Group caused by the failure of a customer to meet their contractual obligations that arise from the Group's lending activities. Credit risk carries the greatest risk of resulting in a material adjustment to the carrying amounts of the Group's assets within the next financial period.

To manage this risk the Risk Committee, which is a 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.
- Sector and geographical risks are actively managed.
- Industry and product concentrations are actively monitored.
- Maximum total exposure to any one debtor is actively managed.
- Changes to credit risk are actively monitored with regular credit reviews.

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

29 Credit risk exposure (continued)

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 the Credit Policy Framework and Lending Standards guides credit assessment, credit risk grading, documentation standards, legal procedures and compliance with regulatory and statutory requirements.

The Risk Committee has authority from the Board for approval of all credit exposures. Lending authority has been individually provided to the Chief Risk Officer, for delegation through the business units under a detailed Delegated Lending Authority framework. Application of credit discretions in the business operation are monitored through a defined review and hindsight structure. Delegated Lending Authorities are provided to individual officers with due cognisance of their experience and ability. Larger and higher risk exposures require approval of senior management, ultimately through to the Chief Risk Officer or the Risk Committee of the Board.

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

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

Credit risk rating
The Group's receivables are monitored either by account behaviour or a regular assessment of their credit risk rating based on an objective review of defined risk characteristics. The portfolio risk is regularly refreshed based on current information.

Exposures to credit risk 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 risk of exposures. The Group typically finances new loans in risk grades 2 and 3.

The Group classifies finance receivables as Transactional or Relationship. Transactional loans usually relate to financing the acquisition of a single asset. These loans are typically introduced by vendors of the asset financed and are smaller in value than Relationship loans. Transactional loans are risk graded based on arrears status.

Relationship loans relate to transactions where an ongoing and detailed working relationship with the customer has been developed. To manage relationship loans the Group maintains a comprehensive knowledge of the customer's business and performance. Relationship loans are individually risk rated based on loan status, financial information, security and debt servicing ability. Relationship loans in grade 7 are individually assessed for impairment.

(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
Relationship loans in grades 4 to 6 and Transactional loans in grades 4 to 7 attract a collective provision. These provisions are made against an individual loan. Collective provisions are also maintained where considered appropriate against a class of loan or those with common risk characteristics. Relationship loans with a risk grade of 1 to 3 may be past due and not attract a provision if the Group has reviewed the risk position and it is deemed to remain sound. Under such circumstances normally an amended credit risk rating will be the consequence.

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.

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29 Credit risk exposure (continued)
(a) Credit impairment provisioning (continued)

Collective provisioning (continued)
In accordance with International Financial Reporting Standards, no provision is applied to loans that are newly written and loans that remain within their contractual terms, except where the Group becomes aware of an event that might alter its view of the risk of a particular deal or group of deals.

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. Changes in judgement could have a material impact on the interim financial statements.

Individual provisioning in regards to property development lending creates the greatest amount of risk resulting in the possibility of a material adjustment to the carrying amounts of the Group's assets within the next period. Estimating the timing and amount of future cash repayments and proceeds from the realisation of collateral are management's most difficult and subjective judgements. Reduced demand in the current environment has meant that value is difficult to determine. Subjective judgements made by management comprise the time taken for new sales being achieved and the amount received, determining the timing and amount of future cash flows.

Because of the wide nature of the collateral held, and the subjective judgements in determining future cash flows on each individually impaired loan, it is impracticable to provide management's assumptions in regards to property receivables as a whole.

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

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

Disclosures in this credit risk exposure note represent the Group's maximum exposure to credit risk.

29 Credit risk exposure (continued)
(a) Credit impairment provisioning (continued)

(i) **Provision for impaired assets**

	Non-securitised		Securitised		Total	
	7 Jan 11 $000	30 Jun 10 $000	7 Jan 11 $000	30 Jun 10 $000	7 Jan 11 $000	30 Jun 10 $000
GROUP						
Provision for individually impaired assets						
Opening individual impairment	17,465	7,179	366	305	17,831	7,484
Impairment loss for the period						
- charge for the period	6,942	15,426	78	118	7,020	15,544
- write offs	(5,662)	(3,857)	(313)	(57)	(5,975)	(3,914)
- assumed on amalgamation	10,049	-	-	-	10,049	-
- effect of discounting	(418)	(1,283)	-	-	(418)	(1,283)
Closing individual impairment	**28,376**	**17,465**	**131**	**366**	**28,507**	**17,831**
Provision for collectively impaired assets						
Opening collective impairment	11,765	4,653	752	919	12,517	5,572
Impairment loss for the period						
- charge for the period	(1,202)	7,609	276	612	(926)	8,221
- recoveries	193	290	29	54	222	344
- assumed on acquisition of book	-	2,250	-	-	-	2,250
- assumed on amalgamation	12,927	-	-	-	12,927	-
- write offs	(1,847)	(3,037)	(254)	(833)	(2,101)	(3,870)
Closing collective impairment	**21,836**	**11,765**	**803**	**752**	**22,639**	**12,517**
Total provision for impairment	**50,212**	**29,230**	**934**	**1,118**	**51,146**	**30,348**

	Property $000	Consumer & personal $000	All other industries (SME) $000	Total $000
GROUP - 7 Jan 11				
Provision for individually impaired assets				
Opening individual impairment	8,712	7	9,112	17,831
Impairment loss for the period				
- charge for the period	2,642	(7)	4,385	7,020
- write offs	(2,482)	-	(3,493)	(5,975)
- assumed on amalgamation	10,049	-	-	10,049
- effect of discounting	(214)	-	(204)	(418)
Closing individual impairment	**18,707**	**-**	**9,800**	**28,507**
Provision for collectively impaired assets				
Opening collective impairment	4,463	4,173	3,881	12,517
Impairment loss for the period				
- charge for the period*	(2,177)	(392)	1,643	(926)
- recoveries	-	82	140	222
- assumed on amalgamation	12,649	-	278	12,927
- write offs	-	(1,145)	(956)	(2,101)
Closing collective impairment	**14,935**	**2,718**	**4,986**	**22,639**
Total provision for impairment	**33,642**	**2,718**	**14,786**	**51,146**

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

29 Credit risk exposure (continued)
(a) Credit impairment provisioning (continued)
(i) Provision for impaired assets (continued)

	Property	Consumer & personal	All other industries (SME)	Total
	$000	$000	$000	$000
GROUP - 30 Jun 10				
Provision for individually impaired assets				
Opening individual impairment	1,460	-	6,024	7,484
Impairment loss for the year				
- charge for the year	8,752	7	6,785	15,544
- write offs	(1,138)	-	(2,776)	(3,914)
- effect of discounting	(362)	-	(921)	(1,283)
Closing individual impairment	**8,712**	**7**	**9,112**	**17,831**
Provision for collectively impaired assets				
Opening collective impairment	-	2,349	3,223	5,572
Impairment loss for the year				
- charge for the year	4,532	1,686	2,003	8,221
- recoveries	-	165	179	344
- assumed on amalgamation	-	2,250	-	2,250
- write offs	(69)	(2,277)	(1,524)	(3,870)
Closing collective impairment	**4,463**	**4,173**	**3,881**	**12,517**
Total provision for impairment	**13,175**	**4,180**	**12,993**	**30,348**

* *In determining the charge for the period, the RECL management agreement has been taken into consideration, refer to Note 26 - Related party transactions for more details. In assessing the requirements for provisions, the Group has identified loans for which a loss is expected to be covered by the management agreement of $9.8 million as at 7 January 2011. Whilst the nominal loss is covered by the management agreement, the agreement does not cover the loss arising from the time value of money and therefore a provision of $2.2 million is included above. The agreement covers the MARAC property loans with a book value of $131 million as at 7 January 2011.*

(ii) Impaired asset expense

	Non-securitised		Securitised		Total	
	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10
	$000	$000	$000	$000	$000	$000
GROUP						
Expense for individually impaired assets	6,942	15,426	78	118	7,020	15,544
Expense for collectively impaired assets	(1,202)	7,609	276	612	(926)	8,221
Total impaired asset expense	**5,740**	**23,035**	**354**	**730**	**6,094**	**23,765**

(iii) Individually impaired assets

GROUP						
Opening	42,102	22,778	545	687	42,647	23,465
Additions	13,284	33,048	30	224	13,314	33,272
Deletions	(9,549)	(13,724)	(404)	(366)	(9,953)	(14,090)
Assumed on amalgamation	29,914	-	-	-	29,914	-
Closing gross individually impaired assets	**75,751**	**42,102**	**171**	**545**	**75,922**	**42,647**

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29 Credit risk exposure (continued)
(a) Credit impairment provisioning (continued)
(iii) Individually impaired assets (continued)

	Property	Consumer & personal	All other industries (SME)	Total
	$000	$000	$000	$000
GROUP - 7 Jan 11				
Opening	25,106	15	17,526	42,647
Additions	8,624	-	4,690	13,314
Deletions	(8,846)	(15)	(1,092)	(9,953)
Assumed on amalgamation	29,914	-	-	29,914
Closing gross individually impaired assets	**54,798**	**-**	**21,124**	**75,922**
GROUP - 30 Jun 10				
Opening	6,059	-	17,406	23,465
Additions	22,042	15	11,215	33,272
Deletions	(2,995)	-	(11,095)	(14,090)
Closing gross individually impaired assets	**25,106**	**15**	**17,526**	**42,647**

(iv) Restructured assets

	Non-securitised		Securitised		Total	
	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10
	$000	$000	$000	$000	$000	$000
GROUP - Restructured assets	3,885	3,234	-	-	3,885	3,234

	Property	Consumer & personal	All other industries (SME)	Total
	$000	$000	$000	$000
GROUP - 7 Jan 11				
Restructured assets	569	2,783	533	3,885
GROUP - 30 Jun 10				
Restructured assets	-	2,722	512	3,234

(v) Past due but not impaired

	Non-securitised		Securitised		Total	
	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10
	$000	$000	$000	$000	$000	$000
GROUP						
Less than 30 days old	38,199	12,514	3,291	2,942	41,490	15,456
31 and less than 60 days old	14,788	31,552	1,372	1,326	16,160	32,878
61 but less than 90 days old	6,635	8,783	442	429	7,077	9,212
More than 90 days old	76,377	59,939	1,405	1,434	77,782	61,373
Total past due but not impaired	**135,999**	**112,788**	**6,510**	**6,131**	**142,509**	**118,919**

	Property	Consumer & personal	All other industries (SME)	Total
	$000	$000	$000	$000
GROUP - 7 Jan 11				
Less than 30 days old	15,073	12,758	13,659	41,490
31 and less than 60 days old	3,787	4,037	8,336	16,160
61 but less than 90 days old	2,739	1,934	2,404	7,077
More than 90 days old	51,791	6,335	19,656	77,782
Total past due but not impaired	**73,390**	**25,064**	**44,055**	**142,509**
GROUP - 30 Jun 10				
Less than 30 days old	1,229	6,450	7,777	15,456
31 and less than 60 days old	15,690	2,566	14,622	32,878
61 but less than 90 days old	2,702	847	5,663	9,212
More than 90 days old	48,067	3,271	10,035	61,373
Total past due but not impaired	**67,688**	**13,134**	**38,097**	**118,919**

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29 Credit risk exposure (continued)
(a) Credit impairment provisioning (continued)
(v) Past due but not impaired (continued)

The table below details the past due but not impaired receivables acquired from SCBS and CBS on amalgamation. These balances are included in the previous Group table, as at the 7 January 2011.

	Property	Consumer & personal	All other industries (SME)	Total
	$000	$000	$000	$000
7 Jan 11 - Assumed on amalgamation				
Less than 30 days old	4,041	2,874	1,900	8,815
31 and less than 60 days old	1,938	385	-	2,323
61 but less than 90 days old	103	289	-	392
More than 90 days old	3,886	2,723	6,698	13,307
Total past due but not impaired	**9,968**	**6,271**	**8,598**	**24,837**

(b) Concentrations of credit risk
(i) By individual counterparties

	Non-securitised		Securitised		Total	
	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10
	Number of counterparties		Number of counterparties		Number of counterparties	
GROUP						
Individual credit exposures over 10% (as a % of equity):						
10% - 19% - cash and cash equivalents	3	1	-	-	3	1
20% - 29% - cash and cash equivalents	1	1	-	-	1	1

(ii) By industry

	Non-securitised		Securitised		Total	
	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10
	$000	$000	$000	$000	$000	$000
GROUP						
Agricultural, forestry and fishing	182,531	88,483	2,661	4,815	185,192	93,298
Government and public authorities	18,922	19,434	752	1,496	19,674	20,930
Financial, investments and insurance	34,563	27,058	790	1,402	35,353	28,460
Construction	62,670	62,778	1,572	3,060	64,242	65,838
Transport and storage	70,944	85,295	2,079	3,259	73,023	88,554
Wholesale and retail trade	140,493	179,516	3,302	3,800	143,795	183,316
Hospitality and tourism	61,090	37,133	205	1,158	61,295	38,291
Manufacturing and printing	38,642	40,048	1,131	2,027	39,773	42,075
Property	307,439	149,917	-	113	307,439	150,030
Consumer & personal	645,198	251,666	181,911	139,723	827,109	391,389
Total net financial receivables	**1,562,492**	**941,328**	**194,403**	**160,853**	**1,756,895**	**1,102,181**

As at 7 January 2011, included in the balance of the property industry above, is $131m of ex-MARAC property development and investment loans which are covered by the RECL management agreement, refer Note 26. A further $35m of property development loans acquired by the Group from CBS and SCBS in the merger are also included in this category, net of collective provisions notionally allocated to development and investment property. The remaining $141m is commercial property.

(iii) By geographic region

	Non-securitised 7 Jan 11	Non-securitised 30 Jun 10	Securitised 7 Jan 11	Securitised 30 Jun 10	Total 7 Jan 11	Total 30 Jun 10
GROUP						
Auckland	462,887	359,143	66,309	64,273	529,196	423,416
Wellington	103,801	91,795	13,305	11,567	117,106	103,362
Rest of North Island	403,325	291,413	45,915	44,138	449,240	335,551
Canterbury	405,476	95,753	55,352	25,928	460,828	121,681
Rest of South Island	184,318	103,224	13,522	14,947	197,840	118,171
Overseas	2,685	-	-	-	2,685	-
Total net financial receivables	**1,562,492**	**941,328**	**194,403**	**160,853**	**1,756,895**	**1,102,181**

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

29 Credit risk exposure (continued)
(c) Maximum exposure to credit risk by internal risk grading

	Non-securitised		Securitised		Total	
	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10	7 Jan 11	30 Jun 10
	$000	$000	$000	$000	$000	$000
GROUP						
Grade 1 - Undoubted	34,606	78	-	36	34,606	114
Grade 2 - Strong	361,686	41,104	26,850	364	388,536	41,468
Grade 3 - Sound *	894,329	699,657	160,143	151,667	1,054,472	851,324
Grade 4 - Satisfactory	105,487	104,937	3,344	4,060	108,831	108,997
Grade 5 - Uncertain	52,450	51,107	2,638	2,638	55,088	53,745
Grade 6 - At risk	48,774	17,516	994	1,518	49,768	19,034
Grade 7 - Probable loss	65,160	26,929	434	570	65,594	27,499
Total maximum exposure to credit risk	**1,562,492**	**941,328**	**194,403**	**160,853**	**1,756,895**	**1,102,181**

	Property	Consumer & personal	All other industries (SME)	Total
	$000	$000	$000	$000
GROUP - 7 Jan 11				
Grade 1 - Undoubted	17,239	7,708	9,659	34,606
Grade 2 - Strong	86,441	265,509	36,586	388,536
Grade 3 - Sound *	121,814	517,134	415,524	1,054,472
Grade 4 - Satisfactory	16,068	18,368	74,395	108,831
Grade 5 - Uncertain	4,357	8,639	42,092	55,088
Grade 6 - At risk	9,957	5,276	34,535	49,768
Grade 7 - Probable loss	51,565	1,236	12,793	65,594
Total maximum exposure to credit risk	**307,441**	**823,870**	**625,584**	**1,756,895**

* *In determining the charge for the period, the RECL management agreement has been taken into consideration, refer to Note 26 - Related party transactions for more details. In the risk grading table above, $48 million of loans have been transferred from risk grades 4 to 6, to risk grade 3 as they are covered by the RECL management agreement. In assessing the requirements for provisions, the Group has identified loans for which a loss is expected to be covered by the management agreement of $9.8 million as at 7 January 2011. Whilst the nominal loss is covered by the management agreement, the agreement does not cover the loss arising from the time value of money and therefore a provision of $2.2 million is included above. The agreement covers the MARAC property loans with a book value of $131 million as at 7 January 2011.*

	Property	Consumer & personal	All other industries (SME)	Total
	$000	$000	$000	$000
GROUP - 30 Jun 10				
Grade 1 - Undoubted	-	52	62	114
Grade 2 - Strong	25,200	892	15,376	41,468
Grade 3 - Sound	34,029	389,424	427,871	851,324
Grade 4 - Satisfactory	48,229	551	60,217	108,997
Grade 5 - Uncertain	17,268	384	36,093	53,745
Grade 6 - At risk	9,085	73	9,876	19,034
Grade 7 - Probable loss	16,219	13	11,267	27,499
Total maximum exposure to credit risk	**150,030**	**391,389**	**560,762**	**1,102,181**

The table below details the net finance receivables by risk grade acquired from SCBS and CBS on amalgamation. These balances are included in the Group table above, as at the 7 January 2011.

7 Jan 11 - Assumed on amalgamation				
Grade 1 - Undoubted	17,239	7,708	9,659	34,606
Grade 2 - Strong	66,469	265,251	35,200	366,920
Grade 3 - Sound	43,899	94,532	32,756	171,187
Grade 4 - Satisfactory	16,058	9,145	21,307	46,510
Grade 5 - Uncertain	4,357	2,815	2,936	10,108
Grade 6 - At risk	9,909	3,117	8,128	21,154
Grade 7 - Probable loss	18,105	342	757	19,204
Total maximum exposure to credit risk	**176,036**	**382,910**	**110,743**	**669,689**

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29 Credit risk exposure (continued)

(d) Commitments to extend credit

	Non-securitised		Securitised		Total	
	7 Jan 11 $000	30 Jun 10 $000	7 Jan 11 $000	30 Jun 10 $000	7 Jan 11 $000	30 Jun 10 $000
GROUP						
Undrawn facilities available to customers	105,849	70,495	57	-	105,906	70,495
Conditional commitments to fund at future dates	1,708	18,499	-	-	1,708	18,499

30 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. Responsibility for liquidity management is delegated to the Asset and Liability Committee (ALCO), with the Risk Committee providing oversight.

The Group manages 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.

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

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

The tables include estimates as to the average interest rate applicable for each asset or liability class during the contractual term.

Contractual liquidity profile of financial assets and liabilities

	On Demand $000	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
GROUP - 7 Jan 11							
Financial assets							
Cash and cash equivalents	99,962	187,407	-	-	-	-	287,369
Investments	-	2,643	8,030	1,773	11,014	3,604	27,064
Finance receivables	-	435,940	271,472	353,472	512,584	669,946	2,243,414
Finance receivables - securitised	-	47,995	40,797	64,679	60,395	46,867	260,733
Derivative financial assets	4,995	-	-	-	-	-	4,995
Other financial assets	-	30,516	-	196	-	-	30,712
Total financial assets	**104,957**	**704,501**	**320,299**	**420,120**	**583,993**	**720,417**	**2,854,287**
Financial liabilities							
Borrowings	213,607	822,119	441,114	131,793	139,355	-	1,747,988
Borrowings - securitised	-	23,368	149,569	-	-	-	172,937
Derivative financial liabilities	1,217	130	272	602	184	-	2,405
Other financial liabilities	-	38,864	-	-	-	-	38,864
Total financial liabilities	**214,824**	**884,481**	**590,955**	**132,395**	**139,539**	**-**	**1,962,194**
Net financial assets	**(109,867)**	**(179,980)**	**(270,656)**	**287,725**	**444,454**	**720,417**	**892,093**
Unrecognised loan commitments	53,282	53,673	-	-	-	-	106,955
Undrawn committed bank facilities	305,000	-	-	-	-	-	305,000

The undrawn committed bank facilities totalling $305.0 million are available to be drawn down on demand. To the extent drawn, $50.0 million is contractually repayable in 6-12 months time, $155.0 million is contractually repayable in 1-2 years time and $100.0 million is contractually repayable in 2-5 years time upon facility expiry.

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

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30 Liquidity risk (continued)

Contractual liquidity profile of financial assets and liabilities

	On Demand $000	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
GROUP - 30 Jun 10							
Financial assets							
Cash and cash equivalents	67,822	18,584	-	-	-	-	86,406
Finance receivables	-	353,889	185,061	256,124	327,552	223	1,122,849
Finance receivables - securitised	-	47,104	40,001	58,225	47,011	-	192,341
Derivative financial assets	5,013	-	-	-	-	-	5,013
Other financial assets	-	15,671	30,000	-	-	-	45,671
Total financial assets	**72,835**	**435,248**	**255,062**	**314,349**	**374,563**	**223**	**1,452,280**
Financial liabilities							
Borrowings	62,899	337,640	206,076	152,395	143,151	-	902,161
Borrowings - securitised	-	3,120	149,628	-	-	-	152,748
Derivative financial liabilities	1,484	-	-	-	-	-	1,484
Other financial liabilities	1,342	96,365	-	-	-	-	97,707
Total financial liabilities	**65,725**	**437,125**	**355,704**	**152,395**	**143,151**	**-**	**1,154,100**
Net financial assets	**7,110**	**(1,877)**	**(100,642)**	**161,954**	**231,412**	**223**	**298,180**
Unrecognised loan commitments	70,495	-	-	-	-	-	70,495
Undrawn committed bank facilities	195,250	-	-	-	-	-	195,250

The undrawn committed bank facilities totalling $195.3 million are available to be drawn down on demand. To the extent drawn, $195.3 million is contractually repayable in 6-12 months time upon facility expiry.

Expected maturity profile of financial assets and liabilities

	On Demand $000	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
GROUP - 7 Jan 11							
Financial assets							
Cash and cash equivalents	99,962	187,407	-	-	-	-	287,369
Investments	-	2,643	8,030	1,773	11,014	3,604	27,064
Finance receivables	-	401,300	334,495	393,500	739,914	315	1,869,524
Finance receivables - securitised	-	59,101	45,423	61,703	68,306	-	234,533
Derivative financial asset	4,995	-	-	-	-	-	4,995
Other financial assets	-	30,517	-	196	-	-	30,713
Total financial assets	**104,957**	**680,968**	**387,948**	**457,172**	**819,234**	**3,919**	**2,454,198**
Financial liabilities							
Borrowings	76,315	256,941	320,980	445,798	365,857	374,790	1,840,681
Borrowings - securitised	-	23,368	149,569	-	-	-	172,937
Derivative financial liabilities	1,217	130	272	602	184	-	2,405
Other financial liabilities	-	38,864	-	-	-	-	38,864
Total financial liabilities	**77,532**	**319,303**	**470,821**	**446,400**	**366,041**	**374,790**	**2,054,887**
Net financial assets	**27,425**	**361,665**	**(82,873)**	**10,772**	**453,193**	**(370,871)**	**399,311**
Unrecognised loan commitments	53,282	53,673	-	-	-	-	**106,955**
Undrawn committed bank facilities	305,000	-	-	-	-	-	**305,000**

30 **Liquidity risk (continued)**
Expected maturity profile of financial assets and liabilities (continued)

	On Demand $000	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
GROUP - 30 Jun 10							
Financial assets							
Cash and cash equivalents	67,822	18,584	-	-	-	-	86,406
Finance receivables	-	320,448	246,655	310,265	262,075	-	1,139,443
Finance receivables - securitised	-	47,104	40,001	58,225	47,011	-	192,341
Derivative financial assets	5,013	-	-	-	-	-	5,013
Other financial assets	-	15,671	30,000	-	-	-	45,671
Total financial assets	**72,835**	**401,807**	**316,656**	**368,490**	**309,086**	**-**	**1,468,874**
Financial liabilities							
Borrowings	25,160	264,809	145,749	254,617	220,261	641	911,237
Borrowings - securitised	-	3,120	149,628	-	-	-	152,748
Derivative financial liabilities	1,484	-	-	-	-	-	1,484
Other financial liabilities	1,342	96,365	-	-	-	-	97,707
Total financial liabilities	**27,986**	**364,294**	**295,377**	**254,617**	**220,261**	**641**	**1,163,176**
Net financial assets	**44,849**	**37,513**	**21,279**	**113,873**	**88,825**	**(641)**	**305,698**
Unrecognised loan commitments	70,495	-	-	-	-	-	70,495
Undrawn committed bank facilities	195,250	-	-	-	-	-	195,250

The tables above show management's expected maturities of existing financial assets and financial liabilities.

Expected maturities of financial assets are based on management's best estimate having regard to current market conditions and past experience. Historical debenture reinvestment levels have been applied to debenture borrowings. Other financial liabilities reflect contractual maturities.

The above does not reflect a forward looking view of how the Group expects actual financial assets and liabilities to perform in the future, as it does not include new lending and borrowing.

	GROUP 7 Jan 11 $000	GROUP 30 Jun 10 $000
31 **Contingent liabilities and commitments**		
Letters of credit, guarantees and performance bonds	2,340	2,767
Total contingent liabilities	**2,340**	**2,767**

32 **Staff share ownership arrangements**

In the period, key management personnel were allotted 2,160 shares by PGC, resulting from participation in the PGC Dividend reinvestment plan for the dividend paid in December 2010. No shares were transferred by the Trustees to staff at the end of the restrictive period (June 2010: nil).

The total expense recognised in the period was $44,262 (30 June 2010: $127,869).

33 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 borrowings and finance receivables, and where appropriate, the establishment of derivative instruments.

Contractual Repricing Analysis

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is earlier.

	Effective Int Rate %	0-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	5+ Years $000	Total $000
GROUP - 7 Jan 11							
Financial assets							
Cash and cash equivalents	4.05%	285,676	-	-	-	-	285,676
Investments	4.93%	2,003	6,165	930	9,119	3,323	21,540
Due from related parties	12.97%	27,525	-	-	-	-	27,525
Finance receivables	9.44%	835,889	261,205	296,271	168,168	959	1,562,492
Finance receivables - securitised	10.79%	67,361	41,531	53,469	32,042	-	194,403
Other financial assets	-	2,991	-	196	-	-	3,187
Total financial assets		**1,221,445**	**308,901**	**350,866**	**209,329**	**4,282**	**2,094,823**
Financial liabilities							
Borrowings	6.07%	1,001,714	422,399	118,832	133,709	59	1,676,713
Borrowings - securitised	4.37%	169,278	-	-	-	-	169,278
Other financial liabilities	-	41,269	-	-	-	-	41,269
Total financial liabilities		**1,212,261**	**422,399**	**118,832**	**133,709**	**59**	**1,887,260**
Effect of derivatives held for risk management		135,655	(70,524)	(107,167)	42,036	-	-
Net financial assets		**144,839**	**(184,022)**	**124,867**	**117,656**	**4,223**	**207,563**
GROUP - 30 Jun 10							
Financial assets							
Cash and cash equivalents	3.01%	86,406	-	-	-	-	86,406
Due from related parties	13.55%	13,664	30,000	-	-	-	43,664
Finance receivables	10.85%	398,059	201,879	230,067	111,323	-	941,328
Finance receivables - securitised	11.66%	39,392	33,453	48,693	39,315	-	160,853
Other financial assets	-	2,007	-	-	-	-	2,007
Total financial assets		**539,528**	**265,332**	**278,760**	**150,638**	**-**	**1,234,258**
Financial liabilities							
Borrowings	7.79%	379,801	185,346	133,931	135,303	-	834,381
Borrowings - securitised	4.19%	149,298	-	-	-	-	149,298
Other financial liabilities	-	99,191	-	-	-	-	99,191
Total financial liabilities		**628,290**	**185,346**	**133,931**	**135,303**	**-**	**1,082,870**
Effect of derivatives held for risk management		46,020	(32,120)	(49,580)	35,680	-	-
Net financial assets		**(42,742)**	**47,866**	**95,249**	**51,015**	**-**	**151,388**

The tables above illustrate the periods in which the cash flows from interest rate swaps are expected to occur and affect profit or loss.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non standard interest rate scenarios. Standard scenarios which are considered on a monthly basis include a 100 basis point parallel fall or rise in the yield curve. There is no material impact on profit or loss or on other comprehensive income in terms of a fair value change from movements in market interest rates. Further there is no material cash flow impact on the Statement of Cash Flows from a 100 basis point change in interest rates.

The results and cash flows of the Group for the period from 1 July 2010 to 7 January 2011 and comparative results and cash flows of the Group for the year ended 30 June 2010 reflect the MARAC Group only. Similarly, the comparative financial position of the Group at 30 June 2010 reflects the MARAC Group only. Refer to Note 1 for further information.

KPMG

34 Business Combination

On 5 January 2011, Combined Building Society acquired the assets and engagements of Southern Cross Building Society (SCBS) and CBS Canterbury (CBS) and all of the shares in MARAC Finance Limited. As part of this process:

- MARAC Financial Services Limited exchanged its shareholding in MARAC and its investment in MARAC JV Holdings Limited for shares in Building Society Holdings Limited (BSHL). The agreed consideration of $206,769,000 converted to the issue of 3.94 fully paid shares in BSHL in exchange for each MARAC share.
- Combined Building Society, a wholly owned subsidiary of BSHL (through its subsidiaries), acquired all of the assets and engagements of SCBS and CBS for the total agreed consideration of $79,574,000.
- Combined Building Society acquired all of the shares in MARAC through BSHL transferring its shareholding in MARAC to Combined Building Society (through its subsidiaries as intermediate holders).

Fair value of consideration transferred at acquisition date

	SOCIETY 7 Jan 11 $000
Shares issued, at fair value *	79,574
Consideration transferred	**79,574**

* Shares issued at fair value exclude the fair value of MARAC Financial Services Limited's investment in MARAC JV Holdings of $2.5 million which was also exchanged for shares in BSHL.

Identifiable assets acquired and liabilities assumed	**Fair value 05-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	
Borrowings	841,335
Other liabilities	9,817
Contingent liabilities	-
Total liabilities	**851,152**
Total net identifiable assets	**59,433**
Total consideration transferred	79,574
Fair value of identifiable net assets	59,433
Goodwill	**20,141**

Goodwill on acquisition of $20.1 million has arisen due to expected benefits of the newly formed financial services group. Combined Building Society has the benefits 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 has not been allocated to individual cash generating units as at 7 January 2011 as the adjustments in respect of the acquisition have only been provisionally determined as at the balance sheet date. The Group expects to complete the allocation during the 2011 calendar year.

35 Subsequent events

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

KPMG

Independent Auditor's Report

To the Shareholders of Building Society Holdings Limited

Report on the Financial Statements

We have audited the accompanying interim financial statements of Building Society Holdings Limited ("the Company") and Group (collectively known as the "Group") on pages 4 to 36. The interim financial statements comprise the interim statement of financial position as at 7 January 2011 and the interim statements of comprehensive income, changes in equity and cash flows for the period 1 July 2010 to 7 January 2011, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of interim financial statements in accordance with generally accepted accounting practice in New Zealand 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 interim 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 interim 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 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 Group in relation to general accounting services. Partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the Group. There are however, certain restrictions on borrowings which the partners and employees or our firm can have with the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

KPMG

Opinion

In our opinion the interim financial statements of Building Society Holdings Limited on pages 4 to 36:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the Group as at 7 January 2011 and of its financial performance and cash flows for the period 1 July 2010 to 7 January 2011.

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 Building Society Holdings Limited as far as appears from our examination of those records.

KPMG

16 March 2011
Auckland