PGG Wrightson Finance Limited

Statement of Comprehensive Income

For the year ended 30 June

	Note	2011 $000	2010 $000
Interest income	4	54,183	58,730
Interest expense and other costs of funding	5	(32,609)	(30,357)
Net interest income		21,574	28,373
Other income	6	946	925
Net impairment losses on financial assets	14	(8,812)	(8,949)
Operating expenses	7	(8,260)	(7,056)
		(16,126)	(15,080)
EBITDA		5,448	13,293
Depreciation and amortisation expense		(204)	(198)
Results from operating activities		5,244	13,095
Non operating items	8	(136)	-
Fair value adjustments	9	2,172	(338)
Profit before income tax		7,280	12,757
Income tax expense	10	(2,747)	(3,824)
Profit for the period		**4,533**	**8,933**
Other Comprehensive Income			
Effective portion of changes in fair value of cash flow hedges		(1,282)	(2,992)
Income tax on other comprehensive income		-	-
Other comprehensive income for the period, net of income tax		**(1,282)**	**(2,992)**
Total comprehensive income for the period		**3,251**	**5,941**
Earnings per share and net tangible assets			
Basic and diluted earnings per share (New Zealand dollars)		0.14	0.28
Net tangible assets per security at period end		2.93	3.03

The accompanying notes form an integral part of these financial statements.

PGG Wrightson Finance Limited

Statement of Changes in Equity

For the year ended 30 June

	Share Capital $000	Hedging Reserve $000	Retained Earnings $000	Total $000
Balance at 1 July 2009	31,500	4,274	31,042	66,816
Profit or loss	-	-	8,933	8,933
Net change in fair value of cash flow hedges net of tax	-	(2,992)	-	(2,992)
Total comprehensive income for the period	**31,500**	**1,282**	**39,975**	**72,757**
Issue of preference shares	33,850	-	-	33,850
Interest paid on preference shares	-	-	(1,232)	(1,232)
Ordinary share dividends paid	-	-	(5,000)	(5,000)
Total contributions by and distributions to shareholders	**33,850**	**-**	**(6,232)**	**27,618**
Balance as at 30 June 2010	**65,350**	**1,282**	**33,743**	**100,375**
Balance as at 1 July 2010	65,350	1,282	33,743	100,375
Profit or loss	-	-	4,533	4,533
Net change in fair value of cash flow hedges net of tax	-	(1,282)	-	(1,282)
Total comprehensive income for the period	**-**	**(1,282)**	**4,533**	**3,251**
Issue of preference shares	-	-	-	-
Interest paid on preference shares	-	-	(2,707)	(2,707)
Ordinary share dividends paid	-	-	-	-
Total contributions by and distributions to shareholders	**-**	**-**	**(2,707)**	**(2,707)**
Balance as at 30 June 2011	**65,350**	**-**	**35,569**	**100,919**

The accompanying notes form an integral part of these financial statements.

PGG Wrightson Finance Limited

Statement of Financial Position

As at 30 June

	Note	2011 $000	2010 $000
ASSETS			
Cash and cash equivalents		71,617	9,277
Derivative assets	11	2,718	1,979
Other receivables	12	3,464	3,364
Amounts due from Group entities	13	-	-
Loans and receivables	14	381,778	530,119
Assets classified as held for sale	15	50,522	-
Property, plant and equipment	16	47	75
Intangible assets	17	1,123	1,180
Deferred tax assets	18	7,463	3,668
Total assets		**518,732**	**549,662**
LIABILITIES			
Deposits and other borrowings	19	55,621	70,819
Derivative liabilities	11	71	222
Amounts due to Group entities	13	114	290
Trade and other payables		3,987	3,454
Tax payable		1,348	6,264
Term bank facility	20	-	21,000
Bonds	22	92,200	99,658
Secured debentures	23	264,472	247,580
Total liabilities		**417,813**	**449,287**
EQUITY			
Share capital	24	65,350	65,350
Cash flow hedge reserve		-	1,282
Retained earnings		35,569	33,743
Total equity		**100,919**	**100,375**
Total liabilities and equity		**518,732**	**549,662**

These financial statements have been authorised for issue on 29 August 2011.

Mike Allen

Director

Director

The accompanying notes form an integral part of these financial statements.

PGG Wrightson Finance Limited

Statement of Cash Flows

For the year ended 30 June

	Note	2011 $000	2010 $000
Cash flows from operating activities			
Cash was provided from:			
Interest received		54,158	58,947
Lease and other income		1,020	654
Cash was applied to:			
Payments to suppliers and employees		(7,959)	(7,660)
Interest payments		(30,947)	(29,222)
Income tax paid		(11,458)	(2,081)
Net cash flow from operating activities	25	**4,814**	**20,638**
Cash flows from investing activities			
Cash was provided from:			
Decrease in finance receivables		89,014	20,583
Cash was applied to:			
Purchase of property, plant and equipment		-	(20)
Purchase of intangible assets		(117)	(190)
Increase in finance receivables			
Net cash flow from investing activities		**88,897**	**20,373**
Cash flows from financing activities			
Cash was provided from:			
Drawdown of term bank facility		-	21,000
Increase in debentures		16,892	26,531
Issue of preference shares		-	33,850
Increase in bonds		-	-
Advances from parent		-	514
Cash was applied to:			
Repayment of term bank facility		(21,000)	(71,500)
Decrease in debentures		-	-
Interest on preference shares		(2,708)	(1,232)
Decrease in client deposits		(15,198)	(12,214)
Finance facility fees		(1,094)	(2,229)
Repayment of bonds		(8,087)	(25,233)
Advances to parent		(176)	-
Dividends paid		-	(5,000)
Net cash flow from financing activities		**(31,371)**	**(35,513)**
Net increase/(decrease) in cash held		62,340	5,498
Opening (bank overdraft)/cash		9,277	3,779
Cash and cash equivalents		**71,617**	**9,277**

The accompanying notes form an integral part of these financial statements.

1 Reporting Entity

PGG Wrightson Finance Limited (the "Company") is domiciled in New Zealand, registered under the Companies Act 1993 and has bonds listed on the New Zealand Stock Exchange. The Company is an issuer in terms of the Financial Reporting Act 1993. The Company is a wholly owned subsidiary of PGG Wrightson Limited. The Company is primarily involved in the provision of financial services.

2 Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards as applicable for profit oriented entities. The financial statements comply with International Financial Reporting Standards.
These statements were approved by the Board of Directors on 29 August 2011.

Basis of Measurement
The financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value.

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

Use of Estimates and Judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.
Estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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

3 Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

Finance Revenue and Expense Recognition

For all financial instruments measured at amortised cost, interest income or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.
Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.
The Company recognises interest revenue, management fees, and establishment fees on an accruals basis when the services are rendered.

Fee and Commission Income

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

- Fee income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.
- Discharge fees are received by the Company upon early termination of mortgage loans. On a consolidated basis these are treated as a recoupment of the transaction costs spent by the Company in establishing the mortgage loans. These fees form part of the interest effective yield on the loans and are accrued and recognised in the statement of comprehensive income over the weighted average expected life of the mortgage loans using the effective interest method.
- Fees or components of the fees that are linked to certain performance are recognised after fulfilling the corresponding criteria.

(b) Financial Instruments

Non-derivative Financial Instruments

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

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

Cash and cash equivalents

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

Loans and Other Receivables

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

Interest-bearing Borrowings

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

Trade and Other Payables

Trade and other payables are stated at cost.

Derivative Financial Instruments

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

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, refer below for treatment of cash flow hedges. Fair value movements of cash flow hedges in the Statement of Comprehensive Income are recognised in Interest Expense on maturity of the instrument.

Cash Flow Hedges

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

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

Interest Rate Swaps

The Company has entered into interest rate swap derivatives. The fair value of these financial instruments are based on external bank valuations.

Share Capital

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

(c) Intangible Assets

Computer Software

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

(d) Impairment

The carrying value of the Company's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount exceeds its recoverable amount. Impairment losses directly reduce the carrying value of assets and are recognised in the statement of comprehensive income.

Past Due Assets

Loans and receivables are considered past due when they have been operated by the counterparty out of key terms, the facility has expired, and in managements view there is no possibility of the counterparty operating the facility within key terms. When forming a view management considers the counterparty's ability to pay, the level of security and the risk of loss.

Impairment of Loans and Receivables

All known losses are expensed in the period in which it becomes apparent that the loans and receivables are not collectable.

The recoverable amount of the Company's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments are subject to this approach.

Non-financial Assets

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

An impairment loss is recognised if the carrying amount of an asset exceeds the recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

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

(e) Income Tax

Income tax expense comprises current and deferred taxation and is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

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

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

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

(f) Determination of Fair Values

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

Loans and Receivables, Debentures, Bonds and Deposits

The fair value of loans and receivables, debentures, bonds and deposits is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Derivatives

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

(g) Earnings per Share

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

(h) Statement of Cash Flows

The Statement of Cash Flows has been prepared using the direct approach modified by netting of certain items. Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Company. These include client deposits and financial receivables. Under the PGG Wrightson Finance Limited operating model, interest on term loans is charged to customer current accounts and recognised as cash received.

(i) Standards and Interpretations That Have Been Issued or Amended But Are Not Yet Effective

Standards and interpretations that have been issued or amended but are not yet effective and have not been adopted by the Company for the period ended 30 June 2011 are as follows:

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS-9 'Financial Instruments'	1 Jan 2013	30 Jun 2014
NZ IAS-24 'Related Party Disclosures'	1 Jul 2011	30 Jun 2012

To date the Company has not made an assessment of the impact on the financial statements.

(j) Segment Reporting

The Company has one reportable segment, being financial services within the New Zealand rural sector. Although the Company offers different products, these are managed through analysis contained within the asset and liability segments of the Statement of Financial Position, and through interest income and expense sections of the Statement of Comprehensive Income. The Chief Executive Officer reviews internal management reports on the Company at the total Company level. No relevant segment structure is in place for regular reporting. Although analysis is periodically done on various customer and product profiles, these ad hoc reports are not representative of how the business is managed. The Company operates within geographical regions in New Zealand and limited analysis is utilised for those regions.

(k) Changes in Accounting Policy

The same accounting policies, presentation and methods of computation are followed as applied in the Company's latest annual audited financial statements.

4 Interest Income

	2011 $000	2010 $000
Current accounts	19,699	18,878
Term loans	25,083	32,456
Loans and other receivables	9,401	7,396
	54,183	58,730

Interest income of $4,942,072 has been charged on impaired assets (30 June 2010: $6,683,912).

5 Interest Expense and Other Costs of Funding

	2011 $000	2010 $000
Deposits and other borrowings	2,402	2,545
Secured debentures	18,261	15,599
Bonds	7,883	10,153
Amortisation - bond costs	628	1,327
Bank loans - secured	410	2,536
Net swap costs	(3,638)	(5,119)
Bank/brokerage costs	3,773	4,326
Crown Guarantee Fee	2,890	(1,010)
	32,609	30,357

The Crown Guarantee Fee for 2010 includes a refund of $2.0 million from the Treasury as a result of Standard & Poor's issuing a BB stable credit rating. Costs relating to the Crown Guarantee Scheme had previously been paid based on an unrated status.

6 Other Income

	2011 $000	2010 $000
Loan fees	539	572
Other income	407	353
	946	925

7 Operating Expenses

	2011 $000	2010 $000
Operating expenses include:		
Employee benefits expense	4,703	4,385
Rental and operating lease costs	297	505
Directors' fees	185	40
Amount paid to the auditor for audit fees - KPMG	119	84
Other expenses	2,956	2,042
	8,260	7,056

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

8 Non Operating Items

	2011 $000	2010 $000
Restructuring	(136)	-
	(136)	-

During the period the Company conducted a restructuring following a review of its resource and overhead structure.

9 Fair Value Adjustments

	2011 $000	2010 $000
Derivatives not in qualifying hedge relationships	2,172	(338)
	2,172	(338)

10 Taxation

Income tax expense

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

	2011 $000	2010 $000
Current income tax expense	6,542	6,264
Deferred tax expense - origination and reversal of temporary differences	(4,340)	(2,431)
Deferred tax expense - reduction in tax rate	545	(9)
Total income tax expense	2,747	3,824

Reconciliation of effective tax rate	2011 %	2011 $000	2010 %	2010 $000
Profit for the period		4,533		8,933
Total income tax expense		2,747		3,824
Profit excluding income tax		7,280		12,757
Income tax using Company's domestic tax rate	30.00%	2,184	30.00%	3,827
Non - deductible expenses	0.25%	18	-0.07%	(9)
Effect of reduction in corporate tax rate	7.49%	545	0.05%	6
	37.74%	2,747	29.98%	3,824

	2011 $000	2010 $000
Imputation credit account	638	638

This account is not recognised in the Financial Statements.

On 27 May 2010 the Government passed legislation to reduce the Company tax rate from 30% to 28% effective for tax years beginning on or after 1 April 2011. The financial effect of the change in tax rate is a reduction in deferred tax assets / liabilities.

11 Derivative Financial Instruments

	2011 $000	2010 $000
Fair Value		
Interest rate swaps at fair value through profit or loss	2,718	504
Interest rate swaps designated as qualifying hedges	-	1,475
Derivative assets held for risk management	2,718	1,979
Interest rate swaps at fair value through profit or loss	71	28
Interest rate swaps designated as qualifying hedges	-	194
Derivative liabilities held for risk management	71	222
Net derivatives held for risk management	2,647	1,757
Nominal Value		
Interest rate swaps at fair value through profit or loss	419,419	44,050
Interest rate swaps designated as qualifying hedges	-	267,800
Derivative assets held for risk management	419,419	311,850
Interest rate swaps at fair value through profit or loss	74,258	17,000
Interest rate swaps designated as qualifying hedges	-	96,369
Derivative liabilities held for risk management	74,258	113,369
Net derivatives held for risk management	345,161	198,481

The profit and loss impact of derivatives not designated as qualifying hedges is as follows:

	2011 $000	2010 $000
Income	2,172	-
Expense	-	(338)
Net income/(loss) from derivative financial instruments	2,172	(338)

Cash flow hedges of interest rate risk

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

Other derivatives held for risk management

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

12 Other Receivables

	2011 $000	2010 $000
Prepayments	1,777	1,620
Accrued income	1,413	1,388
Sundry debtors	274	356
	3,464	3,364

13 Related Party Transactions

	2011 $000	2010 $000
Amounts Due From / (To) Group Entities - Balance Outstanding		
Parent of the Company	(114)	(290)

There is no other related party lending. All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash on a monthly basis. None of the balances are secured.

The Company repays PGG Wrightson Limited for expenses incurred on behalf of the Company including wages and salaries.

Key Management Personnel Compensation

Key management personnel received compensation in the form of total remuneration including employee benefits, as set out below:

	2011 $000	2010 $000
Short term employee benefits	1,355	990
Post employment benefits including contributions to defined contribution schemes	10	8
Share based payments	-	1
	1,365	999

Directors fees incurred during the year are disclosed in Note 7 Operating Expenses.

Other Transactions with Key Management Personnel

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

		Transaction value		Balance outstanding	
		2011 $000	2010 $000	2011 $000	2010 $000
B McConnon (retired 28 February 2010)	Secured debentures and bonds		59		1,000
M Darrow	Secured debentures	8	-	24	16
M Thomas	Secured debentures, Rural Saver & Savings Optimiser	1,208	(14)	1,567	359
Sir Selwyn Cushing	Secured debentures & Excluded Secure Deposit	(125)	2,350	4,225	4,350

Cost Reimbursement to Parent

The Company has a policy to reimburse the parent company for all costs incurred on behalf of the Company. In the year to 30 June 2011 the total costs incurred by the parent on behalf of the Company was $7,822,745 (30 June 2010: $7,101,422). This was in part offset by the Company's share of gross profit earned for managing the client debtor accounts for the parent. The total recharge made for the year to 30 June 2011 was $7,822,745 (30 June 2010: $7,101,422).

14 Loans and Receivables

	2011 $000	2010 $000
Finance receivables - less than one year	333,991	432,107
Finance receivables - greater than one year	50,130	110,262
	384,121	542,369
Less provision for doubtful debts	(2,343)	(12,250)
	381,778	530,119
Impairment:		
Balance at the beginning of the period	12,250	3,627
Impaired losses recognised in the statement of comprehensive income	8,054	8,253
Interest charged on impaired accounts	6,512	-
Amounts written off in the statement of comprehensive income	757	696
Transferred to Held for Sale Assets	(24,474)	
Reversals of previously recognised provisions	(756)	(326)
Balance at the end of the period	2,343	12,250

The status of the receivables at the reporting date is as follows:	Not Impaired 2011 $000	Impaired 2011 $000	Not Impaired 2010 $000	Impaired 2010 $000
Not past due	355,597	-	454,485	-
Past due 1 - 90 days	4,423	129	564	12,925
Past due 91 - 365 days	4,469	1,751	11,411	28,410
Past due more than 1 year	1,949	15,803	10,541	24,033
Impairment	-	(2,343)	-	(12,250)
	366,438	15,340	477,001	53,118

	2011 $000	2010 $000
Asset Quality - Loans and Receivables		
Neither past due nor impaired	355,597	454,485
Individually impaired loans	17,683	65,368
Past due loans	10,841	22,516
Provision for credit impairment	(2,343)	(12,250)
Total carrying amount	381,778	530,119
Ageing of Past Due but not Impaired		
Past due 1-90 days	4,423	564
Past due 91-180 days	3,649	560
Past due 180-365 days	820	10,851
Past due more than 365 days	1,949	10,541
Total past due assets	10,841	22,516
90 Day Past Due Assets (includes Impaired Assets)		
Balance at the beginning of the year	74,395	36,404
Transferred to held for sale assets	(39,938)	
Additions to 90 day past due assets	(9,860)	44,008
Reduction in 90 day past due assets	(625)	(6,017)
Balance at the end of the year	23,972	74,395
Impaired Assets		
Balance at the beginning of the year	53,118	23,104
Transferred to held for sale assets	(34,678)	-
Additions to individually impaired assets	-	42,960
Amounts written off	(757)	(696)
Transfer to productive ledger	-	-
Balance at the end of the year	17,683	65,368
Provision for credit impairment	(2,343)	(12,250)
Net Carrying amount of impaired assets	15,340	53,118

There were no restructured loans at balance date (30 June 2010: $Nil).
Collateral held against past due loans includes properties, deposits, livestock, shares and other assets. The Company's security documents are used to maximise the recovery of outstanding loan amounts. The gross amount of past due assets at balance date was $119.9 million (30 June 2010: $87.9 million), and it has been estimated collateral held is equal to the net carrying amount of these impaired loans.

15 Assets Held for Sale

Finance Receivables

As part of the conditional sale and purchase agreement with Heartland Building Society certain Finance Receivables are expected to be transferred to the Parent upon completion date. These Finance Receivable have been transferred to held for sale at fair value.

No impairment loss on the re-measurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognised in Fair Value Adjustments.

	2011 $000	2010 $000
Assets classified as held for sale		
Finance Receivables	74,996	-
Provision for credit impairment	(24,474)	-
	50,522	-

16 Property, Plant and Equipment

	IT Hardware $000	Motor Vehicles $000	Furniture and Fittings $000	Office Equipment $000	Total $000
Cost					
Balance at 1 July 2009	165	46	44	44	299
Additions	29	-	-	4	33
Disposals and transfers to other asset classes	(1)	(23)	-	-	(24)
Balance at 30 June 2010	193	23	44	48	308
Balance at 1 July 2010	193	23	44	48	308
Additions	-	-	-	-	-
Disposals and transfers to other asset classes	-	-	-	-	-
Balance at 30 June 2011	193	23	44	48	308
Depreciation and impairment losses					
Balance at 1 July 2009	104	33	38	44	219
Depreciation for the period	23	-	1	1	25
Disposals and transfers to other asset classes	-	(11)	-	-	(11)
Balance at 30 June 2010	127	22	39	45	233
Balance at 1 July 2010	127	22	39	45	233
Depreciation for the period	26	-	1	1	28
Disposals and transfers to other asset classes	-	-	-	-	-
Balance at 30 June 2011	153	22	40	46	261
Carrying amounts					
At 1 July 2009	61	13	6	-	80
At 30 June 2010	66	1	5	3	75
At 1 July 2010	66	1	5	3	75
At 30 June 2011	40	1	4	2	47

17 Intangibles

	2011 $000	2010 $000
Computer software		
Cost		
Opening balance	1,672	1,482
Additions	117	190
Disposals	-	-
Closing balance	1,789	1,672
Amortisation		
Opening balance	492	319
Amortisation for the period	174	173
Additions	-	-
Disposals	-	-
Closing balance	666	492
Net book value	1,123	1,180

18 Deferred Tax Assets

	2011 $000	2010 $000
Recognised deferred tax assets		
Deferred tax assets are attributable to the following:		
Provision for impairment losses on loans and receivables	7,509	3,675
Property, plant and equipment	(13)	6
Intangible assets	(180)	(130)
Provisions and employee entitlements	147	117
	7,463	3,668

Movement in temporary differences during the year	Balance 1 Jul 2009 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance 30 Jun 2010 $000	Recognised in profit or loss $000	Recognised in other comprehensive income $000	Balance 30 Jun 2011 $000
Impairment losses	1,088	2,587	-	3,675	3,834	-	7,509
Property, plant and equipment	(5)	11	-	6	(19)	-	(13)
Intangible assets	(56)	(74)	-	(130)	(50)	-	(180)
Provisions and employee entitlements	201	(84)	-	117	30	-	147
	1,228	2,440	-	3,668	3,795	-	7,463

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

19 Deposits and Other Borrowings

	2011 $000	2010 $000
Rural Saver accounts	32,383	52,474
Client deposits	15	91
Client current accounts	23,223	18,254
Deposits and other borrowings due within one year	55,621	70,819

All deposits listed above are unsecured deposits and rank equally with unsecured creditors of the Company. The deposits are issued pursuant to the Trust Deed dated 7 October 2004. The interest rate for the deposits is fixed for the term of the investment at the time of application and is paid monthly or as otherwise specified. Funding is sourced from within New Zealand.
The Company has a guarantee under the New Zealand Retail Deposit Guarantee Scheme. For further information about the New Zealand deposit guarantee scheme, refer to www.treasury.govt.nz.

20 Term Bank Facility

The bank loan facility expires on 1 December 2013. The facility limit is $100 million (30 June 2010: $120 million) and the drawn amount at balance date was $Nil (30 June 2010: $21.0 million). There is also an overdraft facility of $1 million (30 June 2010: $1 million) and the drawn amount at balance date was $Nil (30 June 2010: $Nil). Security stock has been issued to two banks as security for advances to the Company. The security stock is debenture stock which secures all liabilities owed by the Company to the banks, including principal, interest and costs in terms of a Trust Deed dated 7 October 2004 and ranks equally with debenture stock and bonds.

21 Risk Share Facility

The Company has entered into a risk share facility. The nature of this facility is that a percentage of loans with certain characteristics are sold to the facility counterparty, an institutional bank. In the case of default, the Company has first loss exposure up to the Company's share of the loan. The sold element of the loan is not held on the Company's balance sheet. At 30 June 2011 $53.3 million (30 June 2010: $56.9 million) of assets had been transferred to the Risk Share facility with a further $Nil (30 June 2010: $23.1 million) potential transfer.

22 Bonds

	Coupon	Face Value $000	Amortised Cost 2011 $000	Amortised Cost 2010 $000
PGG Wrightson Finance Limited 2010 (PWF030) due October 2010	8.25%	100,000	-	99,658
PGG Wrightson Finance Limited 2010 (PWF040) due October 2011	8.25%	92,314	92,200	-
		192,314	92,200	99,658

The Company received Bondholder approval on 12 August 2010 for amendments to its Bond Trust deed. The amendments extended the maturity date of the PWF030 Secured Bonds to 8 October 2011, and allowed the Company to repurchase and hold certain Secured Bonds as treasury stock and resulted in a change in the NZX stock code reference to PWF040.

The Company acquired 7,686,000 Secured Bonds (PWF040) since 8 October 2010 including 780,000 from Overseas Bondholders. The Secured Bonds acquired from Overseas Bondholders were cancelled by the company upon acquisition. The Secured Bonds put to the company are held as treasury stock. Total bonds issued under PWF040 including treasury stock amount to $99,220,000.

All bond series are secured in terms of the Trust Deed Relating to Bonds (including amendments) dated 21 April 2005. They rank equally with debenture stock and bank loans with a 5% limitation on prior security. Interest is paid quarterly. The carrying value includes the capitalised bond costs which are amortised over the life of the bonds.

23 Secured Debentures

	2011 $000	2010 $000
Amounts payable in less than one year	185,924	190,815
Amounts payable in more than one year	78,548	56,765
Secured debentures	264,472	247,580

Debentures consist of fixed interest debt securities which are of equal ranking with bonds, debentures and bank loans. They are secured by a first ranking security interest over all the assets of the Company in terms of a Trust Deed dated 7 October 2004. The interest rate for the secured debenture stock is fixed for the term of the investment at the time of application and is paid either monthly, quarterly or annually. Funding is sourced from within New Zealand.
The Company has a guarantee under the New Zealand Retail Deposit Guarantee Scheme. For further information about the New Zealand deposit guarantee scheme, refer to www.treasury.govt.nz.

24 Capital and Reserves

	2011 $000	2010 $000	Number of Redeemable Preference Shares 2011 000	Number of Redeemable Preference Shares 2010 000	Number of Ordinary Shares 2011 000	Number of Ordinary Shares 2010 000
Share Capital						
On issue at beginning of period	65,350	31,500	33,850	-	31,500	31,500
Preference shares issued	-	33,850	-	33,850	-	-
On issue at end of period	65,350	65,350	33,850	33,850	31,500	31,500

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

Preference Shares

Preference shares are fully paid, have a principal amount of $1.00 per share and no par value. Voting rights are limited to class voting rights and liquidation resolutions. The preference shares mature when the PGG Wrightson convertible redeemable notes are either converted or redeemed or on the sale of a controlling interest in PGG Wrightson Finance. Interest is payable quarterly in arrears at 8% per annum at the sole discretion of the Company directors. Unpaid interest does not accumulate interest. All interest to date has been paid. They rank below debt and ahead of ordinary shares on liquidation of the Company.

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet settled.

Dividends
No dividends were declared or paid by the Company for the period ended 30 June 2011 (30 June 2010: $5.0 million).

25 Reconciliation of Profit After Taxation with Net Cash Flow From Operating Activities

	2011 $000	2010 $000
Profit after taxation	4,533	8,933
Add/(deduct) non-cash items:		
Depreciation and amortisation of property, plant & equipment and software	204	198
Amortisation - bond costs	628	1,327
Net impairment losses on financial assets	8,812	8,949
Fair value adjustments	(2,172)	338
(Increase)/decrease in deferred taxation	(3,795)	(2,440)
Other non-cash and financing items	1,087	2,230
	4,764	10,602
Add/(deduct) movement in working capital items:		
(Increase)/decrease in trade and other receivables	(100)	(1,589)
Increase/(decrease) in accruals and other liabilities	533	(1,490)
Increase/(decrease) in income tax payable	(4,916)	4,182
	(4,483)	1,103
Net cash flow from operating activities	4,814	20,638

26 Commitments

	2011 $000	2010 $000
Commitments to extend credit	51,765	60,205

27 Contingent Liabilities

The Company received monies in repayment of a loan, the priority of which may be subject to challenge. The Company estimates this contingent liability to be approximately $1.5 million.

There were no contingent liabilities at 30 June 2010.

28 Financial Instruments

Introduction
The Company is committed to the management of risk to achieve sustainability of service, employment and profits, and therefore, takes on controlled amounts of risk when considered appropriate.
The primary risks are those of liquidity, market (funding, price and interest rate) and credit risk.
The Board of Directors is responsible for the review and ratification of the Company's systems of risk management, internal compliance and control, code of conduct and legal compliance.
The Board maintains a formal set of delegated authorities (including policies for credit and treasury), that clearly define the responsibilities delegated to management and those retained by the Board. The Board approves these delegated authorities and reviews them annually.

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

- ensure all financial obligations are met when due;
- provide adequate protection, even under crisis scenarios; and
- achieve competitive funding within the limitations of liquidity requirements.

The Company manages this risk by forecasting daily cash requirements, forecasting future funding requirements, maintaining an adequate liquidity buffer and ensuring long term lending is reasonably matched with long term funding.

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

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

Price and Interest Rate Risk
Price risk is the risk that the value of financial instruments and the interest margin will fluctuate as a result of changes in market interest rates. The risk is that financial assets may be repriced at a different time and / or by a different amount than financial liabilities.
This risk is managed by operating within approved policy limits using an interest rate duration approach. When required to maintain interest rate risk within policy, the Company uses interest rate hedging instruments including interest rate swaps.

Credit Risk
Credit risk is the potential for loss that could occur as a result of a counterparty failing to discharge its obligations. Management formally reports on all aspects of key risks to the Audit Committee at least two times each year. In addition, the following management committees review and manage key risks:

- The Senior Management Team meets regularly to consider new and emerging risks, reviews actions required to manage and mitigate key risks, and to monitor progress.
- The Credit Committee, comprising of Board representation and management appointees, meets regularly as required to review credit risk, new loans and provisioning.

Foreign Currency Risk
Foreign currency risk is the risk of loss to the Company arising from adverse changes in foreign currency rates. The Company does not normally have exposure to foreign currency.

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

Capital Management
The capital of the Company consists of share capital, reserves, and retained earnings.

The policy of the Company is to maintain a strong capital base so as to maintain investor, creditor and market confidence while providing the ability to develop future business initiatives.

As a condition of external lines of funding, the Company must maintain a level of capital in excess of 10% of Total Tangible Assets. The Company also has a requirement under the Trust Deed to ensure Total Liabilities do not exceed 92% of Total Tangible Assets. Both these requirements are monitored on an on-going basis by management. At no time during the period were either of these requirements breached.

On 1 December 2010, the Company became subject to the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. The Regulations require adherence to a minimum capital ratio of 8% where the company has a credit rating from an approved rating agency, a maximum limit on related party credit exposures of 15% of tier one capital and for the trust deed to include certain quantitative liquidity requirements. The requirements of the Regulations are monitored by management on a regular basis. The Company had a capital ratio in excess of 8% and related party credit exposures below 15% of tier one capital as at 31 December 2010.

Sensitivity Analysis
The sensitivity of net profit after tax for the period, and shareholders' equity, to reasonably possible changes in conditions is as follows:

	Interest rates increase by 1%		Interest rates decrease by 1%	
	2011	2010	2011	2010
	$000	$000	$000	$000
Impact on net profit after tax	(317)	(244)	325	251
Shareholders' equity	(317)	(2,319)	325	2,383

The stress test uses the existing balance sheet interest rates. The effect of financial instruments designated at fair value also impacts on net profit after tax and Shareholders' equity.

(a) Liquidity Risk - Contractual Maturity Analysis

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

2011	Within 12 months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Contractual Cash Flow $000	Carrying Value $000
Assets						
Cash and cash equivalents	71,617	-	-	-	71,617	71,617
Derivative financial instruments	951	940	826	-	2,718	2,718
Other receivables	3,464	-	-	-	3,464	3,464
Loans and receivables	340,911	47,735	8,351	140	397,137	381,778
Total financial assets	**416,943**	**48,675**	**9,177**	**140**	**474,936**	**459,577**
Liabilities						
Deposits and other borrowings	55,621	-	-	-	55,621	55,621
Derivative financial instruments	43	28		-	71	71
Trade and other payables	3,987	-	-	-	3,987	3,987
Amounts due to Group entities	114	-	-	-	114	114
Bonds	96,003	-	-	-	96,003	92,200
Secured debentures	198,271	58,075	25,955	-	282,301	264,472
Total financial liabilities	**354,039**	**58,103**	**25,955**	**-**	**438,097**	**416,465**
Undrawn bank loans	101,000					101,000
Unutilised bank facility						-
	101,000					101,000
Loans and receivables commitments	51,765					51,765

2010	Within 12 months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Contractual Cash Flow $000	Carrying Value $000
Assets						
Cash and cash equivalents	9,277	-	-	-	9,277	9,277
Derivative financial instruments	971	381	627	-	1,979	1,979
Other receivables	3,364	-	-	-	3,364	3,364
Amounts due from Group entities	-	-	-	-	-	-
Loans and receivables	445,674	76,920	50,219	73	572,886	530,119
Total financial assets	**459,286**	**77,301**	**50,846**	**73**	**587,506**	**544,739**
Liabilities						
Deposits and other borrowings	70,819	-	-	-	70,819	70,819
Derivative financial instruments	143	51	28	-	222	222
Trade and other payables	3,454	-	-	-	3,454	3,454
Term bank facility	-	21,000	-	-	21,000	21,000
Bonds	104,125	-	-	-	104,125	99,658
Secured debentures	200,800	35,616	26,713	-	263,129	247,580
Total financial liabilities	**379,341**	**56,667**	**26,741**	**-**	**462,749**	**442,733**
Undrawn bank loans	99,000					99,000
Unutilised bank facility	23,057					23,057
	122,057					122,057
Loans and receivables commitments	60,205					60,205

(b) Liquidity Risk - Maturity Analysis (Expected Maturity)

The following maturity analysis of the Company's Loans and receivables is based on their expected maturity dates. There is no material difference between contractual and expected maturity for all other categories of asset and liabilities. The liquidity profile will not agree to the contractual cash flow above because it is based on expected not contractual maturity and excludes the impact of accrued interest.

	Within 12 months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Total $000	Carrying Value $000
2011						
Loans and receivables	341,758	53,876	8,478	140	404,252	381,778
2010						
Loans and receivables	436,616	87,524	54,592	353	579,085	530,119

(c) Interest Rate Repricing Schedule

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

2011	Within 12 months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Non Interest Bearing $000	Total $000
Assets						
Cash and cash equivalents	71,617	-	-	-	-	71,617
Derivative financial instruments	(103,750)	63,250	40,500	-	2,718	2,718
Other receivables	-	-	-	-	3,464	3,464
Loans and receivables	380,810	807	161	-	-	381,778
	348,677	**64,057**	**40,661**	-	**6,182**	**459,577**
Liabilities						
Deposits and other borrowings	55,621	-	-	-	-	55,621
Derivative financial instruments	1,258	(1,258)		-	71	71
Trade and other payables	-	-	-	-	3,987	3,987
Amounts due to Group entities	-	-	-	-	114	114
Bonds	92,200	-	-	-	-	92,200
Secured debentures	185,924	54,372	24,176	-	-	264,472
	335,003	**53,114**	**24,176**	-	**4,172**	**416,465**

2010	Within 12 months $000	1-2 Years $000	2-5 Years $000	Over 5 Years $000	Non Interest Bearing $000	Total $000
Assets						
Cash and cash equivalents	9,277	-	-	-	-	9,277
Derivative financial instruments	(71,500)	35,250	36,250	-	1,979	1,979
Other receivables	-	-	-	-	3,364	3,364
Loans and receivables	515,018	13,106	1,995	-	-	530,119
	452,795	**48,356**	**38,245**	-	**5,343**	**544,739**
Liabilities						
Deposits and other borrowings	70,819	-	-	-	-	70,819
Derivative financial instruments	(10,742)	10,000	742	-	222	222
Trade and other payables	-	-	-	-	3,454	3,454
Amounts due to Group entities	-	-	-	-	290	290
Term bank facility	21,000	-	-	-	-	21,000
Bonds	99,658	-	-	-	-	99,658
Secured debentures	190,815	32,390	24,375	-	-	247,580
	371,550	**42,390**	**25,117**	-	**3,966**	**443,023**

(d) Accounting classifications and fair values

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

2011	Trading at fair value $000	Loans and receivables $000	Other amortised cost $000	Total carrying amount $000	Fair value $000
Assets					
Cash and cash equivalents	-	71,617	-	71,617	71,617
Derivative financial instruments held for risk management	2,718	-	-	2,718	2,718
Other receivables	-	3,464	-	3,464	3,464
Amounts due from Group entities	-	-	-	-	-
Loans and receivables	-	381,778	-	381,778	380,312
	2,718	**456,859**	**-**	**459,577**	**458,111**
Liabilities					
Deposits and other borrowings	-	-	55,621	55,621	55,621
Derivative financial instruments held for risk management	71	-	-	71	71
Trade and other payables	-	-	3,987	3,987	3,987
Amounts due to Group entities	-	-	114	114	114
Term bank facility	-	-	-	-	-
Bonds	-	-	92,200	92,200	92,765
Secured debentures	-	-	264,472	264,472	260,215
	71	**-**	**416,394**	**416,465**	**412,773**
2010					
Assets					
Cash and cash equivalents	-	9,277	-	9,277	9,277
Derivative financial instruments held for risk management	1,979	-	-	1,979	1,979
Other receivables	-	3,364	-	3,364	3,364
Amounts due from Group entities	-	-	-	-	-
Loans and receivables	-	530,119	-	530,119	528,653
	1,979	**542,760**	**-**	**544,739**	**543,273**
Liabilities					
Deposits and other borrowings	-	-	70,819	70,819	70,819
Derivative financial instruments held for risk management	222	-	-	222	222
Trade and other payables	-	-	3,454	3,454	3,454
Amounts due to Group entities	-	-	290	290	290
Term bank facility	-	-	21,000	21,000	21,000
Bonds	-	-	99,658	99,658	101,523
Secured debentures	-	-	247,580	247,580	249,245
	222	**-**	**442,801**	**443,023**	**446,553**

The fair value of loans and receivables are calculated using discounted cash flow models based on the interest rate re-pricing and maturity of the financial assets. Discount rates applied in this calculation are based on current market interest rates for Loans and Advances with similar credit profiles. The fair value of all financial liabilities is calculated using discounted cash flow models based on the interest rate re-pricing and maturity of the instruments. The discount rate applied in this calculation is based on current market rates. No additional impairment has been taken in determining fair values of loans and receivables other than those already disclosed in the Statement of Financial Position.

Fair Value Hierarchy

All financial instruments that are recognised in the Statement of Financial Position at fair value are valued using valuation models that are based on observable market inputs (level 2 inputs).

Interest rates used for determining fair value	2011 $000	2010 $000
Loans and receivables	11.9%	11.7%
Secured debentures	7.1%	6.4%
Bonds	6.5%	8.5%

(e) Credit Risk

Geographical distribution of loans and receivables	2011 $000	2010 $000
Auckland/Northland	8,455	18,606
King Country/Bay of Plenty/Waikato	12,945	57,201
Hawkes Bay/Gisborne	22,293	28,595
Taranaki/Manawatu	24,615	33,690
Wairarapa	15,336	18,074
Nelson/Marlborough	21,142	22,788
Canterbury	121,458	154,122
Southland/Otago	155,534	197,043
	381,778	530,119

Concentration of credit exposures

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

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

	2011 $000	2010 $000
Sheep and beef	219,508	289,887
Dairy	80,911	137,853
Arable	25,269	30,241
Horticulture / viticulture	18,077	25,414
Deer	16,370	16,438
Other	21,643	30,286
	381,778	530,119

Concentration of credit exposures to individual counterparties		
Amount owing by 10 largest borrowers	86,570	111,069
As a % of net loans and receivables	22.7%	21.0%
As a % of total equity	85.8%	110.7%
% of total equity		
10% to 19%	4	5
20% to 29%	-	1
over 30%	-	-

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

Exposure to credit risk

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

	Loan to security value ratio 2011 %	Limit 2011 $000	Balance 2011 $000	Loan to security value ratio 2010 %	Limit 2010 $000	Balance 2010 $000
First mortgage	58.70%	334,912	331,621	56.7%	491,039	457,527
Second mortgage	55.90%	19,649	14,677	63.8%	30,992	25,665
First general or specific security agreement	66.5%	51,015	28,508	60.6%	64,760	37,385
Other security	100.0%	9,332	6,554	100.0%	11,295	7,794
Unsecured	0.0%	2,966	418	0.0%	6,131	1,748
	60.2%	417,874	381,778	58.3%	604,217	530,119

(f) Concentration of funding

The majority of Company funding is from within New Zealand.

	2011 $000	2010 $000
Customer industry concentration of funding		
Retail investors	412,293	418,057
Wholesale investors	-	21,000
	412,293	**439,057**
Product concentration of funding		
Deposits and other borrowings	55,621	70,819
Secured debentures	264,472	247,580
Bonds	92,200	99,658
	412,293	418,057
Term bank facility	-	21,000
	412,293	**439,057**
Geographical distribution of deposits and other borrowings, secured debentures and bonds		
Auckland/Northland	30,974	26,183
King Country/Bay of Plenty/Waikato	27,292	26,203
Hawkes Bay/Gisborne	25,837	29,024
Taranaki/Manawatu	24,227	21,454
Wairarapa	17,381	19,474
Nelson/Marlborough	20,155	19,135
Canterbury	140,596	138,898
Southland/Otago	125,083	136,759
Overseas	748	927
	412,293	**418,057**

29 Events Subsequent to Balance Date

Sale of PWF to Heartland Building Society

On 15 August 2011 PWF bondholders, secured depositors and unsecured depositors approved the sale of the Company. The sale now requires the completion of Heartland's capital raising and approval by the New Zealand Treasury for the Crown, to be finalised. The expected date for completion for all approvals remains 31 August 2011.

Independent Auditor's Report

To the Shareholder of PGG Wrightson Finance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of PGG Wrightson Finance Limited ("the company") on pages 1 to 20. The financial statements comprise the statement of financial position as at 30 June 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of 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 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 company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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 assurance services to the company. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. There are, however, certain restrictions on borrowings which the Partners and employees of our firm can have with the company. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

KPMG

Opinion

In our opinion the financial statements on pages 1 to 20:

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG

29 August 2011

Christchurch