



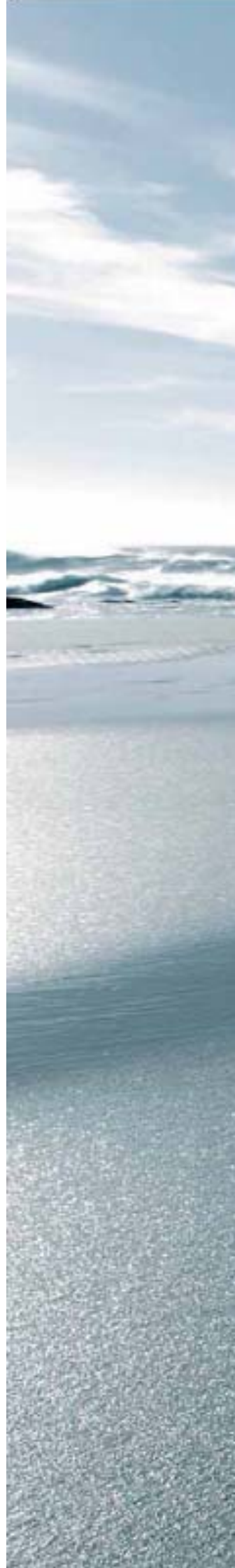
PROPERTY FINANCE

INTERIM REPORT

PROPERTYFINANCE GROUP LIMITED (PFG)

For the six months ended 30 September 2007.

January 2008



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DIRECTORY

Board of Directors:

Mr Barnaby Sundstrum
Chairman
19 Mayfly Lane
Clearwater
Harewood
Christchurch

Mr Darryl Queen
Managing Director
70 Matai Street
Riccarton
Christchurch

Mr Peter J M Taylor
Director
Pauls Road
RD 3
Blenheim

Registered Office:

Level 2
propertyfinance building
104 Victoria Street
Christchurch

Auditor:

Ernst & Young
Ernst & Young House
227 Cambridge Terrace
Christchurch

Solicitors:

Rhodes & Co
Level 17
Price Waterhouse Centre
119 Armagh Street
Christchurch

Share Registry:

Link Market Services
National Bank Chambers
144 Tancred Street
Ashburton

COMPANY OVERVIEW

The period to September 2007 has seen a material change in the Company's business as a result of the directors request to appoint receivers to the Group's principal operating subsidiary, propertyfinance securities limited (in receivership) (PFSL), on 29 August 2007.

Since that time, the Group has effectively downsized its operations and overheads and entered into a period of consolidation as it considers its practical options.

Since 29 August, the Company has reduced its overheads significantly by surrendering all of its premises' leases, except for its head office at Christchurch, and reducing staff numbers.

The Company continues to actively work on a restructuring of its PFSL business which, if successful, will enable the business to be removed from receivership and its affairs to be wound down by its Directors under the restructuring programme.

The restructuring will see PFSL re-schedule its debenture stock over a new three-year term, with an interest rate of 9.33% and a further bonus of 0.67%. Minimum principal payment amounts are \$15m in the first year, \$15m in the second year and the balance in year three. During the wind-down PFSL would be managed by propertyfinance group limited (PFG) under a management contract.

The Special Meeting of debenture stockholders took place on 21 December 2007 and overwhelmingly passed the extraordinary resolution.

The receivership of PFSL has also impacted on the Group's four securitisation trusts. The key changes are that the Group no longer acts as the trust manager or servicer to the trusts and consequently has no day-to-day involvement in the management of the trusts.

As a result of these changes the un-audited half yearly accounts do not consolidate any of these entities. The overall result for the period under review was a loss of \$250,000.

Shareholders should take special note that the Directors have not written down or impaired the carrying value of PFG's investment in the shares of PFSL. A decision on the carrying value will be able to be made after either the Company successfully removes itself from receivership or the receiver reports further on the business as he will do periodically.

During the half-year under review the Company issued 1,188,189 new ordinary shares at 20¢ per share to enable it to meet its working capital needs. The Company has extended to all shareholders the opportunity to acquire new shares at the same price through its Share Purchase Plan.

In addition, the Board of Directors has been reduced reflecting the Company's needs. Messrs Sundstrum, Taylor and Queen remain in office whilst Messrs Hazlett, Davis and Bellas have retired.

Whilst the Company has had to work through a difficult and disappointing six months, shareholders can be encouraged by the progress made towards ensuring the Company survives and is put in a position where it can look in the medium term to re-use and re-build a business from the many good parts of the PFG business model.

The Board looks forward to communicating with shareholders its progress on the restructuring proposal for PFSL and the wider restructuring of the Group's business affairs over the coming months.

The Board of Directors

FINANCIAL OVERVIEW

Incorporated in this report are the full, unaudited financial statements for the half year under review.

A SUMMARY OF KEY RESULTS FOR THE GROUP

	Half Year ended	
	Sept 2007 \$'000	Sept 2006 \$'000
Income Statement		
Net interest income	(43)	2,294
Net Profit/(loss) after income tax	(250)	192
Balance Sheet		
Total assets	53,445	330,861
Funded by:		
Shareholder funds	8,694	8,096
Capital notes	-	1,756
Redeemable preference shares	3,457	3,492
Debentures	-	87,460
Debt notes	36,515	220,185
Other liabilities	4,779	9,872
	53,445	330,861
Ratios:		
Net Profit/(loss) after income tax as % of shareholder funds	(3%)	2%
Earnings per share (expressed in \$ per share) ⁽¹⁾	(0.02)	0.01
Net tangible assets per share (expressed in \$ per share) ⁽¹⁾	0.62	0.56
Shares on Issue	13,710,433	13,673,833

⁽¹⁾Adjusted for shares issued during the period.

STATUTORY INFORMATION

USE OF GROUP INFORMATION

The Company received no notices during the period from Directors requesting to use Company information obtained by them in their capacity as Directors which would not otherwise have been available to them.

DIRECTORS

The Directors of the Company as at 30 September 2007 were:

- Mr Barnaby Sundstrum – Chairman
- Mr Peter Taylor
- Mr Darryl Queen

DIVIDENDS

No dividends were paid during the half year ended 30 September 2007.

DISCLOSURE OF INTERESTS BY DIRECTORS

The disclosure of interests by Directors is included in Note 15 to the Financial Statements.

STATEMENT OF DIRECTORS' INTERESTS

Directors' Shareholdings in propertyfinance group limited at 30 September 2007:

	Beneficially		Non-Beneficially	
	Sept 2007	Sept 2006	Sept 2007	Sept 2006
Mr B Sundstrum	313,162	313,162	100,000	100,000
Mr D Hazlett	103,350	103,350	-	-
Mr P Taylor	-	100,000	-	-
Mr M Bellas	95,000	-	2,422,222	2,222,222
Mr L Davis	225,000	225,000	200,000	200,000
Mr D Queen	1,208,004	1,253,004	-	-

DIRECTORS' FEES

Fees paid to Directors, in their capacity as directors, were as follows:

	Sept 2007 \$'000
For the six months ended 30 September 2007	
Directors fees	
Mr Barnaby Sundstrum - Chairman	18
Mr Denis Hazlett	9
Mr Peter Taylor	9
Mr Mark Bellas	10
Mr Darryl Queen	-
Mr Mark Davis	9

REMUNERATION

All individual employee remuneration and benefits were under \$100k for the period.

DONATIONS

The Group made no charitable donations during the period.

FINANCIAL STATEMENTS

INCOME STATEMENT

	Notes	Group		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
For the period ended 30 September					
Interest income	2	1,417	14,181	2	112
Interest expense	2	1,460	11,887	134	132
Net interest income		(43)	2,294	(132)	(20)
Other revenue from ordinary activities	3	768	279	503	200
Total revenue from ordinary activities		725	2,573	371	180
Impairment losses	4	-	(12)	-	-
Operating expenses and staff costs	5,6	1,083	3,373	850	437
Gain on revaluation of investment property	8	-	1,194	-	-
Unrealised gain/ (loss) on derivative financial instruments		-	196	-	-
Profit/(loss) from continuing operations before income tax		(358)	602	(479)	(257)
Income tax expense/(benefit)	11	(108)	410	(97)	(82)
Profit/(loss) after income tax		(250)	192	(382)	(175)
Net Profit/(loss) for the period attributable to members of the parent entity		(250)	192	(382)	(175)
Earnings per share for profit/(loss) attributable to the equity holders of the Company during the period (expressed in \$ per share)					
- basic	12	(0.02)	0.01		
- diluted	12	(0.02)	0.01		

The accompanying notes form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

		Group			
	Notes	Share capital \$'000	Available for Sale Reserve \$'000	Retained earnings \$'000	Total \$'000
Balance as at 1 April 2006		10,898	-	(3,151)	7,747
Issue of Shares		15	-	-	15
Share based payment		10	-	-	10
Net profit/(loss) for the period			-	1,136	1,136
Balance as at 31 March 2007		10,923	-	(2,015)	8,908
Balance as at 1 April 2007		10,923	-	(2,015)	8,908
Issue of shares	7	36	-	-	36
Net Profit/(loss) for the period		-	-	(250)	(250)
Total income and expense for the period		-	-	(250)	(250)
Attributable to equity holders of the parent		-	-	(250)	(250)
Balance as at 30 September 2007		10,959	-	(2,265)	8,694

		Parent			
	Notes	Share capital \$'000	Available for Sale Reserve \$'000	Retained earnings \$'000	Total \$'000
Balance as at 1 April 2006		10,898	-	(3,013)	7,885
Issue of Shares		15	-	-	15
Share based payment		10	-	-	10
Net profit/(loss) for the period		-	-	(159)	(159)
Balance as at 31 March 2007		10,923	-	(3,172)	7,751
Balance as at 1 April 2007		10,923	-	(3,172)	7,751
Issue of shares		36	-	-	36
Share based payment		-	-	-	-
Net Profit/(loss) for the period		-	-	(382)	(382)
Total income and expense for the period		-	-	(382)	(382)
Attributable to equity holders of the parent		-	-	(382)	(382)
Balance as at 30 September 2007		10,959	-	(3,554)	7,405

The accompanying notes form part of these Financial Statements.

BALANCE SHEET

As at 30 September	Notes	Group		Parent	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ASSETS					
Cash and cash equivalents	13	1,109	88,480	-	30
Derivative financial instruments	14	-	196	-	-
Related party receivables	15	30	30	30	30
Sundry debtors & advances	16	916	2,616	59	55
Development property intended for sale	20	230	10,054	-	-
Loans receivable	18	-	228,084	-	-
Mortgage backed securities	17	38,450	-	-	-
Investment in subsidiaries	21	12,373	-	12,373	10,017
Intercompany debtor		-	-	-	2,120
Intangible assets	22	201	383	27	40
Property, plant & equipment	23	30	447	30	3
Income tax prepayment		-	219	-	-
Deferred tax		106	352	96	-
TOTAL ASSETS		53,445	330,861	12,615	12,295
LIABILITIES					
Bank overdraft	24	8	-	8	-
Secured loans	25	-	4,600	-	-
Trade and other payables	26	891	4,237	371	1,210
Amount due to related party	31	3,508	-	1,374	-
Tax payable		142	78	-	-
Capital notes	27	-	1,756	-	-
Debt notes	28	36,515	220,185	-	-
Debenture stock	29	-	87,460	-	-
Redeemable preference shares	30	3,457	3,492	3,457	3,492
Unsecured borrowings	32	230	630	-	-
Deferred tax liability		-	327	-	-
TOTAL LIABILITIES		44,751	322,765	5,210	4,702
NET ASSETS		8,694	8,096	7,405	7,593
SHAREHOLDERS' FUNDS					
Share capital	35	10,959	10,923	10,959	10,923
Retained deficit	36	(2,265)	(2,827)	(3,554)	(3,330)
TOTAL SHAREHOLDERS' FUNDS		8,694	8,096	7,405	7,593

The accompanying notes form part of these financial statements.

For and on behalf of the Board of Directors, who authorise the issue of the Financial Statements on 30th January 2008.



Barney Sundstrum
Chairman



Darryl Queen
Director

STATEMENT OF CASH FLOWS

For the period ended 30 September	Notes	Group		Parent	
		2007	2006	2007	2006
		\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Fee Income		-	3,189	-	-
Receipts from customers		503	171	503	200
Payments to suppliers and employees		(680)	(5,654)	(496)	(801)
Interest received		1,381	13,354	2	2
Interest paid		(1,148)	(9,104)	(134)	(5)
Tax payments					
Net cash inflow /(outflow) from operating activities	37	56	1,956	(125)	(604)
Cash flows from investing activities					
Loans and advances to customers		41	(88,542)	-	-
Proceeds from repayment of deposits		-	-	-	265
Purchase of property, plant and equipment		(31)	(634)	(31)	(24)
Purchase of investment property		(230)	-	-	-
Loan advance to subsidiary		-	-	-	(38)
Loan advance to related party		(33)	-	-	-
Securitisation establishment costs		-	(499)	-	-
Proceeds from repayment of securitisation		-	-	-	286
Purchase of mortgage backed securities		(25,700)	-	-	-
Net cash inflow/(outflow) from investing		(25,953)	(89,675)	(31)	489
Cash flows from financing activities					
Proceeds from debt notes		-	75,617	-	-
Proceeds from borrowings		230	1,025	-	-
Proceeds from related party borrowings		1,335	-	121	-
Repayment of debentures		-	(4,153)	-	-
Issue of redeemable preference shares		-	461	-	461
Repayment of redeemable preference shares		(20)	-	(20)	-
Issue of rated mortgage bonds		24,514	-	-	-
Increase in share capital		36	15	36	15
Net cash inflow from financing activities		26,095	72,965	137	476
Net increase /(decrease) in cash held		198	(14,754)	(19)	361
Add opening cash brought forward		903	103,234	11	(331)
Cash held at year end	37	1,101	88,480	(8)	30

The accompanying notes form part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Statement of Compliance

The Group is a profit-orientated entity incorporated in New Zealand. The Group is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and The Financial Reporting Act 1993. They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit-orientated entities.

Standards and interpretations that have been issued or amended but are not yet effective and have not been adopted by the Group for the half year reporting period ending 30 September 2007 are as follows:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
NZ IFRS 8	Operating segments.	Specifies how an entity should report information about its operating segments in annual financial reports.	1 January 2009	NZ IFRS 8 is a disclosure standard so will have no impact on the amounts included in the Group's financial statements. However, the amendments may result in changes to the Operating segments disclosures included in the Group's financial report.	1 January 2009

The parent entity financial statements also comply with IFRS.

(b) Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments and investment property. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The accounting policies set out below have been applied in preparing the financial statements for the period ended 30 September 2007, the comparative information presented in these financial statements for the period ended 30 September, 2006.

In the application of NZ IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

(c) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company, Propertyfinance Group Limited (the parent entity) and its controlled entities, as defined in accounting standard NZ IAS-27 "Consolidated and Separate Financial Statements". A list of controlled entities appears in note 21 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity. On this basis subsidiaries in receivership are excluded from the consolidation for the current period reporting.

In preparing the consolidated financial statements, all inter-entity balances and transactions, and unrealised profits and losses arising within the consolidated entity are eliminated in full.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

(d) Segment reporting

All business activities are carried out in New Zealand so there is no geographic segment reporting. All activities are in the property finance sector.

(e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments with maturity within twelve months. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(f) Investments in Listed Securities

Investments in listed securities are classified as Available-for-sale investments. Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or equity prices. The fair value of Available-for-sale investments is based on market prices. Gains and losses arising from changes in the fair value of available-for sale assets are recognised directly in equity, until the asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in the Income Statement.

(g) Derivative Financial Instruments

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details of derivative financial instruments are disclosed in note 38 to the financial statements.

Derivatives are initially recognised at fair value on the date a derivative contract is entered in to and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit of loss, except those that qualify for cash flow hedge accounting. At balance date the Group did not undertake any form of hedge accounting.

(h) Loans and Receivables

Other financial assets are classified as “loans and receivables” depending on the nature and purpose of the financial assets at the time of initial recognition.

Loans and other receivables are recorded at amortised cost using the effective interest method less impairment.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

(i) Investment Property

Investment property, which is property held to earn rentals and / or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

(j) Development Property Intended For Sale

Development properties are valued at the lower of cost or net realisable value.

Borrowing costs directly attributable to Development properties intended for sale are capitalised as part of the cost of those assets.

Where real estate assets are acquired through enforcement of security the asset is recognised when legal title of the property passes to the Group. The cost of the asset is determined by reference to the value of the corresponding loan balance outstanding when title passes.

(k) Investments in Subsidiaries

Investments in subsidiaries in the Company's financial statements are measured at cost, subject to any impairment.

(l) Goodwill and other intangibles

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Income Statement and is not subsequently reversed.

(m) Property, Plant, Equipment and Software

Property, plant, equipment and software are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant, equipment and software, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The estimated useful lives are:

Office furniture and equipment	5 years
Software	3 years

(n) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(o) Impairment

i) Impairment of Loans and Receivables

Losses for impaired loans are recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and loans assessed collectively. Losses expected from future events, no matter how likely, are not recognised.

ii) Individually assessed loans

At each balance date, the Group assesses on a case by case basis whether there is any objective evidence that a loan is impaired. This procedure is applied to all accounts that are considered individually significant. In determining impairment losses on these loans, the following factors are considered:

- The Groups aggregate exposure to the customer
- The viability of the customers' business model and their capability to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations
- The amount and timing of expected receipts and recoveries
- The realisable value of security and likelihood of successful repossession

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loans current carrying amount. Any loss is charged in the income statement. The carrying amount of impaired loans on the balance sheet is reduced through use of an allowance account.

iii) Collectively assessed loans

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For groups of loans that are not considered individually significant.

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects the impairment losses incurred at the balance sheet date which will only be individually identified in the future.

iv) Loan write offs

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, when the proceeds from realising the security has been received.

v) Impairment of Assets carried at fair value

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset

previously recognised in the Income Statement – is removed from equity and recognised in the Income Statement.

(p) Impairment of Other Assets

At each balance date, the consolidated entity reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill is tested for impairment annually when there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Income Tax and Deferred Tax

i) Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

vi) Deferred Tax

Deferred tax is accounted for using the comprehensive Balance Sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised from taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority. The consolidated entity intends to settle its current tax assets and liabilities on a net basis.

vii) Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or, where it arises from the initial accounting for a business combination, it is taken into account in the determination of goodwill or excess.

(r) Derecognition of financial assets

A financial asset (or, when applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired,
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- The Group has transferred its rights to receive cash flows from the asset and either:
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(s) Trade and other payables

Trade payable and other accounts payable and accrued expenses are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group become obliged to make future payments in respect of the purchase of goods and services. The amounts are unsecured.

(t) Liabilities including Rated mortgage bonds, capital notes, debt notes, debenture stock, redeemable preference shares, and bank loan

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Liabilities are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in income statement over the period of the borrowing using the effective interest rate method. Interest expense is recognised in the income statement using the effective interest rate method.

(u) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance sheet date. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the time value of money and the risks specific to that liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(v) Share-based Payments

The Group provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions).

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable.

It recognises the impact of the revision of original estimates, if any, in the Income Statement and a corresponding adjustment to equity over the remaining vesting period.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The fair value of Employee share options is valued at the market value of the underlying stock at the balance date, less the strike price of the option. If the market value of the stock was below the strike price of the option, the value of the option was deemed to be zero.

(w) Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Deferred Costs

Transaction income and costs representing establishment fees and costs related to establishing mortgage loans on the books of the Special Purpose Entities (“SPEs”) are capitalised on the balance sheet of the SPE. These fees and costs are amortised to the income statement over the weighted average expected life of the loans using the effective interest rate method. The average expected life of loans per portfolio are estimated to be:

High Loan-to-Value Ratio Residential Mortgages	2 years
Commercial Mortgages	5 years
Low Documentation Residential Mortgages	3 years
Home Equity Release Residential Mortgages	7 years

On a consolidated basis these fees and costs are included as part of the amortised cost of the loans.

Transaction costs incurred by a subsidiary entity (propertyfinance securities limited), as manager of the mortgage programme, in facilitating the issue of debt securities by the SPE are capitalised on the balance sheet of the SPE with a corresponding liability to the subsidiary. These costs charged to the SPE are amortised to the income statement over the average expected life of the debt securities using the effective interest method. The average expected life of the debt securities are estimated to be between 1-10 years. On a consolidated basis, these costs are included as part of the amortised cost of the debt securities.

The effective interest rate is the rate inherent in the mortgage loans or the first variable rate reset of the debt securities that exactly discounts estimated future cash receipts or payments through the expected life of the loan or debt security.

(y) Discontinued Operations

A discontinued operation is a component of an entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(z) Revenue Recognition

i) Recognition of income and expenses

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

ii) Interest and similar income and expense

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

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

iii) **Fee and commission income**

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

- Fee income earned from services that are provided over a certain period of time. Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.
- Discharge fees and deferred establishment fees are received by the SPE's upon early termination of mortgage loans. On a consolidated basis these fees are treated as a recuperation 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 into the consolidated income statement over the weighted average expected life of the mortgage loans using the effective interest method.

iv) **Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance are recognised after fulfilling the corresponding criteria.

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- **Rental income**
Rental income from investment properties is accounted for on a straight-line basis over the lease term.
- **Dividends**
Revenue is recognised when the Group's right to receive the payment is established.

(aa) **Goods and Services Tax**

Revenue, expenses and assets are recognised net of the amount of GST except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of the acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(ab) Financial Guarantees

Liabilities under financial guarantees contracts which are not classified as insurance contracts, are recorded initially at their fair value. Subsequently, the financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of expenditure required to settle the obligations.

(ac) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends; and
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares;
- Divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(ad) Significant Accounting Judgements, Estimates and Assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors. All judgements, estimates and assumptions made are believed to be reasonably based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions.

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Allowances for impairment loss

Where loan receivables are outstanding beyond the normal contractual terms, the likelihood of the recovery of these loans is assessed by management. The specific impairment loss is estimated with reference to the loan to property value ratio (LVR), the probability of recovery, the cost of possible acquisition through enforcement of security and related costs and sale proceeds. The collective loan provision is estimated using available market data and historic trends.

Estimation of average lives of loans used to defer fees and costs

The estimation of the useful lives of loans has been based on historical experience, market and statistical trends, and competitor information. In addition, the average life of loans is assessed at least once per year and considered against the remaining contractual life. Adjustments to average life are made when

considered necessary. The average life of loans is used to defer fees and costs under the effective interest rate method.

2. INTEREST INCOME & EXPENSE

	Group		Parent	
	2007	2006	2007	2006
For the period ended 30 September	\$'000	\$'000	\$'000	\$'000
Interest income:				
Cash and short term funds	40	3,610	-	-
Loans/Securitized debt notes	1,375	10,569	-	-
Other	2	2	2	112
	1,417	14,181	2	112
Interest expense:				
Capital notes	-	75	-	-
Debt notes	-	7,578	-	-
Debenture stock	-	4,102	-	-
Redeemable preference shares	134	132	134	132
Rated Mortgage Bonds	1,221	-	-	-
Other	105	-	-	-
	1,460	11,887	134	132

3. OTHER REVENUE

	Group		Parent	
	2007	2006	2007	2006
For the period ended 30 September	\$'000	\$'000	\$'000	\$'000
Rental income from investment property / development property intended for sale	14	171	14	-
Management fee	489	-	489	200
Other	265	108	-	-
Total Other Revenue	768	279	503	200

4. IMPAIRMENT

	Group		Parent	
	2007	2006	2007	2006
For the period ended 30 September	\$'000	\$'000	\$'000	\$'000
Impairment changes:				
- movement in collective provision	-	(12)	-	-
- movement in specific provision	-	-	-	-
Bad debts written off	-	-	-	-
	-	(12)	-	-

5. OPERATING EXPENSES

For the period ended 30 September	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Depreciation – office furniture & equipment	2	52	-	-
Administrative expenses	625	2,052	392	116
Software amortisation	10	30	12	7
Operating lease payments	218	52	218	61
	855	2,186	622	184

6. STAFF COSTS

For the period ended 30 September	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	207	1,095	207	215
Other employment related expenses	21	92	21	38
	228	1,187	228	253

7. EMPLOYEE SHARE OPTION PLAN

The Group entity has an ownership-based remuneration scheme for employees.

The following share-based payment arrangements were in existence during the period.

Option series	Number	Grant date	Expiry Date	Exercise price \$	Fair value at grant date \$
Issued	332,500	9 Dec 04	31 March 08	1	1

	2007		2006	
	Number of options 000's	Weighted average exercise price \$	Number of options 000's	Weighted average exercise price \$
Balance at beginning of the financial year	243	1	333	1
Exercised during the period	(36)	1	(15)	1
Cancelled	-	-	(75)	1
	207	1	243	1

Each employee share option converts into one ordinary share of propertyfinance group limited on exercise. No amounts are paid or payable by the recipient on receipt of an option. Options may be exercised at any time from the date of vesting to the date of their expiry.

The option expires within three years of their issue, or upon the resignation of the employee.

The Group has on issue 207,000 call options to employees, as ratified at the meeting of shareholders on 9 December 2004.

No Director of the Group received options. The options accrue to employees from the date of issue until they expire on 31 March 2008. If exercised, the option holder must pay \$1.00 per share. The weighted average life remaining on these options is one year.

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
For the period ended 30 September				
Expensed amount of employee options in the Income Statement	-	10	-	10

8. GAIN ON REVALUATION OF INVESTMENT PROPERTY

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
For the period ended 30 September				
Unrealised gain 104 Victoria Street	-	1,194	-	-

Further details relating to the Investment Property can be found at note 19.

During the prior period the Group decided to sell the property at 104 Victoria Street. In declaring this intention the Group re-classified the property to Development Property intended for sale.

9. KEY MANAGEMENT PERSONNEL COMPENSATION

The compensation of the directors and executives, being the key management personnel of the entity, is set out below:

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
For the period ended 30 September				
Short term employment benefits	215	360	215	102

10. AUDITOR'S REMUNERATION

	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
For the period ended 30 September				
Amounts paid to the auditor for:				
Auditing financial statements	39	25	26	7
Tax consulting services	-	38	-	11
Other services	-	5	-	4
Total auditor's remuneration	39	68	26	22

The auditor of the Group is Ernst & Young.

11. TAXATION

(a) Income Tax

For the period Ended 30 September	Group		Parent	
	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
The major components of income tax expense are:				
Income Statement	-			
Current income tax	-		-	
Adjustments in respect of current income tax of previous years	-		-	
Movement in losses	-		-	
Losses not recognised	-		-	
Other	-		-	
	-	-	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	(108)	410	(97)	(82)
Movement in losses	-	-	-	-
Income tax expense/(benefit) reported in the income statement	(108)	410	(97)	(82)
Income tax expense reported in equity				

(b) 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:

	Group		Parent	
	2007 \$000's	2006 \$000's	2007 \$000's	2006 \$000's
Accounting Profit (loss) before taxation	(358)	602	(479)	(257)
Prima facie income tax (30%)	(108)	199	(144)	(85)
Items not deductible/(taxable) for tax:				
Entertainment	-	3	-	3
Legal and consultancy fees	-	5	-	-
Trust establishment costs	-	62	-	-
Other	-	21	-	-
Losses not recognised	-	120	-	-
Loss offset to Group Companies	-	-	47	-
Income tax expense/(benefit)	(108)	410	(97)	(82)

(c) Imputation credit account

	Group		Parent	
	2007	2006	2007	2006
Balance as at 31 March 2007	419,958	910,683	419,958	194,383
Tax paid/(refund)	-	-	-	-
Prior period adjustment	-	(88)	-	(88)
Imputation credits attached to dividends received	-	-	-	-
Imputation credits attached to dividends paid	(133,347)	(65,688)	(133,347)	(65,688)
	286,611	844,907	286,611	128,607

(d) Unrecognised temporary differences

At 30 September 2007, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should un-remitted earnings be remitted (2006: Nil).

(e) The Taxation Bill 2007

The tax figures have been prepared based on the existing tax spreading rules for financial arrangements. The Taxation (Annual Rates, Business Taxation, Kiwisaver, and Remedial Matters) Bill 2007 has proposed that the IFRS spreading method adopted for financial arrangements be used for tax purposes. That spreading method is different to the spreading method based on the existing tax rules. The Bill has not been substantially enacted and hence, the spreading method proposed has not been adopted. However, the Bill is to have retrospective effect once enacted and the change in spreading method will result in a reclassification from deferred tax asset to current tax. It is too early to estimate the financial impact of this change in spreading method.

12. EARNINGS PER SHARE

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

	Group	
	2007	2006
For the period ended 31 March	\$'000	\$'000
(a) Earnings used in calculating earnings per share		
For basic earnings per share		
Net profit/(loss) attributable to ordinary equity holders of the parent	(250)	192
For diluted earnings per share		
Net profit attributable to ordinary equity holders of the parent	(250)	192
(b) Weighted average number of shares		
Weighted average number of shares for basic earnings per share	13,710,433	13,673,833
Effect of dilution:		
Share options	206,400	317,500
Weighted average number of ordinary shares	13,916,833	13,991,333
Earnings per share - basic – expressed in \$ per share	(0.02)	0.01
Earnings per share – diluted – expressed in \$ per share	(0.02)	0.01

13. CASH AND CASH EQUIVALENTS

	Group		Parent	
	2007	2006	2007	2006
As at 30 September	\$'000	\$'000	\$'000	\$'000
Cash at bank	1,109	60,880	-	30
Fixed term deposits maturing within 1 year - National Bank	-	27,600	-	-
	1,109	88,480	-	30

Cash at bank earns interest at floating rates based on daily deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

As at September 2007, an amount of \$1,096,000 of cash at bank was held as an expense reserve by RMB Trustee Limited in support of the Rated Mortgage Bond programme. This cash is not generally available for the operational use of the group.

As at September 2006, an amount of \$56,403,877 of the cash at bank relates to bank accounts of special purpose vehicles in the Group's securitisation programme. These accounts are administered by the trustee of the respective trust and are not available for the operational use of the Group. These special purpose vehicles have not been included in the September 2007 figures due to the receivership of the controlling entity propertyfinance securities limited.

As at September 2006, an amount of \$27,000,000 of the fixed term deposits relates to bank accounts of special purpose vehicles in the Group's securitisation programme. These accounts are administered by the trustee of the respective trust and are not available for the operational use of the Group. These special purpose vehicles have not been included in the September 2007 figures.

Fixed term deposits are made for varying periods between 1 day and 12 months, depending on the immediate cash requirements of the consolidated entity and earn interest at the respective fixed term deposit rates from 7.66% to 8.01% p.a.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of interest rates (for example, fixed rate or floating rate). No exchange of principal takes place.

The Group's credit risk is the cost to replace the swap contracts if counterparties fail to perform their obligation. The Group minimises this risk by entering into derivative contracts with rated New Zealand banks. This risk is monitored on an ongoing basis with reference to the current fair value of the derivatives, the proportion of the notional amounts of the contracts with counterparties, and the liquidity of the market.

As at 30 September	Contract /	Fair	
	notional amount	Values	
	\$'000	\$'000	\$'000
		Assets	Liabilities
Interest rate swaps 2007	-	-	-
Interest rate swaps 2006	-	196	-

The derivative financial instruments were designated as financial assets and liabilities in the Income Statement.

Further information about derivative financial instruments is disclosed in Note 38 Financial Instruments.

No derivatives are held by the Parent.

The Derivative financial instruments are secured by way of \$600,000 held on fixed term deposit by propertyfinance securities limited (in receivership) with the ANZ National Bank of New Zealand Limited.

15. RELATED PARTY TRANSACTIONS

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts due from related parties				
Advances to Directors	30	30	30	30

During the period the following transactions were undertaken with related parties:

Mr B I Sundstrum

Mr Sundstrum received interest of \$1,995 for the six month period ended 30 September 2006 with regard to unsecured deposits of \$15,000 and \$65,000.

Mr Sundstrum is a Trustee of the Estate of K P Sundstrum which received interest of \$3,291 for the six month period ended 30 September 2006 with regard to an unsecured deposit of \$50,000. A loan of \$230,000 was made during the current period by a party related to Mr Sundstrum. The interest paid on this loan was \$8,050.

Mr D B Queen

Mr Queen is a director and shareholder in Kipling Partners Limited. During the period ended 30th September 2006 Kipling Partners Limited sold 45,000 shares in the Company.

The Group had an advance to Mr Queen of \$30,000 (2006: \$30,000) at balance date. The interest on this loan during the six month period was \$750 (2006: \$750).

Mr P J M Taylor

Mr Taylor is a member of Marsh Limited's New Zealand Advisory Board. Marsh acted for the Group in arranging Director and Officer Indemnity Insurance.

16. SUNDRY DEBTORS AND ADVANCES

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
GST	14	6	7	4
Sundry receivables	896	2,475	46	24
Prepayments	6	135	6	27
Total	916	2,616	59	55

17. MORTGAGE BACKED SECURITIES

At amortised cost

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Mortgage backed securities - Commercial	18,850,000	-	-	-
Mortgage backed securities - Residential	19,600,000	-	-	-
	38,450,000	-	-	-

RMB Trustee Limited purchase Residential and Commercial Mortgage Backed Securities (MBS) with a minimum rating at the purchase date of 'BBB'. The Mortgage Backed Securities purchased are tradable securities and carry a floating interest rate:

- Residential MBS - 90 day bank bill bid rate + margin (reset quarterly)
- Commercial MBS - 90 day bank bill bid rate + margin (reset quarterly)

18. LOANS RECEIVABLE

At amortised cost

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Mortgages	-	228,513	-	-
Less impairment	-	(429)	-	-
	-	228,084	-	-

Impaired Loans

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Collective loan provision	-	(74)	-	-
Specific loan provision	-	(355)	-	-
Total loan provision	-	(429)	-	-
Collective loan provision				
Opening balance	-	86	-	-
Assets restated as not impaired	-	-	-	-
Movement in collective loan provision	-	(12)	-	-
Closing balance	-	74	-	-
Specific loan provision				
Opening balance	-	355	-	-
Reversal of specifically impaired assets	-	-	-	-
Addition to specific impairment provision	-	-	-	-
Closing balance	-	355	-	-

A past due asset is a secured advance where payments of principal and/or interest are at least 90 days in arrears.

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Past due assets				
Opening balance	-	937	-	-
Additions to past due status	-	3,377	-	-
Amounts written off	-	-	-	-
Deletions from past due status	-	(21)	-	-
Closing balance	-	4,293	-	-
Impaired Assets				
Opening Balance	-	1,672	-	-
Additions to impaired asset status	-	-	-	-
Deletions from impaired asset status	-	-	-	-
Closing balance	-	1,672	-	-
Real estate assets acquired through the enforcement of security				
Opening balance	-	-	-	-
Additions	-	1,304	-	-
Closing balance	-	1,304	-	-

19. INVESTMENT PROPERTY

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Opening balance as at 1 April	-	6,500	-	-
Additions	-	-	-	-
Unrealised gain on investment property	-	-	-	-
Transfer to Development property intended for sale	-	(6,500)	-	-
Closing balance as at 30 September	-	-	-	-

Investment properties are carried at fair value, which was determined based on valuations performed by H G Livingstone as at 31 March 2006 for the previous year. H G Livingstone is an industry specialist in valuing these types of investment properties.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with New Zealand Valuation Standards.

Rental income from investment property is disclosed in Note 3 Other Income.

20. DEVELOPMENT PROPERTY INTENDED FOR SALE

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Land				
Opening Balance	-	-	-	-
Land acquired through enforcement of security	-	1,304	-	-
Allowance for impairment loss	-	-	-	-
Closing Balance	-	1,304	-	-
104 Victoria Street:				
Opening Balance	-	-	-	-
Transfer from Investment property	-	6,500	-	-
Addition	-	1,926	-	-
Capitalised interest	-	324	-	-
Closing Balance	-	8,750	-	-
Parnell Street:				
Opening Balance	-	-	-	-
Addition	230	-	-	-
Closing Balance	230	-	-	-

During the period the Group entered into an agreement to purchase a strata title property; Level 4, 86 The Rise, Parnell, Auckland, to base its Auckland offices.

Interest relating to borrowings for Development property intended for sale is capitalised at 100%.

21. INVESTMENTS IN SUBSIDIARIES

As at 30 September	Balance date	% held	
		2007	2006
Parent entity: propertyfinance group limited			
Shares in subsidiaries			
Propertyfinance securities limited (in receivership)	31-Mar-2007	100	100
Propertyfinance Holdings Limited ¹	31-Mar-2007	100	-
104 Victoria Street Limited ¹	31-Mar-2007	-	100
Office Finance and Leasing Limited ¹	31-Mar-2007	-	100
Home Equity Securities Limited ¹	31-Mar-2007	-	100
Propertyfinance Operations CM-2006 Ltd (in receivership)	31-Mar-2007	100	100
Propertyfinance Operations LS-2005 Ltd (in receivership)	31-Mar-2007	100	100
Propertyfinance Operations RML-2005 Ltd (in receivership)	31-Mar-2007	100	100
Propertyfinance Operations CM-2005 Ltd (in receivership)	31-Mar-2007	100	100
Propertyfinance Operations RM-2005 Ltd (in receivership)	31-Mar-2007	100	100
Avon Number One Investments Limited	31-Mar-2007	100	100
Avon Indemnity Company Limited	31-Mar-2007	100	100

Other controlled entities:

- RMB Trustee Limited
- Rated Mortgage CM 2006-1 Trust
- Rated Mortgage RML 2006-2 Trust

¹ During the period these subsidiaries were amalgamated into Propertyfinance Holdings Limited.

22. INTANGIBLE ASSETS

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
Goodwill	174	174	-	-
Impairment	-	-	-	-
At 30 September, net of accumulated amortisation and impairment	174	174	-	-
Computer software at 1 April, net of accumulated amortisation and impairment	37	175	37	23
Additions	-	60	-	24
Amortisation	(10)	(26)	(10)	(7)
At 30 September, net of accumulated amortisation and impairment	27	209	27	40
Cost (gross carrying amount)	69	266	69	58
Accumulated amortisation and impairment	(42)	(57)	(42)	(18)
Net carrying amount	27	209	27	40
Total intangible assets	201	383	27	40

The intangible assets represent software assets held by propertyfinance group limited. The software assets are considered finite life intangibles and are amortised over their expected life.

Goodwill has been allocated for impairment testing purposes to cash generating units at the lowest level at which management monitor goodwill. Management identify one cash generating unit, being the Group.

During the period ended 30 September 2007, management has determined that there is no impairment of the cash generating unit to which goodwill is related. There is no indication that goodwill has been impaired due to the receivership of propertyfinance securities limited, however it will be reviewed at the next balance date at which stage goodwill may be materially impaired.

The recoverable amount (i.e. higher of value in use and fair value less costs to sell) of the cash generating unit is determined on the basis of value in use calculations. The value in use calculation used cash flow projections based on the financial budgets approved by management.

23. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts at the beginning and end of the period.

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
Opening balance net of accumulated depreciation and impairment	2	240	2	2
Additions	30	262	30	1
Disposals	-	-	-	-
Depreciation expense	(2)	(55)	(2)	-
Balance at 30 September	30	447	30	3
As at 30 September				
Cost	37	543	37	8
Accumulated depreciation and impairment	(7)	(96)	(7)	(5)
Net carrying amount	30	447	30	3

24. BANK OVERDRAFT

The annual rates of interest on the Bank Overdraft varied between 14.45% and 27.45% during the period.

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
The ANZ National Bank of new Zealand Ltd overdraft	8	-	8	-

The bank overdraft is unsecured.

25. SECURED LOAN

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
At amortised cost				
Secured loans	-	4,600	-	-

The Group had a Commercial Loan with The ANZ National Bank of New Zealand Limited as at September 2006. The interest rate on this loan was 8.71 % per annum and as at 30 September 2006 the amount outstanding on the loan was \$4,600,000. The loan was secured by a registered mortgage over the property situated at 104 Victoria Street, Christchurch,

26. TRADE AND OTHER PAYABLES

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
Trade payables and accruals	891	4,237	371	1,210

Trade payables are non-interest bearing and are normally settled on 60-day terms.

27. CAPITAL NOTES

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
At amortised cost				
Capital notes on issue	-	1,756	-	-

These notes are unsecured.

28. DEBT NOTES

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
At amortised cost				
Wholesale Debt Securities	-	220,185	-	-
Retail Debt Securities	36,515	-	-	-
	36,515	220,185	-	-

Wholesale debt securities are secured under a trust deed. New Zealand Guardian Trust has been appointed as the trustee for the following securitisation trusts:

- Propertyfinance Securities RM 2005-1 Trust
- Propertyfinance Securities RML 2005-3 Trust
- Propertyfinance Securities CM 2005-2 Trust
- Propertyfinance Securities LS 2005-4 Trust

Retail debt securities are secured under a trust deed. New Zealand Permanent Trustee Limited has been appointed as the trustee for the following trusts:

- Rated Mortgage CM 2006-1 Trust
- Rated Mortgage RML 2006-2 Trust

29. DEBENTURE STOCK

	Group		Parent	
	2007	2006	2007	2006
As at 30 September				
At amortised cost	\$'000	\$'000	\$'000	\$'000
Debenture stock on issue	-	87,460	-	-

The debenture stock is secured under a Debenture Stock Trust Deed between propertyfinance securities limited and Covenant Trustee Company Limited as Trustee. The Deed creates a floating charge in favour of the Trustee over all of the assets and undertakings of the charging group.

30. REDEEMABLE PREFERENCE SHARES

	Group		Parent	
	2007	2006	2007	2006
As at 30 September				
At amortised cost	\$'000	\$'000	\$'000	\$'000
Issued Redeemable Preference Shares	3,457	3,492	3,457	3,492

The Group issued \$3,030,906 redeemable preference shares in the prior financial year to raise capital to fund the ongoing development of the propertyfinance group. Further redeemable preference shares amounting to \$446,000 were issued in the current year. The issue price per share was \$1.00 with a dividend payable of 7.7% per annum fully imputed giving a pre-tax equivalent of 11.5% per annum. The Group has an option to redeem these shares for cash at the issue price at any time after the first anniversary of the date of issue. The redeemable preference shares rank in priority equal to all ordinary shares issued by the Company and behind all Company liabilities. The redeemable preference shares expire three years from issue date. The average issue date was January 2006.

31. AMOUNTS DUE TO RELATED PARTIES

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Propertyfinance Securities Limited – Expense Reserve	1,096	-	-	-
Propertyfinance Securities Limited - Advance	2,412	-	-	-
Other	-	-	1,374	-
	3,508	-	1,374	-

Pursuant to the RMB Trustee Limited Trust Deed, an expense reserve is required as a form of credit enhancement for the Rated Mortgage Bond program. The expense reserve has been fully funded by propertyfinance securities limited (in receivership), and has no fixed term.

The advance represents cash paid by propertyfinance securities limited (in receivership) on behalf of RMB Trustee Limited for certain issuance costs of the Trusts. The amounts are repayable in the form of quarterly repayments.

All amounts payable to related parties are unsecured. Related party funding carries an interest rate of 8%.

32. UNSECURED BORROWINGS

As at 30 September At amortised cost	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Unsecured loan	230 ¹	630 ²	-	-

¹ Unsecured loan to fund the purchase of Parnell Street Property.

² Unsecured loan to fund the purchase of 104 Victoria Street.

33. COMMITMENTS

Operating lease commitments – Group as lessor

The Group has entered into commercial leases on certain property. These leases have a life of 3 years with a right to renew for a further 2 years included in the contract(s). Operating leases relate to office facilities with the lease term from 3 years. The Company does not have an option to sell the leased asset at the expiry of the lease period.

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Within 1 year	52	-	52	-
After 1 year but no more than 5 years	52	-	52	-
After more than 5 years	-	-	-	-
Total minimum lease payments	104	-	-	-

Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain motor vehicles and property. These leases have an average life of between 2 and 8 years with rights to renew at lease expiration for further terms between 2 and 4 years.

There are no restrictions placed upon the Lessee by entering into these leases.

The Company does not have an option to buy the leased asset at the expiry of the lease period.

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
Within 1 year	243	425	243	425
After 1 year but not more than 5 years	971	1,082	971	1,082
After more than 5 years	487	728	487	728
Total minimum lease payments	1,701	2,235	1,701	2,235

Undrawn loan advances

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
Undrawn approved loan advances ¹	-	9,797	-	-
Undrawn portion of loan advances ²	-	36,025	-	-

There were no other capital commitments at 30 September 2007 (2006: Nil)

¹ Approved customer loan facilities at balance date not drawn down

² Reverse equity loans available to be drawn by customers

34. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 September 2007 (2006: Nil).

35. SHARE ISSUE

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September 2007				
Share capital¹				
Opening on issue	10,923	10,898	10,923	10,898
Shared based payment	-	10	-	10
Issue of Shares	36	15	36	15
Transaction costs	-	-	-	-
	10,959	10,923	10,959	10,923

¹ Shares have no par value.

All ordinary shares have equal voting rights and share equally in dividends and any surplus on wind up.

The Group has on issue 207,000 call options to employees, as ratified at the meeting of shareholders on 9 December 2004.

No Director of the Group received options. The options accrue to employees from the date of issue until they expire on 31 March 2008. If exercised the option holder must pay \$1.00 per share.

	'000s of shares	\$'000
At 1 April 2006	13,658	10,898
Share based payment	-	10
Share issue	15	15
Share issue transaction costs	-	-
At 1 April 2007	13,673	10,923
Share based payment	-	-
Exercise of options	36	36
Transaction costs	-	-
At 30 September 2007	13,709	10,959

36. RETAINED EARNINGS

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
Balance at beginning of period	(2,015)	(3,019)	(3,172)	(3,155)
Net surplus/(deficit) attributable to shareholders	(250)	192	(382)	(175)
Balance at end of period	(2,265)	(2,827)	(3,554)	(3,330)

37. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 March:

Cash in banks at the Consolidated Group entity level includes the cash balances held in trusts controlled by the Group. The cash balances that are held in the trusts can only be used in accordance with the provisions of their respective trust deeds. Cash at the end of period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet.

	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
As at 30 September				
Comprises:				
Bank accounts	1,109	60,880	-	30
Fixed term deposits	-	27,600	-	-
Bank overdraft	(8)	-	(8)	-
	1,101	88,480	(8)	30
Bank accounts and fixed term deposits available for use by the Group	27	5,076	(8)	30
Bank accounts and fixed term deposits held in trust	1,074	83,404	-	-
Total Cash and cash equivalents	1,101	88,480	(8)	30

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

For the period ended 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit/(loss) after income tax	(250)	192	(382)	(175)
Non cash or non operating cash flow items:				
Depreciation	2	56	2	-
Amortisation of software	10	26	10	7
Fair value change in derivatives	-	-	-	-
Less: Revaluation of investment property	-	(1,194)	-	-
Add back employee share options	-	-	-	-
Changes in assets and liabilities:				
(Increase)/decrease in sundry debtors and advances	456	416	64	(133)
(Increase)/decrease in Taxation prepaid	-	14	-	-
(Increase)/decrease in compound interest on debentures	-	1	-	-
(Increase)/decrease in loans receivable interest accrued	-	-	-	-
(Increase)/decrease in deferred tax asset	(106)	-	(96)	-
Increase/(decrease) in interest payable accrued	-	-	-	-
Increase/(decrease) in trade and other payables	(55)	2,118	278	(303)
Increase/(decrease) in tax liability	-	-	-	-
Increase/(decrease) in deferred tax liability	(1)	327	(1)	-
Net cash inflow (outflow) from operating activities	56	1,956	(125)	(604)

38. FINANCIAL INSTRUMENTS AND RISK

Propertyfinance group limited co-ordinates the controlled entities' access to domestic and international markets, and manages the financial risks relating to the operations of the consolidated entity.

The Group does not enter into financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's treasury policies approved by the board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the management on a continuous basis.

The Group's activities expose it primarily to the financial risks of changes in interest rates and liquidity risk. The Group transacts interest rate derivative financial instruments and endeavours to match assets and liability maturity to manage these exposures.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group entity. The Group entity obtains sufficient collateral or other security where appropriate as a means of mitigating the risk of financial loss from defaults.

The carrying amount of financial assets recorded in the financial statements is the Group's maximum exposure to credit risk as at the reporting date without taking account of the value of any collateral or other security obtained. The credit risk on liquid funds and derivative financial instruments is minimised by restricting transactions to rated bank counterparties.

The Group's assets which are subject to credit risk are receivables under the loans it advances, securities, derivatives, bank deposits, sundry receivables, solicitors trust account and interest income accrued. The maximum possible credit loss on these recognised financial assets is their carrying value as shown on the Balance Sheet.

The Group manages the risk by:

- Assessing each loan application against a Board approved lending policy; securing the loan against a registered first mortgage, taking into consideration the type and location of the security property, the loan to value ratio and loan serving ability of the borrower; together with any other matters relevant to the origination of the loan;
- Employing staff that are experienced and suitably qualified in this type of business and ensuring any problem loans are promptly addressed.; and
- Adopting prudent management and financial controls for a business operating in the property finance industry.

The maximum exposures to credit risk at the relevant balance dates are:

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
ANZ National Bank of New Zealand Limited	1,109	88,780	-	30
Loans receivable – Residential	-	119,394	-	-
Loans receivable – Commercial	-	108,690	-	-
Mortgage Backed Securities - Residential	18,850	-	-	-
Mortgage Backed Securities - Commercial	19,600	-	-	-
Related party receivables	66	30	30	30
Sundry debtors and advances	880	2,812	59	55
	40,505	319,706	89	115

Concentration of credit risk – The table below outlines the % concentration by geographical area of Loans Receivable.

As at 30 September	Group		Parent	
	2007 (%)	2006 (%)	2007 (%)	2006 (%)
Auckland/Northland	-	37%	-	-
Waikato/Bay of Plenty	-	16%	-	-
Taranaki/Manawatu	-	2%	-	-
Wellington/Hawkes Bay	-	12%	-	-
Nelson/Marlborough	-	3%	-	-
Canterbury/Westland	-	19%	-	-
Otago/Southland	-	11%	-	-
	-	100%	-	-

Concentration of exposure to individual counterparties.

As at 30 September

% of shareholders' funds	Number of counterparties			
	Group		Parent	
	2007	2006	2007	2006
10.0-19.9	-	32	-	-
20.0-29.9	-	15	-	-
30-39.9	-	6	-	-
40-49.9	-	3	-	-
50-59.9	-	2	-	-

Currency Risk

The Group is not exposed to currency risk.

Concentration of Funding

The majority of company funding is from within New Zealand.

i) Customer industry concentration of funding

As at 30 September	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Wholesale investors	38,015	220,185	-	-
Retail investors	3,892	90,952	3,457	3,492
	41,907	311,137	3,457	3,492

ii) Geographical concentration of funding

As at 30 September	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
New Zealand	39,907	309,797	-	-
Offshore	2,000	1,340	-	-
	41,907	311,137	-	-

iii) Product concentration of funding

As at 30 September	Group		Parent	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Bank overdraft	8	-	8	-
Secured loans	-	4,600	-	-
Debt notes	36,515	220,185	-	-
Debentures	-	87,460	-	-
Redeemable preference shares	3,457	3,492	3,457	3,492
Unsecured deposits	230	630	-	-
Capital notes	-	1,756	-	-
	40,210	318,123	3,457	3,492

Fair Values

All assets and liabilities recognised in the Balance Sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

The carrying amount of financial assets and financial liabilities recorded in the financial statements at fair value are their respective net fair values. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair value of derivative instruments are supplied by a rated New Zealand bank.

Interest rate risk

Interest rate risk is the risk of loss to the Group arising from adverse fluctuations in interest rates. To mitigate this risk the Group principally matches the tenor of interest rates on borrowing and lending activities.

Where this matching cannot be achieved the Group may enter in to Interest Rate Swaps. These are primarily taken against fixed rate loan receivables to exchange the fixed rate interest income for a floating rate interest income. This achieves a matching against the underlying floating rate funding activities. Where an interest rate swap is taken against a fixed rate loan receivable the principal terms of the interest rate swap such as notional amount, duration, and reset dates are matched to the fixed rate loan receivable. It is the policy of the Group to hedge all exposures to fixed rate loans receivable with corresponding interest rate swaps.

The fair value of the interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed on the following page.

The following tables summarise the Group and Parent's interest rate exposure in the form of interest rate repricing tables. These tables show the interest rate earned or charged on financial assets and liabilities.

Group – interest rate risk profile of Group financial assets and liabilities as at 30 September 2007

The interest rate risk profile has been prepared on the basis of interest rate terms or contractual re-pricing, whichever is the earlier.

	Weighted Average effective Interest Rate %	Variable Interest Rate \$000's	Interest rate tenor						Non-interest bearing \$000's	Total
			Less than 1 year \$000's	1-2 years \$000's	2-3 years \$000's	3-4 years \$000's	4-5 years \$000's	5+ years \$000's		
Financial Assets:										
Cash and cash equivalent	8.25	-	1,109	-	-	-	-	-	-	1,109
Related party receivables	10.00	-	-	-	-	-	-	30	-	30
Sundry debtors & advances	-	-	-	-	-	-	-	-	916	916
Mortgage Backed Securities	11.19	-	38,450	-	-	-	-	-	-	38,450
		-	39,559	-	-	-	-	66	880	40,505
Financial Liabilities:										
Bank overdraft	28.35	8	-	-	-	-	-	-	-	8
Trade and other payables	-	-	-	-	-	-	-	-	891	891
Tax payable	-	-	-	-	-	-	-	-	142	142
Related party payable	-	-	-	-	-	-	-	-	2,412	2,412
Debt notes	10.09	-	38,450	-	-	-	-	-	-	38,450
Redeemable preference shares	7.70	-	-	3,457	-	-	-	-	-	3,457
Unsecured loan	14.00	-	-	230	-	-	-	-	-	230
		8	38,450	3,687	-	-	-	-	3,445	45,590

Group – interest rate risk profile of group financial assets and liabilities as at 30 September 2006

The interest rate risk profile has been prepared on the basis of interest rate terms or contractual re-pricing, whichever is the earlier.

	Weighted Average effective Interest Rate %	Variable Interest Rate \$000's	Interest rate tenor						Non-interest bearing \$000's	Total
			Less than 1 year \$000's	1-2 years \$000's	2-3 years \$000's	3-4 years \$000's	4--5 years \$000's	5+ years \$000's		
Financial Assets:										
Cash and cash equivalents	7.35	-	88,480	-	-	-	-	-	-	88,480
Derivative financial instruments	-	-	-	-	-	-	-	-	196	196
Related party receivables	10.00	-	-	-	-	-	-	-	30	30
Sundry debtors & advances	-	-	-	-	-	-	-	-	2,616	2,616
Loans receivable	10.13	-	228,084	-	-	-	-	-	-	228,084
Investment Property	-	-	8,750	-	-	-	-	-	-	8,750
			325,314	-	-	-	-	-	2,842	328,156
Financial Liabilities:										
Secured loans	8.90	-	4,600	-	-	-	-	-	-	4,600
Trade and other payables	-	-	-	-	-	-	-	-	4,237	4,237
Tax Payable	-	-	-	-	-	-	-	-	78	78
Capital notes	12.16	-	1,476	280	-	-	-	-	-	1,756
Debt notes	8.08	-	220,185	-	-	-	-	-	-	220,185
Debenture stock	9.02	-	55,739	24,986	6,271	328	136	-	-	87,460
Redeemable preference shares	7.70	-	-	-	3,492	-	-	-	-	3,492
Unsecured loan	12.00	-	630	-	-	-	-	-	-	630
			282,630	25,266	9,763	328	136	-	4,315	322,438

Parent – interest rate risk profile of parent financial assets and liabilities as at 30 September 2007

The interest rate risk profile has been prepared on the basis of interest rate terms contractual re-pricing, whichever is the earlier.

Parent - 2007

	Weighted Average effective Interest Rate %	Variable Interest Rate \$000's	Interest rate tenor					Non-interest bearing \$000's	Total
			Less than 1 year \$000's	1-2 years \$000's	2-3 years \$000's	3-4 years \$000's	5+ years \$000's		
Financial assets:									
Related party receivables	10.00	-	-	-	-	-	30	-	30
Sundry debtors & advances	-	-	-	-	-	-	-	59	59
			-	-	-	-	30	59	89
Financial Liabilities:									
Bank Overdraft	28.35	8	-	-	-	-	-	-	8
Trade and other payables	-	-	-	-	-	-	-	354	354
Amount due to related party	-	-	-	-	-	-	-	1,374	1,374
Redeemable preference shares	7.70	-	3,457	-	-	-	-	-	3,457
		8	3,457	-	-	-	-	1,728	5,193

The following tables detail the Parent entity's exposure to interest rate risk as at 30 September 2006.

Parent – interest rate risk profile of Parent financial assets and liabilities as at 30 September 2006

The interest rate risk profile has been prepared on the basis of interest rate terms contractual re-pricing, whichever is the earlier.

Parent – 2006

	Weighted Average effective Interest Rate %	Variable Interest Rate \$000's	Interest rate tenor					Non-interest bearing \$000's	Total
			Less than 1 year \$000's	1-2 years \$000's	2-3 years \$000's	3-4 years \$000's	5+ years \$000's		
Financial Assets:									
Cash and cash equivalents	7.50	30	-	-	-	-	-	30	
Related party receivables	10.00	-	-	-	-	-	30	30	
Intercompany receivable	-	-	-	-	-	-	2,120	2,120	
Sundry debtors & advances	-	-	-	-	-	-	55	55	
		30	-	-	-	-	2,205	2,235	
Financial Liabilities:									
Trade and other payables	-	-	-	-	-	-	1,210	1,210	
Redeemable preference shares	7.70	-	-	3,492	-	-	-	3,492	
		-	-	3,492	-	-	1,210	4,702	

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. The Group maintains sufficient funds to meet its commitments based on forecasted cash flow requirements.

Liquidity risk and exposure is reviewed on an ongoing basis. The maturity profile of monetary assets and liabilities is shown below.

The tables below analyse the Parent and Group's financial assets and liabilities at the Balance Sheet date into the relevant maturity groupings based on the remaining period to the contractual maturity date.

Maturity profile of financial instruments

Group - 2007

	Weighted Average effective Interest Rate %	Less than 1 year	1-2 years	2-3 years	3-4 years	5+ years	Total
		\$000's	\$000's	\$000's	\$000's	\$000's	
Financial Assets							
Cash and cash equivalents	8.25	1,109	-	-	-	-	1,109
Related party receivables	10.00	-	-	-	-	30	30
Sundry debtors	-	916	-	-	-	-	916
Mortgage Backed Securities	11.19	-	-	-	-	38,450	38,450
		2,025	-	-	-	38,480	40,505
Financial Liabilities:							
Bank overdraft	28.35	8	-	-	-	-	8
Trade and other payables	-	891	-	-	-	-	891
Tax payable	-	142	-	-	-	-	142
Amount due to related party	-	-	-	-	-	2,412	2,412
Debt notes	10.09	-	-	-	-	38,450	38,450
Redeemable preference shares	7.70	-	3,457	-	-	-	3,457
Unsecured Loan	14.00	-	230	-	-	-	230
		1,041	3,687	-	-	40,862	45,590

Maturity profile of financial instruments

Group – 2006

	Weighted Average effective Interest Rate %	Less than 1 year	1-2 years	2-3 years	3-4 years	5+ years	Total
		\$000's	\$000's	\$000's	\$000's	\$000's	
Financial Assets:							
Cash and cash equivalents	7.35	88,480	-	-	-	-	88,480
Derivative Financial Instruments		196	-	-	-	-	196
Related party receivables	10.00	-	-	-	-	30	30
Sundry debtors and advances		2,616	-	-	-	-	2,616
Loans receivable	10.13	40,277	-	-	-	187,807	228,084
Investment property		8,750	-	-	-	-	8,750
		140,319	-	-	-	187,837	328,156
Financial Liabilities:							
Secured loans	8.90	4,600	-	-	-	-	4,600
Trade and other payables		4,237	-	-	-	-	4,237
Tax Payable		78	-	-	-	-	78
Capital notes	12.16	1,476	280	-	-	-	1,756
Debt notes	8.08	-	-	-	-	220,185	220,185
Debenture stock	9.02	55,739	24,986	6,271	328	136	87,460
Redeemable preference shares	7.70	-	-	3,492	-	-	3,492
Unsecured Loan	12.00	630	-	-	-	-	630
		66,760	25,266	9,763	328	220,321	322,438

Maturity profile of financial instruments

Parent - 2007

	Weighted Average effective Interest Rate %	Less than 1 year	1-2 years	2-3 years	3-4 years	5+ years	Total
		\$000's	\$000's	\$000's	\$000's	\$000's	
Financial Assets:							
Related party receivables	10.00	-	-	-	-	30	30
Sundry debtors and advances		59	-	-	-	-	59
		59	-	-	-	30	89
Financial Liabilities:							
Bank Overdraft	28.35	8	-	-	-	-	8
Trade and other payables		354	-	-	-	-	354
Related Party		-	-	-	-	1,374	1,374
Redeemable preference shares	7.70	-	3,457	-	-	-	3,457
		362	3,457	-	-	1,374	5,193

Maturity profile of financial instruments

Parent - 2006

	Weighted Average effective Interest Rate %	Less than 1 year	1-2 years	2-3 years	3-4 years	5+ years	Total
		\$000's	\$000's	\$000's	\$000's	\$000's	
Financial Assets:							
Cash and cash equivalents		30	-	-	-	-	30
Related party receivables	10.00	-	-	-	-	30	30
Intercompany receivable		2,120	-	-	-	-	2,120
Sundry debtors and advances		55	-	-	-	-	55
		2,205	-	-	-	30	2,235
Financial Liabilities:							
Trade and other payables		1,210	-	-	-	-	1,210
Amount due to related party		-	-	-	-	1,374	1,374
Redeemable preference shares	7.70	-	-	3,492	-	-	3,492
		1,210	-	3,492	-	1,374	6,076

Priority of Financial Liabilities

The following represents the priorities of creditors' claims over assets:

As at 30 September	Group		Parent	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Secured loan	-	4,600	-	-
Debenture stock	-	87,460	-	-
Debt notes	36,515	220,185	-	-
Unsecured borrowings	230	630	-	-
Bank overdraft ¹	8	-	8	-
Trade and other payables ¹	1,033	4,642	354	1,210
Amount due to related parties ¹	3,508	-	1,374	-
Capital notes	-	1,756	-	-
Redeemable preference shares	3,457	3,492	3,457	3,492
	44,751	322,765	5,193	4,702

¹ Bank overdraft, Trade and other payables and amounts due to Group entities rank as equal priority.

39. SUBSEQUENT EVENTS

Propertyfinance Securities Limited (in Receivership) (PFSL)

PFSL was placed in receivership on 29 August 2007. Due to PFSL now being under the control of the receivers it has not been consolidated into these financial statements. However, it is the Directors intention for the company, at the date of this report, to actively seek to restructure PFSL with a view that if successful the company can be removed from receivership. The Directors have commenced this process.

At the date of this report PFSL is endeavouring to restructure its debenture stock over a new three-year term so that PFSL will comply with its Trust Deed and enable the Trustee to remove the company from receivership.

This restructuring proposal was passed by an Extraordinary Resolution at a Special Meeting of stockholders, convened by the Company. The Extraordinary Resolution required a 75% majority to be passed.

Whilst the initial intention of the restructure is to wind-down its asset base so it can repay secured debenture stock liabilities, it is the intention of the Directors for the Company to be a going concern.

The Directors have received support from the major debenture note holders, trustee and the receiver for the restructure plans. The financial statements have been prepared on the basis that the company is successful in exiting receivership and is a going concern. If the company is not successful and thereby not a going concern then assets values assigned would be based on recoverable amounts and would be materially different from those under the going concern assumption.

With the appointment of Receivers to PFSL, PFSL has not been able to comply with the terms of some contracts it was a party to. The Directors have assessed the number of value of any potential damages claims. These potential claims are not considered to be material by the Directors at the date of the report.

Directors

On 24 September 2007 Mr L Davis, Mr M Bellas and Mr D Hazlett resigned as Directors of the Company.

Tax

Subsequent to year end the corporate tax rate in New Zealand was changed from 33% to 30%. As this change was not substantially enacted at year end, the change has not been reflected in the current year financial statements. However, future financial statements will reflect the change of tax rate from 33% to 30%.

40. SHAREHOLDER INFORMATION

Shareholders Information As At 31 July 2007

20 Largest Shareholders	Ordinary Shares	% of Paid Ordinary Capital
Oceania and Eastern Limited	2,222,222	16.21
Kipling Partners Limited	1,208,004	8.81
Englefield Limited	896,998	6.54
Jump Capital Limited	425,000	3.10
Skipio Limited	395,097	2.88
McCauley Garrett Limited	349,016	2.55
Barnaby Innes Sundstrum	313,162	2.28
Patricia Anne Taylor	265,000	1.93
Brian William McCauley and Shelley Elaine McCauley	211,667	1.54
New Zealand Finance Holdings Limited	201,052	1.47
Ronald John Willems	200,500	1.46
Investment Custodial Services Limited	194,444	1.42
Stuart Douglas Hawker and Philippa Mary Rankin	175,000	1.28
Thomas Albert Cecil Murray	164,624	1.20
Peter Bell	125,000	0.91
Investment Custodial Services Limited	116,666	0.85
Investment Custodial Services Limited	111,111	0.81
Kelvin Syms and Gina Cartwright	111,111	0.81
George Scott	106,898	0.78
Shelley Elaine McCauley and Rodney Marshall Garrett	105,667	0.77
Denis Luke Hazlett	103,350	0.75

Analysis of Holdings

Security Class: PFG Ordinary Shares Fully Paid

Holdings Type: Faster	Investors	Securities	% Issued Capital
1 to 1000	10	6,006	0.04
1001 to 50000	23	62,385	0.46
5001 to 10000	16	142,185	1.04
10001 to 100000	33	1,180,076	8.61
100001 and Over	6	2,190,692	15.98
Total	88	3,581,344	26.12

Security Class: Preference Shares

Holdings Type: Base Registry

1 to 1000
 1001 to 5000
 5001 to 10000
 10001 to 100000
 100001 and Over

Total

Investors	Securities	% Issued Capital
61	46,210	0.34
63	222,786	1.63
49	448,124	3.27
102	3,500,265	25.53
16	5,911,704	43.12
29	10,129,089	73.88

Total for Security Code PFG

1 to 1000
 1001 to 5000
 5001 to 10000
 10001 to 100000
 100001 and Over

Total

Investors	Securities	% Issued Capital
71	52,216	0.38
86	285,171	2.08
65	590,309	4.31
135	4,680,341	34.14
22	8,102,396	59.10
379	13,710,433	100.00