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Directory

Board of Directors:	Mr Barnaby Sundstrum Chairman 19 Mayfly Lane Clearwater Harewood Christchurch
	Mr Darryl Queen Director 70 Matai Street Riccarton Christchurch
Registered Office:	Level 2 propertyfinance building 104 Victoria Street Christchurch
Auditor:	Ernst & Young 34-36 Cranmer Square Christchurch
Solicitors:	Buddle Findlay Clarendon Tower 78 Worcester Street Christchurch
Trustee:	Covenant Trustee Company Limited Vero Centre 48 Shortland Street Auckland

Company Overview

INTRODUCTION

This year's Annual Report, for the period ending 31 March 2009, has witnessed the full effects of the 2008 global credit crisis and the continuing impacts on the economy and businesses.

Propertyfinance Securities Limited (PFSL or the Company) and PFSL's customers have again been affected by the on-going changes in the New Zealand property and finance sectors.

Notwithstanding these changes the Company continues to follow a strategy aimed at preserving capital value for its debenture stockholders; and over time realising these assets for fair value so that the proceeds can be distributed.

REVISED MORATORIUM

In June 2009 the Company presented to Stockholders a revised moratorium that reflected market conditions and the position of the Company.

The Extraordinary Resolution was duly passed at the meeting enabling the continued wind-down of the Company's affairs under the governance of the directors.

AUDIT QUALIFICATION

Notwithstanding that the Company has complied with all audit requirements, and that the financial statements have been audited, the Company's auditors have been unable to issue an unqualified audit report.

This qualification stems from the Company no longer holding the financial records for its securitisation programme and the Company's inability to obtain the required information, so that the directors and thereby the auditors can form an opinion on two key assets of the Company; namely its trust debtors and debt note investments.

The auditor's qualified opinion is set out on page 54 of this report and explanatory narrative is provided in Note 34 of the financial statements on pages 52 and 53.

The Company will continue in its efforts to obtain this information.

2009 FINANCIAL PERFORMANCE

Profit and Loss

The reporting group (comprising PFSL and its subsidiaries) has recorded a loss of $23.823 million for the year ended 31 March 2009.

A summary is:

	$'000
Revenue	5,867
Cost	29,688
Net loss after tax	(23,821)

The result for 2009 can be broken down into a number of material components and/or observations:

Impairment Provision

With the reported downturn in property the Company has reviewed the carrying value of its residual on-balance sheet first mortgage loans, land holdings, debt notes and trust debtors. This review resulted in the writing down of these assets. The total impairment was $20.445 million.

The Company is actively working to mitigate any future losses; this includes constant loan reviews and the monitoring of property values that may be subject to further market driven changes.

Interest Expense

Interest expense on debenture stock for the year was $8.251 million. Subsequent to balance date debenture stock holders have agreed first to waive interest accrued to 31 March 2009 totalling $12.339 million and second, a new interest rate will apply from 1 April 2009, being the Official Cash Rate plus a margin of 2%pa, reset quarterly.

2009 STATEMENT OF FINANCIAL POSITION

A summary of the Group's balance sheet as at 31 March is:

	$m
Assets	
Mortgage loans	11.3
Development property intended for sale	3.7
Cash	0.4
Securitisation investments	54.2
Other	1.1
Total Assets	**70.7**
Liabilities	
Secured debenture stock	72.0
Accrued Interest	12.3
Other	0.5
Owners equity (deficit)	**(14.1)**

Shareholders' funds now stand in deficit at ($14.143) million compared to $8.787 million at March 2008. As noted above a major contributor to the shareholders' funds deficit is the continued interest expense accrual on debenture stock, totalling $12.339 million that has been reversed subsequent to balance date.

SECURITISATION TRUSTS

A recent snapshot (unaudited 31 July 2009) of the four Propertyfinance trusts is:

Propertyfinance RM 2005-1 Trust

Asset type	NZ residential 1st mortgages
Pool size	$35.3m
Number of loans	134
Average by size	$284,791
Average loan to value ratio	94.8%
Owner occupied	100%
90-day arrears	4.3%

Propertyfinance RML 2005-3 Trust

Asset type		NZ residential 1st mortgages
Pool size		$142.2m
Number of loans		504
Average loan size		$358,302
Average loan to value ratio		79.8%
Owner occupied	53.4%	$75.9m
Investment	46.6%	$66.3m
90-day arrears		12.3%

Propertyfinance CM 2005-2 Trust

Asset type	NZ commercial 1st mortgages
Pool size	$101.6m
Number of loans	66
Average loan size	$1.67m
Average loan to value ratio	69.3%
90-day arrears	13.7%

Propertyfinance LS 2005-4 Trust

Asset type	NZ residential 1st mortgages
Average loan to value ratio	29.1%
Pool size	$52.1m
Average age of borrower	78 years
90-day arrears	0.0%

ACKNOWLEDGEMENT

During the difficult year under review the Company has benefited from the goodwill and support of many parties including, but not limited to, many former staff, Company advisors and creditors.

The Board wishes to acknowledge and sincerely thank those parties for their support.

DIRECTORS

The Continuing Directors are Messrs Sundstrum and Queen.

INFORMATION

The Company has endeavoured to maintain appropriate communications during this period of change.

If you wish to either review past announcements or learn more about the Company's activities please refer to the Company's website (www.propertyfinance.co.nz).

OUTLOOK

Whilst the Company continues to operate in a very difficult environment progress is being made in protecting and realising its assets.

The Company will continue to provide updates to its stockholders in its quarterly Briefing Note newsletter.

The Board of Directors
Christchurch
September 2009

Financial Overview

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

A SUMMARY OF KEY RESULTS FOR THE GROUP

For the year ended 31 March 2009	Group - Year Ended 2009 $'000	2008 $'000
Income Statement		
Net interest income	(1,699)	2,882
Net Profit/(loss) after income tax	(23,821)	(5,708)
Balance Sheet		
Total assets	**70,696**	**89,400**
Funded by:		
Shareholder funds (deficit)	(14,121)	9,700
Debentures - accrued interest (subsequently waived on 29 June 2009)	12,339	5,513
Debentures - principal	71,986	73,002
Other liabilities	492	1,185
Ratios:		
Net Profit/(loss) after income tax as % of shareholder funds[1]	169%	(59)%
Earnings per share (expressed in $ per share)[1]	(1.53)	(0.46)
Net tangible assets (liabilities) per share (expressed in $ per share)	(0.91)	0.61
Shares on Issue at year end	15,571,210	15,571,210
Shares on Issue (weighted average)	15,571,210	12,421,013

[1] Adjusted for shares issued during the period.

Statutory Information

USE OF COMPANY 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 31 March 2009 were:

- Mr Barnaby Sundstrum – Chairman
- Mr Darryl Queen

DIVIDENDS

No dividends were paid during the year ended 31 March 2009.

DISCLOSURE OF INTERESTS BY DIRECTORS

The disclosure of interests by Directors is included in Note 13 to the Financial Statements.

REMUNERATION

The Group had no employees during the period.

DONATIONS

The Company made no charitable donations during the period.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND DIRECTORS

The Company indemnifies Directors of the Company against all liabilities which arise out of the performance of their normal duties, unless the liability relates to conduct involving lack of good faith. To manage this risk the Company has indemnity insurance.

Corporate Governance Statement

This statement outlines the Company's main corporate governance practices for the whole of the financial period.

BOARD RESPONSIBILITIES

The Board is responsible for the overall corporate governance of the Company.

COMPOSITION OF THE BOARD

The names of the Directors of Propertyfinance Securities Limited in office at the date of this statement are set out on page 2 of this report.

Procedures for the operation of the Board, including the appointment and removal of Directors, are governed by the Company's Constitution.

INDEPENDENT PROFESSIONAL ADVICE

Each Director is entitled to obtain independent professional advice in relation to their duties at the Company's expense.

EXTERNAL AUDITOR

Ernst and Young has been appointed external auditor of the Company, commencing with the period ended 31 March 2008.

The external auditor is responsible for planning and carrying out a proper audit of the Company and Group's annual financial reports.

CODE OF ETHICS

All Directors of the Company are expected to demonstrate ethical and appropriate behaviour in all areas of business so as to maintain the Company's integrity and its reputation for fair and reasonable conduct.

Financial Statements

INCOME STATEMENT

For the year ended 31 March 2009	Notes	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Interest and similar income	2	5,826	10,212	5,443	9,882
Interest and similar expense	2	7,525	7,330	7,525	7,330
Net interest income		**(1,699)**	**2,882**	**(2,082)**	**2,552**
Other income from ordinary activities	3	41	3,232	41	2,952
Total revenue / expense from ordinary activities		**(1,658)**	**6,114**	**(2,041)**	**5,504**
Impairment losses	4	20,445	2,844	19,411	2,844
Employee benefits	6	-	2,299	-	2,299
Receivership and associated costs		11	761	11	761
Operating expenses	5	1,707	5,674	1,675	5,674
Profit/(loss) before income tax		**(23,821)**	**(5,464)**	**(23,138)**	**(6,074)**
Income tax expense/(benefit)	9	-	244	-	244
Profit/(loss) after income tax		**(23,821)**	**(5,708)**	**(23,138)**	**(6,318)**
Net Profit/(loss) for the period attributable to members of the parent entity		**(23,821)**	**(5,708)**	**(23,138)**	**(6,318)**
Earnings per share for profit/ (loss) attributable to the equity holders of the Company during the year (expressed in dollars per share)					
- basic	10	(1.53)	(0.46)		
- diluted	10	(1.53)	(0.46)		

The accompanying notes form part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009		Group ($'000)			
	Notes	Share capital	Available for sale reserve	Retained earnings	Total
Balance as at 1 April 2007		**12,373**	**(218)**	**(163)**	**11,992**
Net gains on available for sale investments	31	-	218	-	218
Total income and expense for the period recognised directly in equity		**-**	**218**	**-**	**218**
Profit/ (loss) for the period		-	-	(5,708)	(5,708)
Total Income and expense for period		**-**	**218**	**(5,708)**	**(5,490)**
Issue of shares	30	3,198	-	-	3,198
Balance as at 31 March 2008		**15,571**	**-**	**(5,871)**	**9,700**
Balance as at 1 April 2008		**15,571**	**-**	**(5,871)**	**9,700**
Profit/(loss) for the period		-	-	(23,821)	(23,821)
Total Income and expense for period		-	**-**	**(23,821)**	**(23,821)**
Issue of Shares	30	-	-	-	-
Balance as at 31 March 2009		**15,571**	-	**(29,692)**	**(14,121)**

For the year ended 31 March 2009		Parent ($'000)			
	Notes	Share capital	Available for sale reserve	Retained earnings	Total
Balance as at 1 April 2007		**12,373**	**(218)**	**(466)**	**11,689**
Net gains on available for sale investments	31	-	218	-	218
Total income and expense for the period recognised directly in equity		**-**	**218**	**-**	**218**
Profit/ (loss) for the period		-	-	(6,318)	(6,318)
Total Income and expense for period		**-**	**218**	**(6,318)**	**(6,100)**
Issue of shares	30	3,198	-	-	3,198
Balance as at 31 March 2008		**15,571**	**-**	**(6,784)**	**8,787**
Balance as at 1 April 2008		**15,571**	**-**	**(6,784)**	**8,787**
Profit/(loss) for the period		-	-	(23,138)	(23,138)
Total Income and expense for period		-	**-**	**(23,138)**	**(23,138)**
Issue of Shares	30	-	-	-	-
Balance as at 31 March 2009		**15,571**	-	**(29,922)**	**(14,351)**

The accompanying notes form part of these Financial Statements.

BALANCE SHEET

As at 31 March 2009	Notes	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Assets					
Cash and cash equivalents	11	350	409	309	409
Cash held in related trusts	12	5,428	5,050	-	-
Related party receivables	13	428	257	4,589	257
Other receivables	14	427	102	226	102
Development property intended for sale	18	3,679	700	819	700
Loans receivable	17	11,277	19,068	11,277	19,068
Mortgage backed securities	15	44,781	53,673	44,781	53,673
Rated Mortgage Bonds	16	20	20	20	20
Investment in subsidiaries	19	-	-	4,137	4,137
Trust Debtors	20	3,990	9,553	3,990	9,553
Intangible assets	21	100	124	100	124
Property, plant & equipment	22	205	264	205	264
Income tax prepayment	9	11	180	9	180
Total Assets		**70,696**	**89,400**	**70,462**	**88,487**
Liabilities					
Trade and other payables	25	287	120	283	120
Amount due to related party	13	-	118	-	118
Debenture Stock	27	84,325	78,515	84,325	78,515
Trust Creditors	20	205	947	205	947
Total Liabilities		**84,817**	**79,700**	**84,813**	**79,700**
Net Assets / (Liabilities)		**(14,121)**	**9,700**	**(14,351)**	**8,787**
Shareholders Funds					
Share Capital	30	15,571	15,571	15,571	15,571
Retained Earnings (Deficit)		(29,692)	(5,871)	(29,922)	(6,784)
Total Shareholders Funds (Deficit)		**(14,121)**	**9,700**	**(14,351)**	**8,787**

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 14 September 2009.

Barney Sundstrum
Chairman

Darryl Queen
Director

STATEMENT OF CASH FLOWS

For the year ended 31 March 2009	Notes	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash flows from operating activities					
Receipts from customers		38	4,971	38	4,691
Payments to suppliers and employees		(1,192)	(12,028)	(962)	(12,028)
Interest received		5,491	8,501	5,174	8,171
Interest paid		(1)	(1,938)	(1)	(1,938)
Tax (payments) / receipts		168	(425)	170	(425)
Net cash inflow (outflow) from operating activities	32	**4,504**	**(919)**	**4,419**	**(1,529)**
Cash flows from investing activities					
Loans and advances to customers		(2,309)	(285,535)	(2,309)	(285,535)
Repayment of loans and advances		4,933	28,030	4,933	28,030
Purchases / additions to development property		(4,592)	-	(982)	-
Sale of developed property		338	-	622	-
Sale of property, plant and equipment		-	67	-	67
Purchase of property, plant and equipment		-	(270)	-	(270)
Purchase of shares		-	(443)	-	(443)
Sale of shares		-	6,928	-	6,928
Trust establishment costs		-	(1,248)	-	(1,248)
Investment in subsidiary		-	(1,184)	-	(1,184)
Increase in deposits held by trusts		(312)	(610)	-	-
Loan advance to related party		(169)	(1)	(4,331)	(1)
Sale of mortgage backed securities		-	4,314	-	4,314
Purchase of mortgage backed securities		-	(17,906)	-	(17,906)
Net cash (outflow) from investing activities		**(2,111)**	**(267,858)**	**(2,067)**	**(267,248)**
Cash flows from financing activities					
Proceeds from unsecured borrowings		-	823	-	823
Proceeds from secured borrowings		-	10,761	-	10,761
Loan from related party		-	118	-	118
Repayment of borrowings		(118)	(1,132)	(118)	(1,132)
Repayment of Debenture Stock		(2,334)	(25,787)	(2,334)	(25,787)
Repayment of secured loan			(595)		(595)
Sale of secured loans		-	280,299	-	280,299
Increase in share capital			3,199		3,199
Net cash inflow / (outflow) from financing activities		**(2,452)**	**267,686**	**(2,452)**	**267,686**
Net increase (decrease) in cash held		**(59)**	**(1,091)**	**(100)**	**(1,091)**
Add opening cash brought forward		409	1,500	409	1,500
Cash held at year end		**350**	**409**	**309**	**409**

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 of the Group have been prepared in accordance with the Financial Reporting Act 1993.

The principal activities during the year were:

- Managing mortgaged loans that have been previously initiated by the Group.
- Managing mortgage-backed securities investments held by the Group
- Managing the ongoing development and sale of properties acquired from borrowers who defaulted.

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. The financial statements comply with International Financial Reporting Standards ("IFRS").

Standards and interpretations that have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 March 2009 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.	01-Jan-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.	01-Apr-2009
NZ IAS 1 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	01-Jan-2009	The amendments are expected to only affect the presentation of the Group's financial statements and will not have a direct impact on the measurement and recognition of amounts under the current NZ IAS 1. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	01-Apr-2009
Amendments to NZ IAS 32 and NZ IAS 1	Revised Amendments to NZ IAS 32 Financial Instruments: Presentation and NZ IAS 1 Presentation of Financial Statements -	The amendment to NZ IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to NZ IAS 1	01-Jan-2009	The Group does not expect these amendments to impact the financial statements of the Group.	01-Apr-2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
	Puttable Financial Instruments and Obligations Arising on Liquidation	requires disclosure of certain information relating to puttable instruments classified as equity.			
Amendments to International Financial Reporting Standards***	Amendments to IFRS 7	The amended IFRS 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: - Quoted prices in active markets for identical assets or liabilities (Level 1) - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2) - Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)	01-Jan-2009	The Group does not expect these amendments to impact the financial statements of the Group. Refer to Note 33 Financial Instruments regarding fair value of financial instruments.	01-Apr-2009

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 31 March 2009, the comparative information presented in these financial statements for the period ended 31 March, 2008.

The Group meets the definitions of a financial institution under NZ IFRS 7 'Financial Instruments: Disclosure' and is now subject to its requirements.

The Balance Sheet uses the liquidity presentation for both assets and liabilities as it is deemed more appropriate for the nature of the activities of the organisation.

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 Securities 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 19 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.

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) 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) Loan Policy

The Group's short-term loans are provided on the expectation that they will be rolled over on a number of occasions.

This roll-over function allows the Group to control the relationship and charge appropriate fees when the roll over is considered.

ii) Arrears

The Group has an active arrears management process that incorporates, if necessary, the purchase of defaulting loan property, if the Group considers the realisation value of the property can be enhanced by the Group being the vendor compared to a mortgagee sale process.

H) Mortgage Backed Securities

Mortgage Backed Securities are classified as "loans and receivables" being the nature and purpose of the financial assets at the time of initial recognition.

Mortgage Backed Securities 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) Development Property Intended For Sale

Development properties are valued at the lower of cost or fair value less any direct selling costs.

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.

J) Investments in Subsidiaries

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

K) Intangibles

Software is amortised on a straight line basis so as to write off the net cost of each intangible over the estimated useful life. The estimated useful life of software is three years.

L) Property, Plant, Equipment

Property, plant, and equipment 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 office furniture and equipment. Land is not depreciated. 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
- Leasehold improvements 5 years

De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

M) 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.

Losses for impaired Mortgage Backed Securities would be recognised immediately when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment would be deemed to have occurred if the loans arrears or credit enhancement in the underlying trusts was to deteriorate or the investment grade rating was withdrawn. Losses expected from future events, no matter how likely, are not recognised.

ii) Individually Assessed Loans

At each balance sheet 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 Group's 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.

vi) Purchase of Security Asset

In some situations; when a loan defaults the option of purchasing the underlying security by the Group is exercised. In these situations the Group will record the asset at the lower of cost or fair value. These assets are only acquired with the intention of offering them for sale and to minimise any loss to the Group.

N) Impairment of Other Assets

At each reporting 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.

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.

O) 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).

ii) 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.

iii) 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.

P) De-recognition 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.

Q) 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.

R) Liabilities including Debenture Stock

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.

Borrowing Costs

Borrowing costs are recognised as an expense when incurred except when they are directly attributable to the acquisition, construction or production of a qualifying asset. When this is the case the borrowing costs are capitalised as part of the cost of that asset.

S) Provisions

Provisions are recognised when the Group 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.

Employee leave benefits. Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

T) 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.

U) Deferred Costs

In prior years PFSL transaction income and costs representing establishment fees and costs related to establishing mortgage loans on the books of the Special Purpose Entities ("SPEs") were capitalised on the balance sheet of the SPE. These fees and costs were amortised to the income statement over the weighted average expected life of the loans using the effective interest rate method. The Group is no longer undertaking new loan business via the SPEs and as a result no fee income or associated costs are being recognised in the Group for SPE-related loans.

The Group continues to recognise deferred loan fee income in relation to loans made directly by PFSL.

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.

V) 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 financially 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 Group upon early termination of mortgage loans. These fees are treated as a recuperation of the transaction costs spent by the Group 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, and where applicable sublease income, 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.

W) 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.

X) 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:

i) 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.

ii) 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. All provisions have been made specific to loans, and no collective provisions were applicable in 2009 or in 2008.

The impairment assessment has been made after taking into account the Group's ability to manage the sale process so that mortgagee auctions are avoided. In the case of property held for development, account is taken of the valuation of the completed development less realisation costs and GST payable. Where sales have been completed subsequent to balance date the actual sale prices and costs to realise are used in assessing impairment of the property value.

The carrying value, and resulting impairment for Mortgage backed securities has been assessed based on the latest known stated value as provided by the trustee for the SPEs. The stated value is the value of the mortgage backed securities after deduction of liquidated losses arising from the sale of security on defaulted loans within the trusts.

Impairment allowances have been made in respect of trust debtors on the basis set out in note 1.X v) below.

iii) 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.

iv) Estimation of Expected Lives of Mortgage Backed Securities and Debenture Stock

The expected life of Mortgage Backed Securities, Rated Mortgage Bonds and Debenture Stock is used to amortise interest income/expense, fees and costs using the effective interest rate method. The expected life of the Mortgage Backed Securities and Rated Mortgage Bonds, and the period costs have been amortised over; is December 2010 and has been based on the current obligation to repay all Debenture Stock by 31 December 2010. This was one of the conditions of having Propertyfinance Securities Limited removed from receivership.

v) Estimation of Recovery of Trust Debtors

PFSL has not been able to confirm the balances owing from SPE trusts to PFSL. The trustee of the SPEs has not provided financial statements for the SPEs in respect of the years ended 31 March 2007, 2008 and 2009. Nor has the trustee responded to requests for confirmation of the balances owing to PFSL by the SPE trusts. Accordingly PFSL has made an impairment provision in respect of the amounts owing to PFSL by the SPEs on the following basis:

RM 2005-1 Trust: all amounts owing to PFSL have been fully impaired, with the exception of quarterly interest that has been paid to the company subsequent to balance date;

CM 2005-2 Trust: all amounts owing to PFSL have been fully impaired, with the exception of quarterly interest that has been paid to the company subsequent to balance date

RML 2005-3 Trust: all amounts owing to PFSL have been fully impaired, with the exception of quarterly interest that has been paid to the company subsequent to balance date

LS 2005-4 Trust: no impairment has been made in respect of debts owing as the Trust has not reported any liquidated losses on its loan receivables and PFSL considers that impairment is highly unlikely given the low loan – value-ratio of loans within this trust. all amounts owing to PFSL

Y) Comparative financial information

A wholly owned subsidiary, Avon Indemnity Company Limited (AICL), has been consolidated, and its results are included in the Group financial information for both the years ended 31 March 2008 and 2009. Group financial statements were not prepared in the year ended 31 March 2008. The results and position of AICL have been included on the basis that it was a consolidated subsidiary prior to 31 March 2007.

2. INTEREST INCOME AND EXPENSE

	Group		Parent	
For the year ended 31 March 2009	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Interest and similar income				
Cash and short term funds	413	458	30	128
Loans	2,002	3,522	2,002	3,522
Mortgage Backed Securities	3,411	6,232	3,411	6,232
	5,826	**10,212**	**5,443**	**9,882**
Interest and similar expense				
Capital notes	-	162	-	162
Debenture stock	7,525	7,135	7,525	7,135
Other	-	33	-	33
	7,525	**7,330**	**7,525**	**7,330**

3. OTHER INCOME

	Group		Parent	
For the year ended 31 March 2009	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Fee Income (Securitised Trusts)	-	3,180	-	2,900
Dividend	-	28	-	28
Profit on sale of available for sale securities	-	24	-	24
Other	41	-	41	-
Total other income	**41**	**3,232**	**41**	**2,952**

4. IMPAIRMENT

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Impairment charges:				
Impairment - Loans receivable	5,444	1,294	5,444	1,294
Impairment - Development property	1,208	404	174	404
Impairment - mortgage backed securities	8,973	1,146	8,973	1,146
Impairment - trust debtors	5,563	-	5,563	-
Less: Offset of trust creditors against trust debtors	(743)	-	(743)	-
	20,445	**2,844**	**19,411**	**2,844**

The interest income on impaired loans for the period was $1,287,558 (2008: $377,153).

Refer Note 34 C for discussion of the basis of impairment of trust debtors, and Note 34 D in relation to impairment of Mortgage Backed Securities.

5. OPERATING EXPENSES

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Depreciation – office furniture & equipment	59	84	59	84
Loss on disposal of office furniture	-	311	-	311
Management fees	269	710	269	710
Audit and accounting fees	164	180	164	180
Bank charges	-	626	-	626
Trustee fees	226	202	226	202
Administrative expenses	239	3,481	207	3,481
Software amortisation	24	33	24	33
Brokerage expense amortized	726	-	726	-
Operating lease payments - minimum lease payments	-	47	-	47
Total for continuing operations	**1,707**	**5,674**	**1,675**	**5,674**

6. STAFF COSTS

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Wages and salaries	-	1,483	-	1,483
Redundancy Costs	-	869	-	869
Other employment related expenses	-	(53)	-	(53)
	-	**2,299**	**-**	**2,299**

The Group employed no staff during the period. The moratorium of December 2007 prohibited PFSL from directly employing staff. Management services were provided to the Group by Propertyfinance Group Limited, with the cost included in Note 5 above.

7. KEY MANAGEMENT PERSONNEL COMPENSATION

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

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Short term employment benefits	-	294	-	294
Redundancy payments	-	194	-	194
	-	**488**	**-**	**488**

The Company currently employs no staff.

8. AUDITOR'S REMUNERATION

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Amounts paid to the auditor for:				
Auditing financial statements	47	100	47	100
Tax consulting services	117	79	117	79
Other services	-	1	-	1
Total auditor's remuneration	**164**	**180**	**164**	**180**

The auditor of the Group is Ernst & Young.

9. TAXATION

A) Income Tax

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
The major components of income tax expense are:				
Income Statement				
Current income tax				
Current income tax charge	-	-	-	-
Adjustments in respect of current income tax of previous years	-	-	-	-
	-	**-**	**-**	**-**
Deferred income tax				
Relating to origination and reversal of temporary differences	-	244	-	244
	-	244	-	244
Income tax expense/(benefit) reported in the income statement	**-**	**244**	**-**	**244**

B) Amounts charged or credited directly to equity

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Current income tax related to items charged directly to equity	-	-	-	-
Deferred income tax related to items charged or credited directly to equity	-	-	-	-
Income tax expense reported in equity	-	-	-	-

C) 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:

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Profit/(loss) before income tax	(23,821)	(5,464)	(23,138)	(6,074)
Prima facie income tax (30%)	(7,146)	(1,805)	(6,941)	(2,005)
Items not deductible / (taxable) for tax				
Entertainment	-	6	-	6
Imputation credits attached to dividends	-	5	-	5
Legal and consultancy fees	-	18	-	18
Profit on sale of investment	-	(8)	-	(8)
IRD penalties	5	-	5	-
Deferred tax movement not recognised	5,351	281	5,088	281
Deferred tax movement recognised	-	244	-	244
Losses not recognised	1,790	1,503	1,735	1,503
Loss offset to Group Companies	-	-	113	200
Income tax expense/(benefit)	-	**244**	-	**244**

D) Recognised deferred tax assets and liabilities

Deferred income tax at 31 March relates to the following	Balance Sheet 2009	Balance Sheet 2008	Income Statement 2009	Income Statement 2008
(i) Deferred tax liabilities				
Prepayment	-	-	-	13
Gross deferred tax liabilities	-	-	-	-
Set-off of deferred tax assets		-	-	-
	-	-	-	-
(ii) Deferred tax assets				
Items capitalised for tax	-	-	-	(1)
Receivables and debenture stock	-	-	-	(87)
Provisions	-	-	-	(169)
Gross deferred tax assets	-	-		
Set-off of deferred tax assets	-	-	-	-
Net deferred tax assets	-	-		
Deferred tax income/(expense)			-	**(244)**

E) Imputation Credit Account

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Opening balance	359	435	326	402
Prior period adjustment	(15)	-	(15)	-
Tax paid/(refund)	1	(90)	(1)	(90)
Imputation credits attached to dividends received	-	14	-	14
Imputation credits attached to dividends paid	-	-	-	-
	345	**359**	**310**	**326**

F) Unrecognised Tax Losses

The Group has tax losses of approximately $8,879k for which no deferred tax asset is recognised on the balance sheet due to the lack of probability of the utilisation of these losses in future tax periods (2008: $4,596k). The Parent has tax losses of approximately $8,695k for which no deferred tax asset is recognised on the balance sheet due to the lack of probability of the utilisation of these losses in future tax periods (2008: $4,596). The amount of tax losses are subject to confirmation from the IRD.

G) Unrecognised Temporary Differences

As at 31 March 2009, the Group had $21.264 million of deductible temporary differences for which no deferred tax asset is recognised in the balance sheet due to uncertainty that sufficient taxable profits will be available against which the deductible temporary differences can be utilised (2008: $1.767 million). As at 31 March 2009, the Parent had $20.386 million of deductible temporary differences for which no deferred tax asset is recognised in the balance sheet due to uncertainty that sufficient taxable profits will be available against which the deductible temporary differences can be utilised (2008: $1.767 million). There are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2008: Nil).

10. EARNINGS PER SHARE

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

For the year ended 31 March 2009	Group 2009 $'000	Group 2008 $'000
(a) Earnings used in calculating earnings per share		
For basic earnings per share		
Net profit/(loss) on continuing operations attributable to ordinary equity holders of the company	(23,821)	(5,708)
For diluted earnings per share		
Net profit on continuing operations attributable to ordinary equity holders of the company	(23,821)	(5,708)
(b) Weighted average number of shares		
Weighted average number of shares for basic earnings per share	15,571,210	12,421,013
Effect of dilution:		
Weighted average number of ordinary shares	15,571,210	12,421,013
Earnings per share - basic – expressed in $ per share	(1.53)	(0.46)
Earnings per share – diluted – expressed in $ per share	(1.53)	(0.46)

11. CASH AND CASH EQUIVALENTS

As at 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Cash at bank	350	409	309	409
	350	**409**	**309**	**409**

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

12. CASH HELD IN TRUSTS

As at 31 March 2009	Group		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Subsidiary's cash deposits with a related Trust, not accessible by the Group	5,428	5,050	-	-
	5,428	**5,050**	**-**	**-**

The Group has funds on deposit with SPEs as a form of indemnity for holders of mortgage backed securities in the SPEs against future losses during the life of the SPEs. The Group does not have control over the disbursement or repayment of the funds on deposit, which must be disbursed or repaid in accordance with the Trust Deeds of the SPEs.

13. RELATED PARTY TRANSACTIONS

As at 31 March 2009	Group		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Amounts due from related parties				
Propertyfinance Group Limited (the ultimate parent)	261	257	261	257
Propertyfinance Holdings Limited	167	-	167	-
Other related Parties	-	-	4,161	-
	428	**257**	4,589	**257**

As at 31 March 2009	Group		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Amounts due to related parties				
Property Finance Holdings Limited	-	118	-	118

- Amount due from Propertyfinance Group Limited represents excess received on purchase of subsidiary and tax transfers by Inland Revenue Department.
- Amount due from Propertyfinance Holding Limited represents tax transfer by Inland Revenue Department.
- Amount due to Propertyfinance Holdings Limited represented sundry cash receipts by Inland Revenue Department.

All of the above are unsecured, non interest bearing and payable on demand. There was no provision for doubtful debts nor forgiveness of debt in relation to outstanding balances with related parties. All transactions were made at arms length.

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

Propertyfinance Group Limited

The Group paid Management Fees of $269,020 (2008: $710,032) to Propertyfinance Group Limited (PFG).

During the year ended 31 March 2008 PFG accepted the novation of certain unsecured liabilities of the Company; these unsecured liabilities comprised settlements with mortgage brokers $403,164, former staff of the Group $426,073 and a range of trade creditors $954,645. PFG subscribed for a corresponding increase in the Company’s capital; $1,783,882. During the year ended 31 March 2008 PFG subscribed for new shares $1,414,701, and the Group used the proceeds to repay its capital notes of $1,128,682 and its residual unsecured liabilities of $286,019.

RMB Trusts

During the year ended 31 March 2008 the Company paid $104,846 to the RMB trusts to cover interest shortfall on deposit funds on the establishment of the Rated Mortgage Bond programme.

Mr B I Sundstrum

Mr Sundstrum is a Trustee of the Estate K P Sundstrum which previously held unsecured deposits with the Company, on which interest was paid during the year ended 31 March 2008 of $1,897.

14. OTHER RECEIVABLES

As at 31 March 2009	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
GST refund due	297	-	149	-
Sundry receivables	130	102	77	102
Total	**427**	**102**	**226**	**102**

The following tables show an aging analysis of sundry debtors and advances. All amounts are considered to be recoverable.

As at 31 March 2009	Group				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
GST	-	-	-	297	297
Sundry receivables	-	-	-	130	130
Total	**-**	**-**	**-**	**427**	**427**

As at 31 March 2009	Parent				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
GST	-	-	-	149	149
Sundry receivables	-	-	-	77	77
Total	**-**	**-**	**-**	**226**	**226**

As at 31 March 2008	Group				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
Sundry receivables	-	-	-	102	102
Total	**-**	**-**	**-**	**102**	**102**

As at 31 March 2008	Parent				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
Sundry receivables	-	-	-	102	102
Total	**-**	**-**	**-**	**102**	**102**

15. MORTGAGE BACKED SECURITIES

At Amortised Cost less impairment

As at 31 March 2009	Group		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Mortgage backed securities - Commercial	16,910	19,543	16,910	19,543
Mortgage backed securities - Residential	27,871	34,130	27,871	34,130
	44,781	**53,673**	**44,781**	**53,673**

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)

Interest rate on mortgage backed securities range from 6.235%p.a. to 9.985%p.a. as at 31 March 2009 (2008: 11.07%p.a. to 12.32%p.a.), subject to sufficient interest income being available in the SPEs to pay interest on the mortgage backed securities held by PFSL.

Mortgage Backed Securities are backed by mortgages over residential and commercial property within New Zealand. The Directors consider that the carrying amount of these assets approximates their fair value. Refer to Note 34 D.

16. RATED MORTGAGE BONDS

	Group		Parent	
As at 31 March 2009	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Mortgage backed securities - Commercial	20	20	20	20
	20	**20**	**20**	**20**

The Rated Mortgage Bonds are held in the Rated Mortgage CM 2006-1 Trust. These are issued securities that carry a floating interest rate, being the 90 day bank bill bid rate (3.125%p.a. at 31 March 2009) + 1.35%p.a. (reset quarterly)

The Rated Mortgage Bonds are secured by a security interest over the present and future property of the Rated Mortgage CM 2006-1 Trust. The Rated Mortgage Bonds have a legal maturity date of 2050.

The RMBs are recorded at amortised cost, which is also considered to be the fair value for the Rated Mortgage Bonds held by the Group.

Rated Mortgage Bond securities are secured under a trust deed. New Zealand Permanent Trustee Limited has been appointed as the trustee for Rated Mortgage CM 2006-1 Trust

There were no breaches or defaults with regards to the terms and conditions of the Rated Mortgage Bond program.

17. LOANS RECEIVABLE

At Amortised Cost less impairment

	Group		Parent	
As at 31 March 2009	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans receivable	16,390	19,068	16,390	19,068
Less impairment	(5,113)	-	(5,113)	-
	11,277	**19,068**	**11,277**	**19,068**

Interest rates on loans receivable range from 6.15%p.a. to 16.50%p.a. (2008:9.35%p.a to 16.50%p.a).

There are impaired loans included in loans receivable. The following tables contain details of impairment of loans receivable.

Impaired Loans

	Group		Parent	
As at 31 March 2009	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Specific loan provision	5,113	-	5,113	-
Total loan provision	5,113	-	5,113	-
Specific loan provision				
Opening balance	-	400	-	400
Impairment	-	(400)	-	(400)
Addition to specific impairment provision	5,113	-	5,113	-
Closing balance	5,113	-	5,113	-

The following tables represent an age analysis of secured advances where payments of principal and/or interest are in arrears

Past due assets (not impaired)	Group				
	0-30 days	30-60 days	60-90 days	90+ days	**Total**
	$'000	$'000	$'000	$'000	**$'000**
As at 31 March 2009	-	-	-	-	**-**
As at 31 March 2008	3,482	-	-	6,999	**10,481**

Past due assets (not impaired)	Parent				
	0-30 days	30-60 days	60-90 days	90+ days	**Total**
	$'000	$'000	$'000	$'000	**$'000**
As at 31 March 2009	-	-		-	**-**
As at 31 March 2008	3,482	-	-	6,999	**10,481**

Past due assets are not considered to be impaired as there is adequate security over the secured advances.

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Past due (but not impaired) assets				
Opening balance	-	5,069	-	5,069
Additions to past due status	-	-	-	-
Amounts written off	-	(362)	-	(362)
Deletions from past due status	-	(4,707)	-	(4,707)
Closing balance	**-**	**-**	**-**	**-**
Impaired Assets				
Opening Balance	3,485	2,826	3,485	2,826
Additions to impaired asset status	802	3,485	802	3,485
Deletions from impaired asset status	(3,647)	(2,826)	(3,647)	(2,826)
Less impairment	(640)	-	(640)	-
Closing balance	**-**	**3,485**	**-**	**3,485**
Assets whose terms have been renegotiated				
Opening Balance	7,757	-	7,757	-
Additions	3,245	7,757	3,245	7,757
Deletions	-	-	-	-
Less impairment	(4,778)	-	(4,778)	-
Closing balance	**6,224**	**7,757**	**6,224**	**7,757**
Real estate assets acquired through the enforcement of security				
Opening balance	700	1,104	700	1,104
Additions	4,670	-	1,060	-
Deletions	(483)	-	(767)	-
Less impairment	(1,208)	(404)	(174)	(404)
Closing balance	**3,679**	**700**	**819**	**700**

All loans receivable are backed by mortgages over residential and commercial property within New Zealand

All impaired assets are backed by mortgages over residential and commercial property within New Zealand. At balance date the carrying value of loans represents fair value of the loans and of the property used as security over the loans.

Fair value: Loans receivable are recorded at amortised cost less impairment.
The Directors consider that the carrying amount of loans receivable recorded in the financial statements approximates their fair value.

18. DEVELOPMENT PROPERTY INTENDED FOR SALE

As at 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Land & Buildings				
Opening Balance	700	1,104	700	1,104
Land acquired through enforcement of security	3,582	-	1,060	-
Additions and improvements	1,088	-	-	-
Sales of developed properties	(338)	-	(622)	-
Other receipts	(145)	-	(145)	-
Impairment - realised (losses) / recoveries	(117)	-	67	-
Allowance for impairment loss	(1,091)	(404)	(241)	(404)
Closing Balance	**3,679**	**700**	**819**	**700**

Development properties are carried at fair value, which was determined based either on final selling price (net of selling costs) in cases where properties have been sold after balance date, or else were based on valuations performed by registered valuers subsequent to balance date. The registered valuers used were:

- Hollis & Scholefield Ltd, registered valuers, provided a valuation of the land subdivision property in Tinopai, Northland. Hollis & Scholefield Ltd is an industry specialist in valuing this type of property.
- Seagar & Partners (Auckland) Limited provided valuation of the townhouse development in Takapuna, Auckland. Seagar & Partners are registered valuers based in Auckland.

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.

Development properties are backed by mortgages over residential and commercial property within New Zealand

19. INVESTMENT IN SUBSIDIARIES

As at 31 March 2009	Balance Date	% held 2009	% held 2008
Parent entity: propertyfinance securities limited			
Shares in subsidiary:			
Avon Indemnity Company Limited	31 March	100	100
PF Takapuna Limited	31 March	100	-
PF Property Holdings Limited	31 March	100	-

20. TRUST DEBTORS

Trust Debtors As at 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
At amortised cost				
Trust manager and servicer fees	327	327	327	327
Excess servicer fees	4,297	4,297	4,297	4,297
Trust establishment costs	3,400	3,400	3,400	3,400
RMB Expense reserve advance	1,050	1,050	1,050	1,050
Other	479	479	479	479
less Impairment provision	(5,563)	-	(5,563)	-
Closing balance as at 31 March	**3,990**	**9,553**	**3,990**	**9,553**

Trust Debtors represent amounts receivable from previously controlled Special Purpose Entities (SPE). The Group lost control of the SPE's when PFSL was placed in receivership in August 2007. The Trust debtors include amounts receivable to this date.

The major components of the debt are comprised of amounts outstanding for servicing or management of the SPE's or the reimbursement of costs incurred on behalf of the SPE.

The Company has been unable to obtain confirmation of balances owing by the Trusts, and the Trustee of the Trusts has not provided financial statements of the trusts for the years ended 31 March 2007, 2008 and 2009. The Company has therefore made an impairment provision in respect of balances owing by the RM 2005-1 Trust, the CM 2005-2 Trust and the RML 2005-3 Trust, totalling $5,562,598. This represents the total balances owing in respect of those trusts, after allowing for an offset of $742,133 owing by the Company to the RML 2005-3 Trust, as noted below.

The balances owing by the LS 2005-4 Trust to the Company are $829,038. No impairment provision has been made in respect of balances owing by the LS 2005-4 Trust, as that Trust is considered to be performing and no indication has been given that the balances would not be paid. As for the other Trusts, it is however noted that the Company has been unable to obtain confirmation from the Trustee for the LS 2005-4 Trust of balances owing to the Company.

Trust Debtor balances are measured at amortised cost less impairment and are non-interest bearing.

Apart from interest received on debt notes, no income has been recognised in respect of the trusts during the year ended 31 March 2009. In the year ended 31 March 2008 the following amounts were included in the Company's Income Statement relating to income from the trusts prior to PFSL being placed in receivership:

Trust Manager and Servicer Fees	$ 979,032
Excess Servicer Fees	$1,920,980

The amounts set out in this note have no contractual payment date however as a minimum they must be paid when the relevant trust no longer has any loans, and in essence no longer trades.

The following amounts have been included in the Group's Income Statement for the year ended 31 March 2008 and relate to income in PFSL from the trusts for the whole period.

Interest on Debt Notes held within Trusts	$6,495,933

At 31 March 2009 an amount of $204,680 was payable by PFSL to the Propertyfinance Securities LS 2005-4 Trust in respect of proceeds from loans repayments prior to receivership of loans belonging to the Trust.

At 31 March 2009 an amount of $742,133 was payable by PFSL to the Propertyfinance Securities RML 2005-3 Trust in respect of proceeds from loans sales which were subsequently cancelled. This amount has been offset against impaired balances owing to PFSL by the RML 2005-3 Trust.

The following tables show an aging analysis of trust debtors. These amounts are shown gross before impairment.

As at 31 March 2009	Group				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
Trust manager and servicer fee	-	-	-	327	327
Excess servicer fee	-	-	-	4,297	4,297
Trust establishment costs	-	-	-	3,400	3,400
RMB Expense reserve	-	-	-	1,050	1,050
Other	-	-	-	479	479
Total	**-**	**-**	**-**	**9,553**	**9,553**

As at 31 March 2009	Parent				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
Trust manager and servicer fee	-	-	-	327	327
Excess servicer fee	-	-	-	4,297	4,297
Trust establishment costs	-	-	-	3,400	3,400
RMB Expense reserve	-	-	-	1,050	1,050
Other	-	-	-	479	479
Total	**-**	**-**	**-**	**9,553**	**9,553**

As at 31 March 2008	Group				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
Trust manager and servicer fee	-	-	-	327	327
Excess servicer fee	-	-	-	4,297	4,297
Trust establishment costs	-	-	-	3,400	3,400
RMB Expense reserve	-	-	-	1,050	1,050
Other	-	-	-	479	479
Total	**-**	**-**	**-**	**9,553**	**9,553**

As at 31 March 2008	Parent				
	0-30 days $'000	30-60 days $'000	60-90 days $'000	90+ days $'000	Total $'000
Trust manager and servicer fee	-	-	-	327	327
Excess servicer fee	-	-	-	4,297	4,297
Trust establishment costs	-	-	-	3,400	3,400
RMB Expense reserve	-	-	-	1,050	1,050
Other	-	-	-	479	479
Total	**-**	**-**	**-**	**9,553**	**9,553**

21. INTANGIBLE ASSETS

As at 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Computer software at 1 April, net of accumulated amortisation and impairment	124	151	124	151
Additions	-	11	-	11
Disposals	-	(5)	-	(5)
Amortisation	(24)	(33)	(24)	(33)
At 31 March, net of accumulated amortisation and impairment	**100**	**124**	**100**	**124**

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

22. PROPERTY, PLANT AND EQUIPMENT

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

	Group					
	2009			2008		
	$'000 Office Furniture & Equipment	$'000 Leasehold Improvements	$'000 Total	$'000 Office Furniture & Equipment	$'000 Leasehold Improvements	$'000 Total
Opening balance net of accumulated depreciation & impairment	85	179	264	267	195	462
Additions	-	-	-	235	25	260
Disposals	-	-	-	(374)	-	(374)
Depreciation expense	**(25)**	**(34)**	(59)	**(43)**	**(41)**	(84)
Balance at 31 March	**60**	**145**	**205**	**85**	**179**	**264**
As at 31 March						
Cost	158	257	415	158	257	415
Accumulated depreciation and impairment	**(98)**	**(112)**	(210)	**(73)**	**(78)**	(151)
Net carrying amount	**60**	**145**	**205**	**85**	**179**	**264**

	Parent					
	2009			2008		
	$'000 Office Furniture & Equipment	$'000 Leasehold Improvements	$'000 Total	$'000 Office Furniture & Equipment	$'000 Leasehold Improvements	$'000 Total
Opening balance net of accumulated depreciation & impairment	85	179	264	267	195	462
Additions	-	-	-	235	25	260
Disposals	-	-	-	(374)	-	(374)
Depreciation expense	**(25)**	**(34)**	(59)	**(43)**	**(41)**	(84)
Balance at 31 March	**60**	**145**	**205**	**85**	**179**	**264**
As at 31 March						
Cost	158	257	415	158	257	415
Accumulated depreciation and impairment	**(98)**	**(112)**	(210)	**(73)**	**(78)**	(151)
Net carrying amount	**60**	**145**	**205**	**85**	**179**	**264**

23. BANK OVERDRAFT

The Group currently has no overdraft facilities. During the year ended 31 March 2008 the annual rates of interest on the unsecured Bank Overdraft that existed at that time varied between 14.45% and 27.45% during the period.

24. SECURED LOAN

There are no secured loans. A secured loan previously held was repaid in full during the year ended 31 March 2008

25. TRADE AND OTHER PAYABLES

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables and accruals	287	120	283	120

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

26. CAPITAL NOTES

There are no capital notes. Capital notes previously owing were repaid in full in March 2008 (see note 13).

27. DEBENTURE STOCK

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
At amortised cost				
Debenture stock on issue	71,986	73,002	71,986	73,002
Accrued interest	12,339	5,513	12,339	5,513
	84,325	78,515	84,325	78,515

Accrued interest has been waived subsequent to balance date, refer below.

The debenture stock is secured under a Debenture Stock Trust Deed between PFSL and Covenant Trustee Group 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.

PFSL breached the Debenture Stock Trust Deed in August 2007 with the non-payment of matured debentures. The Directors requested that the Trustee appoint a receiver to protect all stakeholders.

In December 2007 PFSL's debenture stock holders passed a Special Resolution, whereby all PFSL debenture stock was converted to a new three-year term. The debenture stock accrued interest at 9.33%p.a. (plus 0.67% to the extent possible from profits) payable on maturity at 21 December 2010. The principal sum was payable as to $15 million before 21 December 2009, $15 million before 21 December 2009 and the balance of $49.8 million on 21 December 2010.

In February 2008 PFSL was released from receivership.

As at 31 March 2009 PFSL had repaid $8.0 million, and was in breach of its repayment obligations under the moratorium of 21 December 2007. The breach of repayment obligations was subsequently waived at the Special Meeting of debenture stock holders on 29 June 2009.

On 29 June 2009, subsequent to balance date, PFSL organised a Special Meeting of debenture stock holders, at which a resolution was passed providing for a further moratorium on the following terms:

- Interest rate to be set at Official Cash Rate + 2%p.a. commencing 1 April 2009, and reset quarterly
- Accrued Interest to 31 March ($12.339 million) was waived
- Debenture stock principal and accrued interest to be repaid from at least 50% of available cashflow , on a quarterly basis
- At the time all debenture principal and accrued interest has been repaid, debenture stock holders become entitled to an additional interest payment equal to 60% of the net assets of PFSL at that point
- The removal of a required equity ratio and other covenants
- Governance of the moratorium includes a Monitor and a Financing Advisor, who both report to the Trustee.

PFSL has complied with all requirements of the moratorium at the date of signing the Financial Statements.

28. COMMITMENTS

Undrawn Loan Advances

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Undrawn approved loan advances [1]	-	-	-	-
Undrawn portion of loan advances [2]	764	2,126	764	2,126

[1] Approved customer loan facilities at balance date not drawn down.

[2] Reverse equity loans available to be drawn by customers.

There were no other capital commitments at 31 March 2009 (2008: Nil)

29. CONTINGENT LIABILITIES

There are no contingent liabilities at 31 March 2009 (2008: Nil).

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

30. SHARE CAPITAL

As at 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Share capital[1]				
Opening on issue	15,571	12,373	15,571	12,373
Issue of Shares	-	3,198	-	3,198
	15,571	**15,571**	**15,571**	**15,571**

(1) Shares have no par value.

	000s of Shares	$'000
At 1 April 2007	12,373	12,373
Share issue	3,198	3,198
At 1 April 2008	15,571	15,571
At 31 March 2009	15,571	15,571

Capital Management Policy

The capital structure of the Group is determined by the Board. In determining the optimal capital structure for the Group the Board takes into account risks to the Group from both internal and external viewpoints.

The Company's capital includes both its paid up capital and, if applicable, the issue of subordinated debt by PFSL which is deemed to be capital for the purposes of PFSL's Debenture Trust Deed.

Internal capital considerations encompass (but not limited to) such matters as the growth of the Group; the Group's current and future dividend policies; the optimisation of returns to shareholders and movements in the cost of capital available to the Group.

External considerations will encompass (but not limited to) such matters as the economic conditions that the Group operates in and the implication thereon for its customers.

The Group is not subject to any externally imposed capital requirements apart from the requirement for its subsidiary PFSL to maintain a minimal capital ratio of 5% of its total tangible assets. PFSL had complied with this ratio during the period but the impairments identified in the preparation of these financial statements caused a breach of the minimum capital ratio at balance date.

	Charging Group 2009 $'000	Charging Group 2008 $'000
Share Capital	15,571	15,571
Capital Notes	-	-
Available for sale reserves	-	-
Retained Deficit	(29,692)	(6,784)
Total Shareholders funds	**(14,121)**	**8,787**
Total Tangible assets	**70,596**	**89,276**
Ratio of Shareholders funds to TTA - Actual	-20%	10%
Ratio of Shareholders funds to TTA - Minimum required	5%	5%

Subsequent to balance date, and prior to completing the financial statements the breach was rectified as stockholders voted at a Special Meeting on 29 June 2009 to remove the minimum capital requirement.

31. AVAILABLE FOR SALE RESERVES

The available for sale reserve arises on the revaluation of available for sale financial assets. Where a re-valued financial asset is sold, that portion of the reserve, which relates to that financial asset, and is effectively realised, is recognised in the income statement. Where a re-valued asset is impaired that portion of the reserve which relates to that financial asset is recognised in profit or loss.

32. 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 at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet.

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

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Profit/(loss) after income tax	(23,821)	(5,708)	(23,138)	(6,318)
Non cash or non operating cash flow items:				
Depreciation	59	84	59	84
Amortisation of software	24	33	24	33
Loss on disposal of fixed assets	-	311	-	311
Gain on sale of investments	-	(24)	-	(24)
Impairment of development property	1,208	404	174	404
Impairment of loans receivable	5,444	1,258	5,443	1,258
Impairment of debt notes	8,973	1,146	8,973	1,146
Impairment of trust debtors (net of offset of trust creditor)	4,820	-	4,820	-
Adjustments to debentures through income statement	698	-	698	-
Brokerage expense amortized	726	-	726	-
Adjusments to debt notes through income statement	(186)	-	(186)	-
Loan fees amortised	(2)	-	(2)	-
GST payment relating to a loan written down	(105)	-	(105)	-
Other non-cash	(23)	-	(23)	-
Changes in assets and liabilities:				
(Increase)/decrease in sundry debtors and advances	(28)	370	25	370
(Increase)/decrease in interest accrued on trust deposits	(66)		-	
(Increase)/decrease in trust debtors	-	(2,352)	-	(2,352)
(Increase)/decrease in Taxation prepaid	168	(63)	169	(63)
(Increase)/decrease in interest accrued on debt notes	(82)		(82)	
(Increase)/decrease in compound interest on debentures	-	315	-	315
(Increase)/decrease in loans receivable interest accrued	-	(2,133)	-	(2,133)
(Increase)/decrease in GST receivable	(298)	244	(149)	244
Increase/(decrease) in interest payable accrued	6,827	5,512	6,827	5,512
Increase/(decrease) in trade and other payables	168	(950)	166	(950)
Increase/(decrease) in trust payables	-	634	-	634
Net cash inflow (outflow) from operating activities	**4,504**	**(919)**	**4,419**	**(1,529)**

33. FINANCIAL INSTRUMENTS AND RISK

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, credit risk and liquidity risk. The Group transacts interest rate derivative financial instruments and endeavours to match assets and liability maturity to manage these exposures.

A) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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.

It is expected that balances other than those past due and/or impaired will be received when due.

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

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash	350	409	309	409
Cash held in related Trusts and accrued interest thereon	5,428	5,050	-	-
Loans receivable – Residential	525	559	525	559
Loans receivable – Commercial	10,752	18,509	10,752	18,509
Mortgage Backed Securities - Residential	27,871	19,543	27,871	19,543
Mortgage Backed Securities - Commercial	16,910	34,130	16,910	34,130
Trust Debtors	3,990	9,553	3,990	9,553
Rated Mortgage Bonds	20	20	20	20
Related party receivables	428	257	4,589	257
Other receivables	427	102	226	102
	66,701	**88,132**	**65,192**	**83,082**

Concentration of credit risk – The table below outlines the % concentration by geographical area of Loans Receivable. It is based on the location of the securities held.

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Auckland/Northland	50%	72%	50%	72%
Waikato/Bay of Plenty	13%	7%	13%	7%
Taranaki/Manawatu	2%	1%	2%	1%
Wellington/Hawkes Bay	34%	18%	34%	18%
Nelson/Marlborough	0%	1%	0%	1%
Canterbury/Westland	1%	0%	1%	0%
Otago/Southland	0%	1%	0%	1%
	100%	**100%**	**100%**	**100%**

Concentration of exposure to individual counterparties.

	Group		Parent	
% of shareholders' funds	2009	2008	2009	2008
10.0-19.9	n/m	4	n/m	4
20.0-29.9	n/m	-	n/m	-
30-39.9	n/m	1	n/m	1
40-49.9	n/m	2	n/m	2
50-59.9	n/m	-	n/m	-
60-69.9	n/m	-	n/m	-

Due to shareholders funds being in deficit as at 31 March 2009, information on the concentration of exposure to individual counterparties is not meaningful at that date.

B) Concentration of Funding

The majority of Group funding is from within New Zealand.

Customer Industry Concentration of Funding

A breakdown of funding by industry concentration follows.

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Retail investors	84,325	78,515	84,325	78,515
Financial Institutions	-	-	-	-
	84,325	**78,515**	**84,325**	**78,515**

Geographical Concentration of Funding

Geographic concentration is based on the location of the investor.

As at 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Auckland/Northland	52,986	49,335	52,986	49,335
Waikato/Bay of pPenty	1,895	1,764	1,895	1,764
Taranaki/Manawatu	4,169	3,882	4,169	3,882
Wellington/Hawkes Bay	1,537	1,431	1,537	1,431
Neslon/ Marlborough	1,775	1,653	1,775	1,653
Canterbury/Westland	13,087	12,185	13,087	12,185
Otago/Southland	7,318	6,814	7,318	6,814
Offshore	1,558	1,451	1,558	1,451
	84,325	**78,515**	**84,325**	**78,515**

Product Concentration of Funding

As at 31 March 2009	Group 2009 $'000	Group 2008 $'000	Parent 2009 $'000	Parent 2008 $'000
Debentures	84,325	78,515	84,325	78,515
	84,325	**78,515**	**84,325**	**78,515**

C) 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 mortgage backed securities has been assessed as approximating the carrying value in the financial statements. In arriving at a fair value for the mortgage backed securities the Group has taken account of the following:

- Fair value would normally be the market price of the instrument. However the mortgage backed securities held by the Group have not been traded and so no market data is available.
- In the absence of market prices for the instruments, observable market data would be used to assist in establishing a fair value. However the Group has been unable to identify any similar instruments with comparable characteristics that have observable market data to enable a fair market value to be assessed in this manner.
- In the absence of observable market data for other similar instruments, the Group has concluded that value in use, being amortised cost using the effective interest method less impairment, best approximates fair value for the mortgage backed securities.
- The Group intends to hold the mortgage backed securities to maturity. This is possible as, subsequent to balance date, the Group’s main source of funding was restructured to provide for repayment of debentures only as cashflow permits. This will enable mortgage backed securities to be held until either they mature or they are sold at the discretion of the Group. In arriving at value in use it is assumed that the mortgage backed securities are held to maturity and interest received through to maturity.

The Group considers that the carrying amount of rated mortgage bonds recorded in the financial statements approximates their fair value.

- No recent trading has occurred in the rated mortgaged bonds. (The most recent trade of the Rated Mortgage Bonds on NZDX was at $1.00 in July 2008.)
- No observable market data is available for other similar instruments that would provide information to enable a fair value to be assessed.

- It is the intention of the Trust Manager to retain the rated mortgage bond funding until maturity, as provided for in the Trust Deed.
- Fair value for the rated mortgage bonds has therefore been assessed as being amortized cost using the effective interest method less impairment.

D) 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.

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

Interest rate risk profile of Group financial assets and liabilities as at 31 March 2009

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

	Group									
	Weighted Average effective Interest Rate	Variable Interest Rate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5years	5+ years	Non-interest bearing	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:										
Cash and cash equivalent	3.15%	350	-	-	-	-	-	-	-	350
Term Deposits & cash in Trusts	5.40%	5,428	-							5,428
Related party receivables	-	-	-	-	-	-	-	-	237	237
Sundry debtors & advances	-	-	-	-	-	-	-	-	427	427
Loans receivable	10.00%	483	10,794	-	-	-	-	-	-	11,277
Mortgage Backed Securities	8.22%	44,781	-	-	-	-	-	-	-	44,781
Rated mortgage bonds	4.48%	20	-	-	-	-	-	-	-	20
Trust Debtors	-	-	-	-	-	-	-	-	3,990	3,990
		51,062	**10,794**	**-**	**-**	**-**	**-**	**-**	**4,654**	**66,510**
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	-	-	287	287
Debenture Stock	7.96%	-	71,986	-	-	-	-	-	12,339	84,325
Trust Creditors		-	-	-	-	-	-	-	205	205
		-	**71,986**	**-**	**-**	**-**	**-**	**-**	**12,831**	**84,817**

Interest rate risk profile of Group financial assets and liabilities as at 31 March 2008

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

	Group									
	Weighted Average effective Interest Rate	Variable Interest Rate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5years	5+ years	Non-interest bearing	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:										
Cash and cash equivalent	8.30%	-	409	-	-	-	-	-	-	409
Term deposits & cash in Trusts	8.85%	5,050	-	-	-	-	-	-	-	5,050
Related party receivables		-	-	-	-	-	-	-	257	257
Sundry debtors & advances	-	-	-	-	-	-	-	-	102	102
Loans Receivable	9.65%	399	9,445	9,224	-	-	-	-	-	19,068
Mortgage backed securities	12.46%	53,673	-	-	-	-	-	-	-	53,673
Rated mortgage bonds	10.34%	20	-	-	-	-	-	-	-	20
Trust debtors		-	-	-	-	-	-	-	9,553	9,553
		59,142	**9,854**	**9,224**	**-**	**-**	**-**	**-**	**9,912**	**88,132**
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	-	-	120	120
Related party payable	-	-	-	-	-	-	-	-	118	118
Debenture stock	9.33%	-	9,437	15,034	54,044	-	-	-	-	78,515
Trust creditors		-	-	-	-	-	-	-	947	947
		-	**9,437**	**15,034**	**54,044**	**-**	**-**	**-**	**1,185**	**79,700**

Interest rate risk profile of Parent financial assets and liabilities as at 31 March 2009

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

	Parent									
	Weighted Average effective Interest Rate	Variable Interest Rate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5years	5+ years	Non-interest bearing	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:										
Cash and cash equivalent	3.15%	309	-	-	-	-	-	-	-	309
Related party receivables	-	-	-	-	-	-	-	-	4,399	4,399
Sundry debtors & advances	-	-	-	-	-	-	-	-	226	226
Loans receivable	10.00%	483	10,794	-	-	-	-	-	-	11,277
Mortgage Backed Securities	8.22%	44,781	-	-	-	-	-	-	-	44,781
Rated mortgage bonds	4.48%								20	20
Trust Debtors	-	-	-	-	-	-	-	-	3,990	3,990
		45,573	**10,794**	**-**	**-**	**-**	**-**	**-**	**8,635**	**65,002**
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	-	-	283	283
Debenture Stock	7.96%	-	71,986	-	-	-	-	-	12,339	84,325
Trust creditors		-	-	-	-	-	-	-	205	205
		-	**71,986**	**-**	**-**	**-**	**-**	**-**	**12,827**	**84,813**

Interest rate risk profile of Parent financial assets and liabilities as at 31 March 2008

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

	Parent									
	Weighted Average effective Interest Rate	Variable Interest Rate	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5years	5+ years	Non-interest bearing	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:										
Cash and cash equivalent	8.30%	-	409	-	-	-	-	-	-	409
Related party receivables		-	-	-	-	-	-	-	257	257
Sundry debtors & advances		-	-	-	-	-	-	-	102	102
Loans Receivable	9.65%	399	9,445	9,224	-	-	-	-	-	19,068
Mortgage backed securities	12.46%	53,673	-	-	-	-	-	-	-	53,673
Rated mortgage bonds	10.34%	20	-	-	-	-	-	-	-	20
Trust debtors		-	-	-	-	-	-	-	9,553	9,553
		54,092	**9,854**	**9,224**	**-**	**-**	**-**	**-**	**9,912**	**83,082**
Financial Liabilities:										
Trade and other payables	-	-	-	-	-	-	-	-	120	120
Related party payable	-	-	-	-	-	-	-	-	118	118
Debenture stock	9.33%	-	9,437	15,034	54,044	-	-	-	-	78,515
Trust creditors		-	-	-	-	-	-	-	947	947
		-	**9,437**	**15,034**	**54,044**	**-**	**-**	**-**	**1,185**	**79,700**

The tables below analyse the Group's financial assets and liabilities at the Balance Sheet date into current and non-current maturity groupings based upon management's expectations.

Current/Non Current Profile of Financial Assets and Liabilities- 31 March 2009

		Group			Parent		
		Less than 1 year	More than 1 year	**Total**	Less than 1 year	More than 1 year	**Total**
		$000's	$000's	$000's	$000's	$000's	$000's
Financial Assets:							
Cash and cash equivalent		350	-	350	309	-	309
Cash held in related trusts		-	5,428	5,428	-	-	-
Related party receivables			237	237	4,162	237	4,399
Sundry debtors & advances		352	75	427	151	75	226
Loans receivable		6,320	4,957	11,277	6,320	4,957	11,277
Mortgage Backed Securities		394	44,387	44,781	394	44,387	44,781
Rated Mortgage Bonds		-	20	20	-	20	20
Trust Debtors		-	3,990	3,990	-	3,990	3,990
		7,416	**59,094**	**66,510**	**11,336**	**53,666**	**65,002**
Financial Liabilities:							
Trade and other payables	-	287	-	287	283	-	283
Debenture stock		84,325	-	84,325	84,325	-	84,325
Trust creditors		-	205	205	-	205	205
		84,612	**205**	**84,817**	**84,608**	**205**	**84,813**

Current/Non current profile of Financial Assets and Liabilities- 31 March 2008

	Group			Parent		
	Less than 1 year	More than 1 year	**Total**	Less than 1 year	More than 1 year	**Total**
	$000's	$000's	$000's	$000's	$000's	$000's
Financial Assets:						
Cash and cash equivalent	409	-	409	409	-	409
Cash held in related trusts	-	5,050	5,050	-	-	-
Related party receivables	-	257	257	-	257	257
Sundry debtors & advances	27	75	102	27	75	102
Loans receivable	9,758	9,310	19,068	9,758	9,310	19,068
Mortgage Backed Securities	-	53,673	53,673	-	53,673	53,673
Rated mortgage bonds	-	20	20	-	20	20
Trust Debtors	-	9,553	9,553	-	9,553	9,553
	10,194	**77,938**	**88,132**	**10,194**	**72,888**	**83,082**
Financial Liabilities:						
Trade and other payables	120	-	120	120	-	120
Amounts due to group entities	118	-	118	118	-	118
Debenture stock	17,900	60,615	78,515	17,900	60,615	78,515
Trust creditors	-	947	947	-	947	947
	18,138	**61,562**	**79,700**	**18,138**	**61,562**	**79,700**

E) Interest Rate Sensitivity

The Group is exposed to interest rate risks; primarily the spread between its interest income on its investments and the interest payable to its investors.

The Group specifically manages this risk by maintaining a positive margin between these two rates and maintaining a common synchronised floating benchmark being the New Zealand bank bill wholesale rate for the re-pricing of both its assets and its liabilities.

The following table demonstrates the sensitivity to a reasonable possible increase in interest rates, with all other variables held constant, on the Group's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the interest income and expense for one year, based on the floating rate of financial assets and financial liabilities held at 31 March 2009.

Interest Income

	Group			
As at 31 March 2009		Impact on		Impact on
Increase in sensitivity basis points of interest	Increase in basis points	profit $'000	Decrease in basis points	profit $'000
Loans Receivable	+50	56	-50	(56)
Debt Notes	+50	224	-50	(224)
Bank	+50	2	-50	(2)
Cash held in trusts	+50	27	-50	(27)
Total	**+50**	**309**	**-50**	**(309)**

As at 31 March 2009	Parent			
Increase in sensitivity basis points of interest	Increase in basis points	Impact on profit $'000	Decrease in basis points	Impact on profit $'000
Loans Receivable	+50	56	-50	(56)
Debt Notes	+50	224	-50	(224)
Bank	+50	2	-50	(2)
Total	**+50**	**282**	**-50**	**(282)**

Interest Expense

As at 31 March 2009	Group			
Increase in sensitivity basis points of interest	Increase in basis points	Impact on profit $'000	Decrease in basis points	Impact on profit $'000
Debenture Stock	+50	360	-50	(360)
Total	**+50**	**360**	**-50**	**(360)**
Net Increase/(Decrease to profit) - Group	**+50**	**(51)**	**-50**	**51**

As at 31 March 2009	Parent			
Increase in sensitivity basis points of interest	Increase in basis points	Impact on profit $'000	Decrease in basis points	Impact on profit $'000
Debenture Stock	+50	360	-50	(360)
Total	**+50**	**360**	**-50**	**(360)**
Net Increase/(Decrease to profit) - Parent	**+50**	**(78)**	**-50**	**78**

Interest Income

As at 31 March 2008	Group			
Increase in sensitivity basis points of interest	Increase in basis points	Impact on profit $'000	Decrease in basis points	Impact on profit $'000
Loans Receivable	+50	146	-50	(107)
Debt Notes	+50	240	-50	(240)
Bank	+50	7	-50	(7)
Cash held in trusts	+50	25	-50	(25)
Total	**+50**	**418**	**-50**	**(379)**

As at 31 March 2008	Parent			
Increase in sensitivity basis points of interest	Increase in basis points	Impact on profit $'000	Decrease in basis points	Impact on profit $'000
Loans Receivable	+50	95	-50	(95)
Debt Notes	+50	268	-50	(268)
Bank	+50	2	-50	(2)
Total	**+50**	**365**	**-50**	**(365)**

Interest Expense

As at 31 March 2008	Group			
Increase in sensitivity basis points of interest	Increase in basis points	Impact on profit $'000	Decrease in basis points	Impact on profit $'000
Debenture Stock	+50	417	-50	(391)
Total	**+50**	**417**	**-50**	**(391)**
Net Increase/(Decrease to profit) - Group	**+50**	**1**	**-50**	**12**

As at 31 March 2008	Parent			
Increase in sensitivity basis points of interest	Increase in basis points	Impact on profit $'000	Decrease in basis points	Impact on profit $'000
Debenture Stock	+50	365	-50	(365)
Bank Overdraft	+50	1	-50	(1)
Total	**+50**	**366**	**-50**	**(366)**
Net Increase/(Decrease to profit) - Parent	**+50**	**-1**	**-50**	**1**

F) 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. Under the moratorium passed subsequent to balance date liquidity risk is significantly reduced as the requirement to repay debentures is based on available cashflow over each quarterly period. 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 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. They represent undiscounted contractual cash flows.

Maturity Profile of Financial Assets and Liabilities – Group – 31 March 2009

	Group								
	Weighted Average effective Interest Rate	On demand	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:									
Cash and cash equivalent	3.15	350	-	-	-	-	-	-	350
Cash held in related trusts	5.40	-	-	-	-	-	-	5,428	5,428
Related party receivables		-	-	-	-	-	-	237	237
Sundry debtors & advances		-	352	-	-	-	-	75	427
Loans receivable	10.00	-	6,609	289	289	295	311	11,672	19,465
Mortgage Backed Securities	8.22	-	4,043	3,649	3,649	3,649	3,649	51,684	70,323
Rated Mortgage Bonds	4.48	-	1	1	1	1	1	22	27
Trust Debtors		-	-	-	-	-	-	3,990	3,990
		350	**11,005**	**3,939**	**3,939**	**3,945**	**3,961**	**73,108**	**100,247**
Financial Liabilities:									
Trade and other payables		-	287	-	-	-	-	-	287
Debenture Stock	9.33	84,325	-	-		-	-	-	84,325
Trust Creditors		-	-	-	-	-	-	205	205
		84,325	**287**	**-**	**-**	**-**	**-**	**205**	**84,817**

Maturity Profile of Financial Assets and Liabilities – Group – 31 March 2008

	Group								
	Weighted Average effective Interest Rate	On demand	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:									
Cash and cash equivalent	8.30	409	-	-	-	-	-	-	409
Cash held in related trusts	8.85	-	-	-	-	-	-	5,050	5,050
Related party receivables		-	257	-	-	-	-	-	257
Sundry debtors & advances		-	-	-	-	-	-	102	102
Loans receivable	9.67	-	14,514	510	511	511	511	17,281	33,838
Mortgage Backed Securities	12.46	-	8,639	6,410	6,410	6,410	6,410	64,264	98,543
Rated Mortgage Bonds	10.34	-	2	2	2	2	2	24	34
Trust Debtors	-	-	-	-	-	-	-	9,553	9,553
		409	**23,412**	**6,922**	**6,923**	**6,923**	**6,923**	**96,274**	**147,786**
Financial Liabilities:									
Trade and other payables		-	120	-	-	-	-	-	120
Related party payable		-	118	-	-	-	-	-	118
Debenture Stock	9.33	-	17,900	24,693	35,922	-	-	-	78,515
Trust Creditors		-	-	-	947	-	-	-	947
		-	**18,138**	**24,693**	**36,869**	**-**	**-**	**-**	**79,700**

Maturity Profile of Financial Assets and Liabilities – Parent – 31 March 2009

	Parent								
	Weighted Average effective Interest Rate	On demand	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:									
Cash and cash equivalent	3.15	309	-	-	-	-	-	-	309
Cash held in related trusts		-	-	-	-	-	-	-	-
Related party receivables		-	4,162	-	-	-	-	237	4,399
Sundry debtors & advances		-	151	-	-	-	-	75	226
Loans receivable	10.00	-	6,609	289	289	295	311	11,672	19,465
Mortgage Backed Securities	8.22	-	4,043	3,649	3,649	3,649	3,649	51,684	70,323
Rated Mortgage Bonds	4.48	-	1	1	1	1	1	22	27
Trust Debtors		-	-	-	-	-	-	3,990	3,990
		309	**14,966**	**3,939**	**3,939**	**3,945**	**3,961**	**67,680**	**98,739**
Financial Liabilities:									
Trade and other payables		-	283	-	-	-	-	-	283
Debenture Stock	7.96	84,325	-	-		-	-	-	84,325
Trust Creditors		-	-	-	-	-	-	205	205
		84,325	**283**	**-**	**-**	**-**	**-**	**205**	**84,813**

Maturity Profile of Financial Assets and Liabilities – Parent – 31 March 2008

	Parent								
	Weighted Average effective Interest Rate	On demand	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years	
	%	$000's	$000's	$000's	$000's	$000's	$000's	$000's	**Total**
Financial Assets:									
Cash and cash equivalent	8.30	409	-	-	-	-	-	-	409
Related party receivables		-	257	-	-	-	-	-	257
Sundry debtors & advances		-	-	-	-	-	-	102	102
Loans receivable	9.67	-	14,514	510	511	511	511	17,281	33,838
Mortgage Backed Securities	12.46	-	8,639	6,410	6,410	6,410	6,410	64,264	98,543
Rated Mortgage Bonds	10.34	-	2	2	2	2	2	24	34
Trust Debtors	-	-	-	-	-	-	-	9,553	9,553
		409	**23,412**	**6,922**	**6,923**	**6,923**	**6,923**	**91,224**	**142,736**
Financial Liabilities:									
Trade and other payables		-	120	-	-	-	-	-	120
Related party payable		-	118	-	-	-	-	-	118
Debenture Stock	9.33	-	17,900	24,693	35,922	-	-	-	78,515
Trust Creditors		-	-	-	947	-	-	-	947
		-	**18,138**	**24,693**	**36,869**	**-**	**-**	**-**	**79,700**

G) Priority of Financial Liabilities

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

	Group		Parent	
As at 31 March 2009	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Debenture stock	84,325	78,515	84,325	78,515
Trade and other payables[1]	287	120	283	120
Trust Creditors	205	947	205	947
Amount due to related parties	-	118	-	118
	84,817	**79,700**	**84,813**	**79,700**

[1] Trade and other payables and amounts due to related party entities rank as equal priority.

H) Credit Quality Per Class of Financial Assets

The credit quality of loans receivable is managed by placing loans into three categories. The table below reflects the quality of loans at balance date.

	Group			
	Performing	Past Due	Individually Impaired	Total
Loans receivable - 31 March 2009	5,054	-	6,223	11,277
Loans receivable - 31 March 2008	5,102	10,481	3,485	19,068

	Parent			
	Performing	Past Due	Individually Impaired	Total
Loans receivable - 31 March 2009	5,054	-	6,223	11,277
Loans receivable - 31 March 2008	5,102	10,481	3,485	19,068

The credit quality of Mortgage backed securities is managed by categorising the instruments into rated and non rated notes. The rated notes consist of class 'C' and class 'D' notes. The table below reflects position at balance date.

	Group		
	Rated	Unrated	Total
Mortgaged backed securities - 31 March 2009	-	44,781	44,781
Mortgaged backed securities - 31 March 2008	-	53,673	53,673

	Parent		
	Rated	Unrated	Total
Mortgaged backed securities - 31 March 2009	-	44,781	44,781
Mortgaged backed securities - 31 March 2008	-	53,673	53,673

The credit quality of debtors is managed by placing the debtors into two categories. The table below reflects the quality of debtors at balance date.

	Group		
	Performing	Non Performing	Total
Related Party receivable - 31 March 2009	428	-	428
Other receivable - 31 March 2009	427	-	427
Trust debtors - 31 March 2009	3,990	-	3,990
Related Party receivable - 31 March 2008	257	-	257
Other receivable - 31 March 2008	102	-	102
Trust debtors - 31 March 2008	9,553	-	9,553

	Parent		
	Performing	Non Performing	Total
Related Party receivable - 31 March 2009	4,589	-	4,589
Other receivable - 31 March 2009	226	-	226
Trust debtors - 31 March 2009	3,990	-	3,990
Related Party receivable - 31 March 2008	257	-	257
Other receivable - 31 March 2008	102	-	102
Trust debtors - 31 March 2008	9,553	-	9,553

34. SUBSEQUENT EVENTS

A) Going Concern

Propertyfinance securities limited (PFSL) was placed in receivership on 29 August 2007. The Directors restructured PFSL's debenture stock repayment terms by way of an Extraordinary Resolution that allowed PFSL to be removed from receivership on 18 February 2008 (refer Note 27).

A further moratorium has been agreed by debenture stock holders at a Special Meeting on 29 June 2009 (refer note 27).

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

The Directors consider some of the Group's assets (such as debt notes held in the securitisation trusts) will be held long-term to be funded by capital and/or debt and for the Group to have positive shareholder equity and again trade profitably.

If the Group is not successful in achieving its proposed programme as set out, and is therefore not a going concern then asset values assigned would be based on recoverable amounts and would be materially different from those under the going concern assumption.

B) Market Events

Clearly the past 24 months has seen a material change in both domestic and international credit markets. These events have been widely documented and reported upon in the media. Amongst others there have a number of finance company collapses; the freezing of funds and rating downgrades on securities. It is not known if these market disruptions have passed or if further changes and/or disruptions will occur; and how these events will impact on the liquidity and recoverability of assets.

C) Trust Debtors

The Group has paid, on behalf of the securitisation trusts, various establishment costs and issuance costs. It is also owed by the trusts various amounts including excess servicer fees, debt note interest and expense reserves. According to the accounting records of the Group, the total balance receivable from the trust is $6,785,542; comprising trust debtors of $6,391,634 and accrued interest from the last coupon date to balance date totalling $393,908, which has been included with Debt Notes. The Group no longer manages the securitisation trusts and is working with the Trustee to first obtain access to financial records and secondly to agree on the amount and establish a payment plan. To date the Group has not been successful in either of these two points. If the Group's negotiations with the Trustee are unsuccessful then some or all of the Group's trust debtor assets may not be recoverable. Accordingly an impairment of $4.82 million has been provided against trust debtors at balance date (2008: nil), including an offset of trust creditors owed by the Company to the RML 2005-3 Trust.

D) Value of Mortgage Back Securities

The Directors have assessed the value of the debt notes and have made an impairment based on the stated amounts of the debt notes as advised by the trustee of the securitisation trusts.

In making this assessment the Directors have been conscious of the long term nature of the mortgage loans within each trust that provide the backing to the debt notes; whilst the debt notes held by the Group may be charged off against due to cash flow shortfalls, in the short term it does not necessarily hold true that the charge-off will be a permanent impairment. The Directors consider there to be favourable trends within each trust that will support these carrying values including but not limited to improvement in the net interest margins on the residential backed mortgages, a reduction in the servicing and management cost as the mortgage pools reduce in size, a lengthening of the expected average life due to market constraints on the availability of credit and the seasoning of the loan pools.

The Directors are unable to make knowledgeable judgements on the asset quality of the trusts as they are no longer involved on a day to day basis and have limited access to trust records. Information has been requested so that an assessment can be made however this information is yet to be received by the Group. The Directors do however anticipate losses in both the residential and commercial trusts due to fundamental changes in the New Zealand property market.

For this reason the losses incurred in the trusts to the date of this report have been recognised where such losses have resulted in charge-offs against the debt notes held by PFSL.

Should in the future any of the underlying loan assets of the respective trusts be significantly impaired then it will have further flow on consequences to the Group through either the ultimate recovery of the debt note investment together and/or the level of excess service fees and other charges the Group would expect to earn from the trusts.

From the date of establishment of the securitisation trusts, to the date of this report, the following charge-offs had been made by the Trustee of the securitization trusts:

- Propertyfinance RM 2005-1 Trust had charged-off $166,715, comprising a small portion of the Class D notes and a quarterly expense-based charge off of the Class E notes.
- Propertyfinance CM 2005-2 Trust had charged-off $2,109,287, comprising a significant portion of the Class G notes and a quarterly expense-based charge off of the Class E notes.
- Propertyfinance RML 2005-3 Trust had charged-off $7,905,908, comprising most of the Class F note and all of the Class G expense note.
- No charge-offs had been made against debt notes in the LS 2005-4 Trust.

The Company has considered an appropriate methodology for assessing the level of impairment of the debt notes.

- The impairment loss that would be recognised on the debt notes is the amount by which carrying amount exceeds recoverable amount.
- The asset's recoverable amount is the higher of fair value less costs to realise, or value in use.
- Given the current market and the fact that no debt notes of the type held by the Trust have been traded, it has been assumed that fair value less costs to realise will be lower than value in use.
- Given the absence of reliable loss and default information available from the Trustee of the securitisation trusts, the Company has been unable to undertake a detailed review of the underlying loans in the trusts, which the Company considers would be necessary to make a loan default-based assessment of value in use.
- The Company has therefore taken a pragmatic approach to assessing the impairment by impairing the debt notes to the extent of known charge-offs up to the date of this report.
- The total impairment provisioned against the debt notes is $8,973,474 for the year ended 31 March 2009 (2008: $1,146,000). This amount brings the total impairment provision against the debt notes to $10,181,920, which is the amount that has been charged off against debt notes, as advised by the Securitisation Trustee as at 14 September 2009.