



**BURNS PHILP FINANCE
NEW ZEALAND LIMITED**

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17 March 2009

Market Information Services
New Zealand Exchange Limited
Level 2, NZX Centre
11 Cable Street
WELLINGTON, NEW ZEALAND

Burns Philp Finance New Zealand Limited (“the Company”): 2008 Annual Report

In accordance with Listing Rule 10.5.1, I enclose for lodgment a copy of the Burns Philp Finance New Zealand Limited 2008 Annual Report dated 17 March 2009, incorporating the financial statements of the Company and the audit report for the year ended 31 December 2008.

As previously advised, the Company's balance date changed during 2007 from 30 June to 31 December. Therefore, the comparative information in the financial statements is for the six month period ended 31 December 2007.

The Annual Report is in final terms as prepared for printing and will be posted to holders of the Capital Notes by 31 March 2009.

Yours faithfully

A handwritten signature in black ink, appearing to be "Helen Golding", written over a faint circular stamp or watermark.

HELEN GOLDING
Company Secretary
Burns, Philp & Company Pty Limited

Encl

***Burns Philp Finance
New Zealand Limited***

2008 | Annual Report

Directory

DIRECTORS

Graeme R Hart (Chairman)
Thomas J Degnan
Allen P Hugli
Bryce M Murray

AUDIT COMMITTEE

Graeme R Hart
Thomas J Degnan

REGISTERED OFFICE

173 Captain Springs Road
Onehunga
Auckland 1061
New Zealand

CONTACT

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Burns Philp Finance New Zealand Limited
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Email: shareholder.enquiries@rankgroup.co.nz

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AUDITORS

KPMG
18 Viaduct Harbour Avenue
Auckland 1010
New Zealand

CAPITAL NOTES REGISTRAR

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Level 2
159 Hurstmere Road
Takapuna
North Shore City 0620
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Chairman's Report

The Directors of Burns Philp Finance New Zealand Limited ("Burns Philp Finance New Zealand") present the annual report on the results of Burns Philp Finance New Zealand for the year ended December 31, 2008.

Change in Financial Year

In 2007 Burns Philp Finance New Zealand changed its financial year end to December 31 resulting in the current financial period being for the twelve month period ended December 31, 2008 with comparatives being for the six month period ended December 31, 2007. This change is consistent with the change in financial period of its parent, Burns, Philp & Company Pty Limited ("Burns Philp").

Activities of Burns Philp Finance New Zealand

Burns Philp Finance New Zealand is a wholly-owned subsidiary of Burns Philp. It is a company incorporated for the sole purpose of issuing the Capital Notes (defined below). Burns Philp Finance New Zealand does not conduct any trading activities, but receives interest from a Burns Philp subsidiary in order to fund interest payable on the Capital Notes.

Burns Philp Finance New Zealand has reported a profit after tax of \$447,439 for the year ended December 31, 2008 (compared to \$334,741 for the six month period ended December 31, 2007). This is a result of interest revenue generated on intercompany loans during the period exceeding interest payments on the Capital Notes.

For the year ended December 31, 2008 Burns Philp and one of its wholly-owned subsidiaries, BPC Foods International Pty Limited, guaranteed the obligations of Burns Philp Finance New Zealand in relation to the Capital Notes on an unsecured and subordinated basis. Accordingly, the information in this annual report should be read in conjunction with the Burns Philp annual report for the year ended December 31, 2008.

Capital Notes

In 2003 Burns Philp Finance New Zealand issued \$212.5 million Capital Notes (the "Capital Notes"), comprising \$173.684 million 9.75% Five Year Capital Notes ("the 2008 Capital Notes") and \$38.816 million 9.95% Eight Year Capital Notes ("the 2011 Capital Notes"). Quotation and trading of the Capital Notes on the New Zealand Stock Exchange ("NZX") commenced on July 1, 2003.

In accordance with its obligations under the Amended and Restated Trust Deed dated April 30, 2003 Burns Philp Finance New Zealand compulsorily redeemed and cancelled all of the 2008 Capital Notes on their initial election date of December 15, 2008 in accordance with condition 4.1(b) of that Deed.

Payment of Interest

Interest on the 2011 Capital Notes is payable quarterly in arrears on February 15, May 15, August 15 and November 15. If the interest date is not a business day, payment will occur on the next business day after that date.



Graeme Hart

Chairman

March 17, 2009

Statutory Information

Burns Philp Finance New Zealand is a wholly-owned subsidiary of Burns Philp. Burns Philp Finance New Zealand's Capital Notes were listed on the NZX on July 1, 2003. Burns Philp Finance New Zealand does not have, and did not have during the year ended December 31, 2008, any subsidiaries.

Board of Directors

The Directors of Burns Philp Finance New Zealand as at December 31, 2008 and as at the date of this report, and their respective professional qualifications, experience and special responsibilities, are:

Name and qualifications	Experience and special responsibilities
Graeme Hart MBA	<p>Chairman. Appointed to the Board of Burns Philp Finance New Zealand on April 9, 2003. Member of the Audit Committee. A director of Burns Philp since September 1997 and Chairman since September, 2004. Mr Hart is the Managing Director and sole shareholder of Rank Group Limited which, together with its related companies, constitutes Rank Group. Mr Hart is also a Director of:</p> <ul style="list-style-type: none">• Carter Holt Harvey Limited, a forest and paper products company whose operations also include the Evergreen and Blue Ridge non-aseptic beverage packaging businesses;• SIG Holding AG, one of the world's leading manufacturers and suppliers of aseptic carton packaging solutions; and• Reynolds (NZ) Limited, a leading global designer, manufacturer and marketer of a wide range of packaging products including plastic and aluminium beverage and food closures, aluminium foil, plastic wraps and bags and flexible packaging products for a variety of end markets. <p>In addition, Mr Hart is a Director of a number of private investment companies.</p>
Thomas Degnan BA	<p>Director. Appointed to the Board of Burns Philp Finance New Zealand on December 9, 2002. Member of the Audit Committee. Mr Degnan was appointed Chief Executive Officer and Managing Director of Burns Philp in September 1997. Mr Degnan is a Director and officer of a number of companies within Rank Group. In addition, Mr Degnan is a Director of Jones Dairy Inc., a manufacturer and distributor of meat products.</p>
Allen Hugli BCom	<p>Director. Appointed to the Board of Burns Philp Finance New Zealand on December 9, 2002. Mr Hugli is Chief Financial Officer of Burns Philp and Rank Group. Mr Hugli is a Director and officer of a number of companies within Rank Group. Mr Hugli previously held positions in financial management and audit practices in Australia, Canada and New Zealand.</p>
Bryce Murray CA, BMS	<p>Director. Appointed to the Board of Burns Philp Finance New Zealand on March 15, 2004. Mr Murray was appointed a Director of Burns Philp in June 2003. Mr Murray is a Director and officer of a number of companies within Rank Group and was previously a partner with Deloitte Touche Tohmatsu.</p>

Statutory Information (continued)

Disclosure of Directors' Relevant Interests

As at December 31, 2008

	2011 Capital Notes	Burns Philp Ordinary Shares
G R Hart(a)	-	1,629,315,312
T J Degnan	-	-
A P Hugli	-	-
B M Murray	-	-

(a) Interests registered in the name of Nerva Investments Limited, a wholly owned subsidiary of Rank Group Limited which is wholly owned by Mr Hart.

Distribution of Subordinated 2011 Capital Noteholders and 2011 Capital Note Holdings

As at January 31, 2009

	Number of noteholders	Number of notes
Size of holding		
5,000 – 9,999	353	1,932,000
10,000 – 49,999	895	16,676,000
50,000 – 99,999	135	7,697,000
100,000 – 499,999	50	7,045,000
500,000 – 999,999	4	2,236,000
1,000,000 and over	2	3,230,000
Total	1,439	38,816,000
Geographical distribution		
New Zealand	1,415	37,998,000
Rest of world	24	818,000
Total	1,439	38,816,000

23 Largest Registered Holders of 2011 Capital Notes*

As at January 31, 2009

	Number	%
Graeme Laurence Beckett & Janine Dale Beckett & Alan Murray Paterson	1,991,000	5.13
Custodial Services Limited (A/c 3)	1,239,000	3.19
FNZ Custodians Limited	633,000	1.63
Custodial Services Limited (A/c 2)	603,000	1.55
Tea Custodians Limited - NZCSD (TEAC40)	500,000	1.29
Woolf Fisher Trust Inc	500,000	1.29
Investment Custodial Services Limited (A/c C)	433,000	1.12
Custodial Services Limited (A/c 4)	373,000	0.96
Hamilton Holdings Limited	250,000	0.64
Geoffrey Franklin Hawkins & Carole Anne Hawkins	225,000	0.58
Dunedin Diocesan Trust Board - Income Fund	215,000	0.55
Jack Philip Goldsmith & Mercia Leah Goldsmith (Daresbury A/c)	200,000	0.52
Mark Bradbury Horton & Gillian Horton	200,000	0.52
Gerard Kline	200,000	0.52
Somsmith Nominees Limited (A/c 20538)	200,000	0.52
Helen Nancy Spratt	200,000	0.52
Forsyth Barr Custodians Limited (A/c 1 M)	196,000	0.51
Ian Richard Seddon	170,000	0.44
Steven John Payne	160,000	0.41
Palmer Oliver Holdings Limited	150,000	0.39
Brian Peter Taylor	150,000	0.39
Anthony Edwin Vyle & Michael Gordon Vyle	150,000	0.39
Teck Ming Yong & Yuet Keng See & Hwei Yuin Yong	150,000	0.39
	9,088,000	23.45

*23 largest holders of the 2011 Capital Notes are included. Four registered holders each hold 2011 Capital Notes equivalent to the 20th largest holding.

Substantial Security Holders

As at January 31, 2009

Notice of the following substantial security holding (as defined by the Securities Markets Act 1988) had been received by Burns Philp Finance New Zealand:

	Number of ordinary shares	%
Burns, Philp & Company Pty Limited	100	100.00

At January 31, 2009 the total number of issued voting securities of Burns Philp Finance New Zealand was 100.

Interests Register

During the financial period the Burns Philp Finance New Zealand interests register was changed to show the disposal of securities held in Burns Philp Finance New Zealand by Mr Hugli due to the compulsory redemption and cancellation of the 2008 Capital Notes by Burns Philp Finance New Zealand.

Details of shareholdings held at the end of the financial period are set out under Disclosure of Directors' Relevant Interests on page 4.

Specific Disclosure of Interest in any Transaction

No notices have been received during the financial period.

NZX Waivers

The following waivers have been granted by the NZX and remained applicable as at December 31, 2008.

Minimum holding

The NZX has granted Burns Philp Finance New Zealand a waiver to allow the minimum holding of a tranche of Capital Notes to be Capital Notes with an aggregate principal amount of \$5,000.

Transfer restrictions

The NZX has granted Burns Philp Finance New Zealand a waiver from Listing Rule 11.1.1 in relation to the provisions in the Restated Trust Deed that require that Capital Notes be transferred in minimum principal amounts of \$1,000 per Tranche (or any lesser amount approved by Burns Philp Finance New Zealand).

Directors' Remuneration

No Director was paid or is entitled to receive any remuneration or any other benefits from Burns Philp Finance New Zealand for acting as a Director or in any other capacity with respect to the period to December 31, 2008.

Auditor's Remuneration

Burns Philp Finance New Zealand has agreed to pay KPMG \$44,000 in audit fees for the period to December 31, 2008. In addition to the statutory audit, in accordance with the Restated Trust Deed, KPMG as auditor is required to report on certain debt covenant compliance matters. Fees in relation to this are \$12,000. Other than these matters KPMG has not provided any other services to Burns Philp Finance New Zealand during the period and accordingly no other fees have been paid to KPMG by Burns Philp Finance New Zealand, or any other entity in the Burns Philp Group (being Burns Philp and its controlled entities), with respect to services provided to Burns Philp Finance New Zealand.

KPMG also provides audit and other services to the Burns Philp Group. Details of these services and payments for the period ended December 31, 2008 are set out in the Burns Philp 2008 Annual Report.

Principal Activities

Burns Philp Finance New Zealand does not conduct any trading activities, but receives interest from a Burns Philp subsidiary in order to fund interest payable on the Capital Notes. There have been no changes to its activities during, or subsequent to, the financial period.

Employees' Remuneration

Burns Philp Finance New Zealand does not have, and did not have during the period to December 31, 2008, any employees.

Donations

Burns Philp Finance New Zealand has not made any donations during the period to December 31, 2008.

Credit Rating

Neither Burns Philp Finance New Zealand nor the Capital Notes currently have a credit rating.

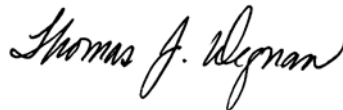
Enforcement Action by NZX

No enforcement action has been taken by the NZX during the period to December 31, 2008 under Listing Rule 5.4.2.

This annual report is dated March 17, 2009 and is signed on behalf of the Board of Burns Philp Finance New Zealand by:



Graeme Hart
Chairman



Thomas Degnan
Director

Corporate Governance Statement

This statement outlines Burns Philp Finance New Zealand's key corporate governance practices for the whole of the financial period.

Board Responsibilities

The Board is responsible for the overall corporate governance of Burns Philp Finance New Zealand.

Composition of the Board

The names of the Directors of Burns Philp Finance New Zealand in office at the date of this statement are set out on page 3 of this report.

Procedures for the operation of the Board, including the appointment and removal of Directors, are governed by Burns Philp Finance New Zealand's constitution.

Independent Professional Advice

Each Director is entitled to obtain independent professional advice in relation to their duties at Burns Philp Finance New Zealand's expense.

Audit Committee

The Board's Audit Committee was constituted on August 29, 2003. The Audit Committee members are Mr Degnan and Mr Hart.

The primary function of the Audit Committee is to provide advice to the Board in respect of the reliability and integrity of accounting policies and financial reporting and disclosure practices.

This function is carried out by reviewing the appropriateness of the accounting principles adopted in the composition and presentation of financial reports.

External Auditor

KPMG has been appointed external auditor of Burns Philp Finance New Zealand, commencing with the period ended June 30, 2003.

The external auditor is responsible for planning and carrying out a proper audit of Burns Philp Finance New Zealand's annual financial reports.

Internal Control Framework

The Board of Burns Philp Finance New Zealand acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The following internal control framework was in place during the financial period.

Internal controls

The Board of Burns Philp Finance New Zealand assumes the primary responsibility for implementing internal controls and for the internal control environment. During the period Burns Philp Finance New Zealand had in place a policy whereby the Chief Financial Officer of Burns Philp reports to the Burns Philp Finance New Zealand Audit Committee on the operation and effectiveness of key internal controls. Any identified deficiencies in internal controls are followed up and acted upon.

Code of Ethics

All Directors of Burns Philp Finance New Zealand are expected to demonstrate ethical and appropriate behaviour in all areas of business so as to maintain its integrity and its reputation for fair and reasonable conduct.

Director Dealings in Company Securities

Burns Philp has in place guidelines which apply to the sale and purchase of the 2011 Capital Notes. The guidelines set out a notification and approval process.

In accordance with the Listing Rules of the NZX and the provisions of applicable legislation, the NZX is advised within five business days of any transactions conducted by the Directors in the securities.

Equal Access to Material Information

Burns Philp Finance New Zealand is committed to providing all holders of the 2011 Capital Notes with accessible and timely information. Burns Philp Finance New Zealand has procedures in place to enable all investors to have equal access to company information and to ensure that any price sensitive information is disclosed to the NZX in accordance with the continuous disclosure requirements of applicable legislation and the Listing Rules of the NZX. All information provided to the NZX is posted on the Burns Philp website.

Directors' Responsibility Statement

The Directors are pleased to present the financial statements of Burns Philp Finance New Zealand Limited (the "Company") for the twelve month period ended December 31, 2008.

In the opinion of the Directors of the Company the financial statements and notes set out on pages 12 to 31:

- (a) comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at December 31, 2008 and of its performance for the twelve months ended on that date; and
- (b) have been prepared in accordance with the accounting policies set out in note 3 which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

Signed for and on behalf of the Board of Directors on March 17, 2009 in Auckland, New Zealand.



Graeme Hart
Chairman



Thomas Degnan
Director

Auditor's Report

To the shareholder of Burns Philp Finance New Zealand Limited

We have audited the financial statements on pages 12 to 31. The financial statements provide information about the past financial performance of the company and its financial position as at December 31, 2008. This information is stated in accordance with the accounting policies set out on pages 15 to 22.

Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at December 31, 2008 and the results of its operations and cash flows for the year ended on that date.

Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the company.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 12 to 31:
 - comply with New Zealand generally accepted accounting practice;
 - give a true and fair view of the financial position of the company as at December 31, 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on March 17, 2009 and our unqualified opinion is expressed as at that date.



Auckland

Statements of Comprehensive Income

FOR THE PERIOD ENDED

NZ\$	Note	December 31	
		2008	2007*
Financial income	8	23,085,592	12,024,254
Financial expenses	8	(22,114,368)	(11,404,113)
Net financial income		971,224	620,141
General and administration expenses	7	(266,153)	(123,558)
Profit before income tax		705,071	496,583
Income tax (expense)	9	(257,632)	(161,842)
Profit for the period		447,439	334,741
Other comprehensive income for the period net of income tax		-	-
Total comprehensive income for the period		447,439	334,741
Profit attributable to:			
Equity holders of the Company		447,439	334,741
Minority interests		-	-
		447,439	334,741
Total other comprehensive income attributable to:			
Equity holders of the Company		-	-
Minority interests		-	-
		-	-
Earnings per share			
Basic earnings per share		4,474	3,347
Diluted earnings per share		4,474	3,347

* Information for the comparative period is for the six month period ended December 31, 2007 as a result of the Company's election during this prior period to change its balance date from June to December.

Statements of Financial Position

AS AT

NZ\$	Note	December 31	
		2008	2007
Assets			
Cash and cash equivalents	10	217,074	5,304
Other receivables	11	40,815,494	213,422,703
Total current assets		41,032,568	213,428,007
Total assets		41,032,568	213,428,007
Liabilities			
Other payables	13	600,509	1,329,131
Interest bearing borrowings	14	-	171,848,814
Current tax liabilities	12	712,461	756,228
Total current liabilities		1,312,970	173,934,173
Interest bearing borrowings	14	37,975,293	37,738,840
Deferred tax liabilities	12	-	458,128
Total non-current liabilities		37,975,293	38,196,968
Total liabilities		39,288,263	212,131,141
Net assets		1,744,305	1,296,866
Equity and reserves			
Share capital	15	100	100
Retained earnings		1,744,205	1,296,766
Equity attributable to equity holders of the Company		1,744,305	1,296,866
Minority interests		-	-
Total equity		1,744,305	1,296,866

Statements of Changes in Equity

FOR THE PERIOD ENDED

NZ\$	December 31		
	Share capital	Retained earnings	Total Equity
Balance at the beginning of the period	100	962,025	962,125
Total comprehensive income for the period	-	334,741	334,741
Balance at December 31, 2007*	100	1,296,766	1,296,866
Balance at the beginning of the period	100	1,296,766	1,296,866
Total comprehensive income for the period	-	447,439	447,439
Balance at December 31, 2008	100	1,744,205	1,744,305

* Information for the comparative period is for the six month period ended December 31, 2007 as a result of the Company's election during this prior period to change its balance date from June to December.

Statements of Cash Flows

FOR THE PERIOD ENDED

NZ\$	Note	December 31	
		2008	2007*
Cash flows from operating activities			
Interest received		17,692,801	10,479,630
Interest paid		(20,806,427)	(10,410,944)
Payments to suppliers		(231,076)	(122,584)
Payments for transfer of tax losses		(759,528)	-
Net cash (used in) operating activities		(4,104,230)	(53,898)
Net cash from (used in) investing activities			
Cash flows from financing activities			
Repayment of related party receivable		178,000,000	-
Repayment of loans and borrowings - 2008 Capital Notes		(173,684,000)	-
Net cash from financing activities		4,316,000	-
Net increase (decrease) in cash and cash equivalents		211,770	(53,898)
Cash and cash equivalents at the beginning of the period		5,304	59,202
Cash and cash equivalents at December 31		217,074	5,304

Reconciliation of the profit for the period with the net cash from operating activities

FOR THE PERIOD ENDED

NZ\$	December 31	
	2008	2007*
Profit for the period	447,439	334,741
Adjustments for:		
Non cash net financing costs	2,071,639	993,169
Change in interest receivables	(5,392,790)	(1,541,339)
Change in trade and other payables	(728,622)	(2,310)
Change in tax liabilities	(501,896)	161,841
Net cash (used in) operating activities	(4,104,230)	(53,898)

Significant non-cash financing and investing activities

There were no significant non-cash financing or investing activities and no unrealised gains or net changes during the current period or prior period.

* Information for the comparative period is for the six month period ended December 31, 2007 as a result of the Company's election during this prior period to change its balance date from June to December.

Notes to the Financial Statements

FOR THE PERIOD ENDED DECEMBER 31, 2008

1. REPORTING ENTITY

Burns Philp Finance New Zealand Limited (the "Company") is a company domiciled in New Zealand and registered under the Companies Act 1993. The Company is an issuer as defined by the Financial Reporting Act.

The Company does not conduct any trading activities, but receives interest from a Burns Philp subsidiary in order to fund interest payable on the capital notes which were issued by the Company in 2003 (the "Capital Notes"). There have been no changes to its activities during, or subsequent to, the financial period. The Company is primarily based in New Zealand.

The address of the registered office of the Company is 173 Captain Springs Road, Onehunga, Auckland 1061, New Zealand.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with 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 also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors ("the Directors") on March 17, 2009.

2.2 Going concern

The financial statements have been prepared using the going concern assumption.

2.3 Basis of measurement

The financial statements have been prepared under the historical cost convention.

Information as disclosed in the statement of comprehensive income, statement of changes in equity and statement of cash flows for the current period is for the 12 month period ended December 31, 2008. Information for the comparative period is for the six month period ended December 31, 2007 as a result of the Company's election during this prior period to change its balance date from June to December.

2.4 Presentation currency

These financial statements are presented in New Zealand dollars ("NZ\$"), which is the Company's presentation currency.

2.5 Use of estimates and judgements

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These 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.

Information about the significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is the presentation currency of the Company.

3.2 Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, receivables, available-for-sale financial assets, trade and other payables and interest bearing borrowings.

A non-derivative financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Non-derivative financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Non-derivative financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Upon initial acquisition the Company classifies its financial instruments in one of the following categories, which is dependent on the purpose for which the financial instruments were acquired.

(a) Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition at the trade date, attributable transaction costs are recognised in the statement of comprehensive income. Subsequent to initial recognition, financial instruments through profit or loss are measured at fair value, and changes therein are recognised in the statement of comprehensive income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for instruments with maturities greater than 12 months from the reporting date, which are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents and trade and other receivables (including related party receivables) which are stated at their cost less impairment losses.

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with maturities less than three months. Bank overdrafts are included within borrowings in current liabilities in the statement of financial position except where these are repayable on demand, in which case they are included as a component of cash and cash equivalents.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention to hold to maturity. If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

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

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Available-for-sale financial assets are measured at fair value on initial recognition. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income.

(e) Other liabilities

Other liabilities comprise all non-derivative financial liabilities that are not disclosed as fair value through profit or loss. Other liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The Company's other liabilities comprise trade and other payables and interest bearing borrowings, including related parties, and are measured as follows:

- (i) Trade and other payables
Subsequent to initial recognition trade and other payables are stated at cost.
- (ii) Interest bearing borrowings including related parties
Subsequent to initial recognition interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

3.3 Impairment

The carrying amounts of the Company's assets are reviewed regularly and at least annually to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income.

(a) Impairment of loans and receivables

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

Impairment losses on individual instruments that are considered significant are determined on an individual basis through an evaluation of the specific instruments exposures. For trade receivables which are not significant on an individual basis, impairment is assessed on a portfolio basis taking into consideration the number of days overdue and the historical loss experiences on a portfolio with a similar number of days overdue.

(b) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at least annually to determine whether there is any indication of impairment. If any such indicators exist then the asset or CGU's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amounts are estimated at least annually and whenever there is an indication that they may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount.

A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other non-financial assets in the CGU on a pro-rata basis.

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

In respect of assets, other than goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 Dividends

Dividends to the Company's shareholder are recognised as a liability in the Company's financial statements in the period in which the dividends are declared.

3.5 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3.6 Financial income and expenses

Financial income comprises interest income that is recognised in the statement of comprehensive income. Interest income is recognised as it accrues using the effective interest rate method.

Financial expenses comprise interest expense and impairment losses recognised on financial assets (except for trade receivables) that are recognised in the statement of comprehensive income. All borrowing costs not qualifying for capitalisation are recognised in the statement of comprehensive income using the effective interest rate method.

3.7 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised with the associated items on a net basis.

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

Deferred tax is recognised using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future and the Company is in a position to control the timing of the reversal of the temporary differences. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised. Deferred income tax assets and liabilities in the same jurisdiction are off-set in the statement of financial position only to the extent where the right to off-set legally exists.

3.8 Sales tax, value added tax and goods and services tax

All amounts (including cash flows) are shown exclusive of sales tax, value added tax ("VAT") and goods and services tax ("GST") to the extent reclaimable, except for receivables and payables that are stated inclusive of sales tax, VAT and GST.

3.9 Segment reporting

The Company's operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker ("CODM") of the ultimate parent entity, Rank Group Limited ("Rank"), in order to allocate resources to the segment and to assess its performance.

3.10 New and revised standards and interpretations

(a) Interpretations and amendments to existing standards effective in 2008

The following interpretations and standards were mandatory for the Company effective for the period ended December 31, 2008:

- NZ IFRIC 12 "Service concession arrangements" (effective from January 1, 2008). NZ IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. In adopting NZ IFRIC 12 the Company has noted no impact as it does not provide for public sector services.
- NZ IFRIC 14 IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective January 1, 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements ("MFR") on such assets. It also addresses when a MFR might give rise to a liability. In adopting this interpretation the Company has noted no impact as it does not have any defined benefit pension plans.
- Amendments to NZ IAS 39 and NZ IFRS 7 "Reclassification of Financial Assets" (effective from July 1, 2008). These amendments permit financial instruments to be reclassified out of the "fair value through profit or loss" or "available for sale" categories in certain limited circumstances. In adopting this amendment the Company has noted no impact as no instruments have been reclassified during the current and previous financial periods.

(b) Early adoption of new standard, interpretations and amendments

The Company has elected to adopt the following standards, interpretations and amendments to existing standards in advance of their effective dates:

- NZ IAS 1 (revised) "Presentation of financial statements" (effective from January 1, 2009). NZ IAS 1 (revised) introduces "total comprehensive income" (i.e. changes in equity during a period, other than those changes resulting from transactions with owners in their capacity as owners), which is presented either in:
 - (i) one statement (i.e. a statement of comprehensive income); or
 - (ii) two statements (i.e. an income statement and a statement beginning with profit or loss and displaying components of other comprehensive income).

The statement of comprehensive income requirement in the revised standard represents a change from the current NZ IAS 1 requirement to present an income statement and a statement of changes in equity showing either all changes in equity or changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders (a statement of recognised income and expense). The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other IFRSs. In early adopting this revision the Company has disclosed the requisite comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 New and revised standards and interpretations (continued)

- NZ IFRS 8 "Operating segments" (effective from January 1, 2009). NZ IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the CODM in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor standard (NZ IAS 14: "Segment Reporting") required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. In early adopting this standard the Company has disclosed the requisite information.
- NZ IAS 23 (amendment) "Borrowing costs" (effective from January 1, 2009). This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. In early adopting this amendment the Company has noted that there is no impact, as it currently does not hold any qualifying assets.
- NZ IFRS 2 "Amendments to share based payments: vesting conditions and cancellations" (effective from January 1, 2009). This amendment requires changes to the measurements of share-based payments that contain non-vesting conditions. In early adopting this amendment the Company has noted no impact, as it currently does not operate any share based payment schemes.
- NZ IFRS 4 "Insurance contracts – amendments" (effective from January 1, 2009). This amendment clarifies the scope and application of NZ IFRS 4 further and states that an entity that issues insurance contracts, other than a life insurer, should comply with Appendix D of that Standard. In early adopting this amendment the Company has noted no impact as it presently does not issue instruments that are considered to be insurance contracts under the requirements of NZ IFRS 4.
- NZ IAS 32 and NZ IAS 1 "Amendment to puttable financial instruments and obligations arising on liquidation" (effective from January 1, 2009). This amendment provides further guidance to the criteria to be met when considering the classification of these instruments as either debt or equity. In early adopting this amendment the Company has noted no impact, as it currently does not hold any puttable financial instruments.
- Amendments to NZ equivalent to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective from July 1, 2009). This amendment clarifies that inflation may only be hedged in the instance where changes in inflation are a contractually-specified portion of cash flows of a recognised financial instrument, and clarifies the accounting treatment for hedging with options. In early adopting this amendment the Company has noted no impact as it presently does not designate inflation as a hedging instrument.
- NZ IFRIC 13 "Customer Loyalty Programmes" (effective from July 1, 2008) addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted good or services. In early adopting this interpretation the Company has noted no impact, as it currently does not operate any customer loyalty programmes.
- NZ IFRIC 15 "Agreements for the Construction of Real Estate" (effective from January 1, 2009) aims to standardise the accounting practice across jurisdictions for the recognition of revenue by real estate developers for 'off the plan' sales, while providing guidance as to whether an agreement for the construction of real estate is in accordance with the requirements of NZ IAS 11 "Construction Contracts" or NZ IAS 18 "Revenue". In early adopting this interpretation the Company has noted that there is no impact, as it currently does not undertake activities of this nature.
- NZ IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective from October 1, 2008) provides guidance on the accounting for net investment hedging including: which foreign currency risks qualify for hedge accounting and what amount can be designated; where within the Company the hedging instrument can be held; and what amount should be reclassified to the statement of comprehensive income when the hedged foreign operation is disposed of. In early adopting this interpretation the Company has noted that there is no impact, as it currently does not undertake activities of this nature.

- NZ IFRIC 17 “Distributions of Non-cash Assets to Owners” (effective from July 1, 2009) clarifies the measurement criteria and treatment for the recognition of dividends payable while also requiring additional disclosure of distributions to owners of net assets being held as a discontinued operation. In early adopting this interpretation the Company has noted that there is no impact, as its treatment of dividends and distribution of non-cash assets is consistent with the amendment

(c) Amendments to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretation to existing standards are not yet effective for the period ended December 31, 2008, and have not been applied in preparing these consolidated financial statements:

- NZ IFRS 1 and NZ IAS 27 “Amendments to cost of investment in a subsidiary, jointly controlled entity or associate” (effective from July 1, 2009).
- NZ IFRS 3 “Business combinations (revised)” (effective from July 1, 2009).
- NZ IAS 27 “Consolidated and separate financial statements (revised)” (effective from January 1, 2009).
- NZ IFRIC 18 “Transfer of Assets from Customers” (effective from July 1, 2009)
- Annual Improvements Process – Loss of Control of a Subsidiary (2008).
- Annual Improvements Process – Other Amendments (2008).

The Directors anticipate that the above amendments and interpretations (with the exception of the revisions to NZ IFRS 3) will not have a material impact on the financial statements of the Company in the period of initial application. On the initial adoption of the revisions to NZ IFRS 3 the Company will be required to account for each business combination transaction from this date under the requirements of the revised standard. The impact of this will be to change the way in which the Company is required to measure the cost of each business combination, while also prescribing different methods for the accounting for items such as contingent consideration that may exist within an agreement. These changes will impact the statement of comprehensive income in the period of each transaction and potentially in each subsequent reporting period.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the process of applying the Company’s accounting policies management has made certain estimates and assumptions about the carrying values of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. Management has not made any significant judgements apart from those involving estimations (as discussed below). The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are:

4.1 Impairment of assets

(a) Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

4.2 Realisation of deferred tax assets

The Company assesses the recoverability of deferred tax assets with reference to estimates of future taxable income. To the extent that actual taxable income differs to management’s estimate of future taxable income, this may affect the value of recognised deferred tax assets. Deferred tax assets have been recognised to offset deferred tax liabilities to the extent that the deferred tax assets and liabilities are expected to be realised in the same jurisdiction and reporting period. Deferred tax assets have also been recognised based on management’s best estimate of the recovery of these assets against future taxable income.

5. DETERMINATION OF FAIR VALUES

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

Notes to the Financial Statements (continued)

5. DETERMINATION OF FAIR VALUES

5.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Given the short term nature of trade receivables the carrying amount is a reasonable approximation of fair value.

5.2 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated by discounting the future contractual cash flows at the current market interest rates that are available for similar financial instruments.

6. SEGMENT REPORTING

NZ IFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the CODM in order to allocate resources to the segment and to assess its performance.

The Company operates in one segment only. All interest payments are made from, and all interest is received in, New Zealand in New Zealand dollars.

7. GENERAL AND ADMINISTRATIVE EXPENSES

The following items of expenditure are included in general and administrative expenses:

NZ\$	For the period ended December 31	
	2008	2007*
Auditor's remuneration to KPMG, comprising:		
Audit fees	44,000	30,300
Other audit related fees	12,000	11,000
Total auditor's remuneration	56,000	41,300
Other fees	157,070	82,258

Other audit related services include services for the audit or review of financial information other than financial reports including examination of covenant compliance. Other fees include secretarial, consulting and professional fees.

8. FINANCIAL INCOME AND EXPENSES

NZ\$	For the period ended December 31	
	2008	2007*
Interest income on bank accounts	156,377	15,456
Interest income on related party loans	22,929,215	12,008,798
Financial income	23,085,592	12,024,254
Effective interest expense on financial liabilities measured at amortised cost		
9.75% 2008 Capital Notes	(16,180,537)	(8,479,848)
9.95% 2011 Capital Notes	(3,862,192)	(1,931,096)
Amortisation of deferred debt transaction costs	(2,071,639)	(993,169)
Financial expenses	(22,114,368)	(11,404,113)
Net financial income	971,224	620,141

* Information for the comparative period is for the six month period ended December 31, 2007 as a result of the Company's election during this prior period to change its balance date from June to December.

9. INCOME TAX

NZ\$	For the period ended December 31	
	2008	2007*
Current tax expense		
Current period	(211,521)	(347,891)
Adjustment for prior periods	(504,239)	-
	(715,760)	(347,891)
Deferred tax expense		
Origination and reversal of temporary differences	-	184,019
Impact of change in corporate tax rate from 33% to 30%	-	2,030
Adjustment for prior periods	458,128	-
	458,128	186,049
Total Income tax (expense)	(257,632)	(161,842)

As a result of changes to the tax rules surrounding financial arrangements, the Company no longer recognises deferred tax in relation to debt transaction costs. This has resulted in the reversal of the prior year deferred tax liability and the recognition of this amount as current tax payable. This has been shown as an adjustment for prior periods under both current tax expense and deferred tax expense above.

The Company does not hold any imputation credits (2007: nil).

9.1 Reconciliation of effective tax rate

NZ\$	For the period ended December 31	
	2008	2007*
Profit before income tax	705,071	496,583
Income tax using the Group's domestic tax rate of 30% (2007: 33%)	(211,521)	(163,872)
Impact of change in corporate tax rate from 33% to 30%	-	2,030
Net adjustment for prior periods	(46,111)	-
Prior period tax loss offsets	759,528	-
Compensation for prior period tax loss offsets	(759,528)	-
Total current period income tax (expense)	(257,632)	(161,842)

10. CASH AND CASH EQUIVALENTS

NZ\$	As at December 31	
	2008	2007
Cash at bank and on hand	217,074	5,304
Total cash and cash equivalents	217,074	5,304

11. OTHER RECEIVABLES

NZ\$	As at December 31	
	2008	2007
Related party receivables	40,815,494	213,422,703
Total current trade and other receivables	40,815,494	213,422,703

* Information for the comparative period is for the six month period ended December 31, 2007 as a result of the Company's election during this prior period to change its balance date from June to December.

Notes to the Financial Statements (continued)

12. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

The current tax liability for the Company of \$712,461 (2007: \$756,228) represents the amount of income taxes payable in respect of current and prior financial periods.

12.1 Movement in recognised deferred tax assets and liabilities

NZ\$	Balance at June 30, 2007	Recognised in the profit and loss	Acquired in business combination	Other movements	Balance at December 31, 2007	Recognised in the profit and loss	Recognised in equity combination	Acquired indisposal business and assets held for sale	Included in indisposal group and assets held for sale	Balance at December 31, 2008
Unrealised foreign currency exchange losses	-	-	-	-	-	-	-	-	-	-
Tax loss carry-forwards	-	-	-	-	-	-	-	-	-	-
Tax assets (liabilities)	(644,177)	186,049	-	-	(458,128)	458,128	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-
Set off tax	-	-	-	-	-	-	-	-	-	-
Net tax assets (liabilities)	(644,177)	186,049	-	-	(458,128)	458,128	-	-	-	-

13. OTHER PAYABLES

NZ\$	As at December 31	
	2008	2007
Interest payable	493,050	1,246,704
Other payables	107,459	82,427
Total trade and other payables	600,509	1,329,131

14. INTEREST BEARING BORROWINGS

This note provides information about the contractual terms of the Company's interest bearing loans and borrowings. For more information about the Company's exposure to interest rate and foreign currency risk, see note 16.

NZ\$	As at December 31	
	2008	2007
Capital Notes	-	173,684,000
Transaction costs	-	(1,835,186)
Current liabilities	-	171,848,814
Capital Notes	38,816,000	38,816,000
Transaction costs	(840,707)	(1,077,160)
Non-current liabilities	37,975,293	37,738,840
Capital Notes	38,816,000	212,500,000
Transaction costs	(840,707)	(2,912,346)
Carrying amount	37,975,293	209,587,654

Terms and debt repayment schedule

NZ\$	Currency	Nominal interest rate	Year of maturity	As at December 31		As at December 31	
				2008 Face value	2008 Carrying amount	2007 Face value	2007 Carrying amount
Capital Notes - 2008	NZ\$	9.75%	2008	-	-	173,684,000	171,848,814
Capital Notes - 2011	NZ\$	9.95%	2011	38,816,000	37,975,293	38,816,000	37,738,840
				38,816,000	37,975,293	212,500,000	209,587,654

In 2003 the Company issued the Capital Notes with a principal value of NZ\$212,500,000. The Capital Notes were issued in two series, one series which had an initial election date of December 15, 2008 and bore an interest rate of 9.75% per annum ("2008 Capital Notes") and the other series which has an initial election date of November 15, 2011 and bears an interest rate of 9.95% per annum ("2011 Capital Notes").

On December 15, 2008 Burns Philp Finance New Zealand redeemed all of the 2008 Capital Notes.

The 2011 Capital Notes are, and until their redemption the 2008 Capital Notes were, guaranteed by Burns Philp and another of its subsidiaries, BPC Foods International Pty Limited. The 2011 Capital Notes and the guarantees are unsecured and subordinated obligations of Burns Philp Finance New Zealand and the guarantors, ranking behind all their other secured and unsecured liabilities.

There are 17 counterparties holding Capital Notes with a face value greater than 10% of the Company's equity.

15. EQUITY AND RESERVES

15.1 Share capital

Number of shares	As at December 31	
	2008	2007
Balance at the beginning of the period	100	100
Balance at December 31	100	100

All issued shares are fully paid and have no par value.

The holders of shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regard to the Company's residual assets in the event of a wind-up.

15.2 Dividends

No dividends or distributions were declared and no dividend reinvestment plans were in operation in the current or prior period.

15.3 Capital management

The Directors are responsible for monitoring and managing the Company's capital structure.

The Directors' policy is to maintain an acceptable capital base to promote the confidence of its financiers and creditors and to sustain the future development of the business. The Directors monitor its financial position to ensure that it complies at all times with its financial and other covenants as set out in its financing arrangements.

In order to maintain or adjust the capital structure, the Directors may elect to take a number of measures, including for example to dispose of assets or operating segments of the business, change its short to medium term plans in respect of capital projects and working capital levels, or to re-balance the level of equity and external debt in place.

16. FINANCIAL RISK MANAGEMENT

16.1 Overview

This note presents information about the Company's exposure to market risk, credit risk and liquidity risk, and where applicable, the Company's objectives, policies and procedures for managing these risks.

Exposure to market, credit and liquidity risks arise in the normal course of the Company's business. The Directors of the Company and the ultimate parent entity have overall responsibility for the establishment and oversight of the Company's risk management framework.

The respective boards have established a treasury policy that identifies risks faced by the Company and sets out policies and procedures to mitigate those risks. Risk management is primarily carried out by a centralised treasury function at the Rank Group level. The Directors have delegated authority levels and authorised the use of various financial instruments to a restricted number of personnel within the treasury function.

Monthly consolidated treasury reports are prepared at the Rank Group level for the Directors, who ensure compliance with risk management policies and procedures.

16.2 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Company's cash flows or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(a) Foreign exchange risk

Foreign currency risk is the risk that the value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates. At balance sheet date the Company is not exposed to currency risk, as all assets and liabilities of the Company are held in its functional currency, being the New Zealand dollar.

(b) Interest rate risk

The Company's interest rate risk arises from long-term borrowings at fixed rates and deposits which earn interest at floating rates. Borrowings and deposits at variable rates expose the Company to cash flow interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk.

The Company's primary exposure is to fixed interest rates on borrowings and on related party receivables in New Zealand.

Any residual interest rate risk is managed at the Rank Group level. The Rank Group adopts a policy of ensuring that approximately 50% of the overall Group's consolidated exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by borrowing at fixed rates or entering into interest rate swaps.

The following table sets out the Company's interest rate risk repricing profile:

NZ\$	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2008						
Fixed rate instruments						
Loans and borrowings						
2008 Capital Notes	-	-	-	-	-	-
2011 Capital Notes	(37,975,293)	-	-	-	(37,975,293)	-
Owing by subsidiary of parent company	40,815,494	-	40,815,494	-	-	-
Total fixed rate instruments	2,840,201	-	40,815,494	-	(37,975,293)	-
Floating rate instruments						
Cash and cash equivalents	217,074	217,074	-	-	-	-
Total variable rate instruments	217,074	217,074	-	-	-	-
Total	3,057,275	217,074	40,815,494	-	(37,975,293)	-
<hr/>						
NZ\$	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2007						
Fixed rate instruments						
Loans and borrowings						
2008 Capital Notes	(171,848,814)	-	(171,848,814)	-	-	-
2011 Capital Notes	(37,738,840)	-	-	-	(37,738,840)	-
Owing by subsidiary of parent company	213,422,703	-	213,422,703	-	-	-
Total fixed rate instruments	3,835,049	-	41,573,889	-	(37,738,840)	-
Floating rate instruments						
Cash and cash equivalents	5,304	5,304	-	-	-	-
Total variable rate instruments	5,304	5,304	-	-	-	-
Total	3,840,353	5,304	41,573,889	-	(37,738,840)	-

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

16.2 Market risk (continued)

The Company's sensitivity to interest rate risk can be expressed as follows:

Fair value sensitivity analysis

A change in interest rates impacts the fair value of the Company's fixed rate borrowings and related party receivables. Fair value changes impact on the statement of comprehensive income. Given all debt instruments are carried fixed interest rates, a change in interest rates would not impact the statement of comprehensive income.

16.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related entities. The carrying amount of financial assets represents the maximum credit exposure at the reporting date. At balance date the only material receivable was due from a related party.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each related party. Demographically there are no concentrations of credit risk.

Historically there has been a low level of losses resulting from default by related entities.

The carrying amount of financial assets represents the maximum credit exposure.

16.4 Liquidity risk

Liquidity risk is the risk that the Company will not meet its contractual obligations as they fall due. The Company's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due and comply with bank covenants under both normal and stressed conditions.

The Company evaluates its liquidity requirements on an ongoing basis using a 13 week rolling forecast and ensures that it has sufficient cash on demand to meet expected operating expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. The Company has internal limits in place in order to reduce the exposure to liquidity risk, as well as having access to lines of credit from related parties.

The following table sets out contractual cash flows for all financial assets and liabilities.

NZ\$	Carrying amount	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2008							
Non-derivative financial assets							
Cash and cash equivalents	217,074	217,074	217,074	-	-	-	-
Other receivables	40,815,494	40,815,494	40,815,494	-	-	-	-
Total financial assets	41,032,568	41,032,568	41,032,568	-	-	-	-
Non-derivative financial liabilities							
Trade and other payables	(600,509)	(600,509)	(600,509)	-	-	-	-
Loans and borrowings							
2008 Capital Notes	-	-	-	-	-	-	-
2011 Capital Notes	(37,975,293)	(50,402,576)	(1,931,096)	(1,931,096)	(3,862,192)	(42,678,192)	-
Total financial liabilities	(38,575,802)	(51,003,085)	(2,531,605)	(1,931,096)	(3,862,192)	42,678,192	-
Net financial position	2,456,766	(9,970,517)	38,500,963	(1,931,096)	(3,862,192)	42,678,192	-
December 31, 2007							
Non-derivative financial assets							
Cash and cash equivalents	5,304	5,304	5,304	-	-	-	-
Other receivables	213,422,703	227,582,715	12,218,450	215,364,265	-	-	-
Total financial assets	213,428,007	227,588,019	12,223,754	215,364,265	-	-	-
Non-derivative financial liabilities							
Trade and other payables	(1,329,131)	(1,329,131)	(1,329,131)	-	-	-	-
Loans and borrowings							
2008 Capital Notes	(171,848,814)	(188,783,050)	(8,467,118)	(182,151,095)	-	-	-
2011 Capital Notes	(37,738,840)	(54,264,768)	(1,931,096)	(1,931,096)	(3,862,192)	(46,540,384)	-
Total financial liabilities	(210,916,785)	244,376,949	(11,727,345)	(184,082,191)	(3,862,192)	(46,540,384)	-
Net financial position	2,511,222	(16,788,930)	496,409	31,282,074	(3,862,192)	(46,540,384)	-

In the case of financial liabilities the expected cashflows are not expected to be substantially different from contractual cashflows.

In the case of financial assets it is expected that the other receivables will be repaid in 2 to 5 years and that interest will be received until that point. As at December 31, 2007 it was expected that \$173,684,000 would be received in 6 to 12 months with the balance of the loan being repaid in 2 to 5 years, with interest being received throughout the life of the loan.

16. FINANCIAL RISK MANAGEMENT (CONTINUED)

16.5 Classification and fair values

NZ\$	Fair value through the profit and loss	Available for sale	Held to maturity	Loans and receivables	Other liabilities	Total carrying amount	Fair value
December 31, 2008							
Assets							
Cash and cash equivalents	-	-	-	217,074	-	217,074	217,074
Trade and other receivables	-	-	-	40,815,494	-	40,815,494	40,815,494
Total assets	-	-	-	41,032,568	-	41,032,568	41,032,568
Liabilities							
Other payables	-	-	-	-	600,509	600,509	600,509
Loans and borrowings							
2008 Capital Notes	-	-	-	-	-	-	-
2011 Capital Notes	-	-	-	-	37,975,293	37,975,293	36,848,029
Total liabilities	-	-	-	-	38,575,802	38,575,802	37,448,538
December 31, 2007							
Assets							
Cash and cash equivalents	-	-	-	5,304	-	5,304	5,304
Trade and other receivables	-	-	-	213,422,703	-	213,422,703	213,422,703
Total assets	-	-	-	213,428,007	-	213,428,007	213,428,007
Liabilities							
Other payables	-	-	-	-	1,329,131	1,329,131	1,329,131
Loans and borrowings							
2008 Capital Notes	-	-	-	-	171,848,814	171,848,814	169,602,490
2011 Capital Notes	-	-	-	-	37,738,840	37,738,840	37,063,509
Total liabilities	-	-	-	-	210,916,785	210,916,785	207,995,130

The methods used in determining fair values of financial instruments are discussed in note 5.

17. RELATED PARTIES

Parent and ultimate controlling party

The immediate Australian parent of the Company is Burns, Philp & Company Pty Limited. The ultimate controlling entity of the Company is Rank Group Limited and the ultimate shareholder is Mr G.R. Hart.

Related party transactions

The entities, the nature of the relationship and the types of transactions with which the Company entered into related party transactions during the period are detailed below:

Entity name	Nature of relationship	Nature of transactions
BPC Finance (N.Z.) Limited	Related Party	Loan to related party

NZ\$	Transaction values for the period ended December 31		Balances outstanding as at December 31	
	2008	2007	2008	2007

Transactions with other related parties

BPC Finance (N.Z.) Limited	(172,607,209)	1,541,339	40,815,494	213,422,703
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All transactions and outstanding balances with BPC Finance (N.Z.) Limited are conducted on an arm's length basis and are to be settled in cash. The interest rate for the loan is fixed at 11.45% and the loan is repayable on demand. No related party debts have been written off or forgiven during the period.

18. CONTINGENCIES

The Company has provided a guarantee and security which secures a number of financings typically involving small amounts extending to other companies in the Burns Philp Group (being Burns Philp and its controlled entities), all of which are senior in right of repayment to the Capital Notes.

The Company has provided an indemnity ("Indemnity") in respect of a bank bond provided to the New Zealand Exchange Limited for \$75,000 in connection with the Capital Notes. The Indemnity has been granted on an unsecured basis, and is not subordinated to other debt.

19. SUBSEQUENT EVENTS

There have been no events subsequent to balance date which would have a material effect on the Company's financial statements at December 31, 2008.

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***Burns Philp Finance
New Zealand Limited***

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