10061119039

EXTENSION CERTIFICATE

UDC SECURED INVESTMENTS PROSPECTUS No. 65
DATED 15 DECEMBER 2011

DIRECTORS' CERTIFICATE

(Given under section 37A (1A) of the Securities Act 1978) by the directors of UDC Finance Limited)

The following statement is given under section 37A (1A) of the Securities Act 1978 in respect of the UDC Secured Investments Prospectus No. 65, dated 15 December 2011 (the "Prospectus").

We hereby state that, in the opinion of all the directors of UDC Finance Limited as the Issuer of the securities being offered under the Prospectus, after due enquiry by them:

- The financial position of the UDC Finance Limited shown in the audited statement of financial position for the 12 months to 30 September 2011 (and which is referred to on page 33 of the Prospectus) has not materially and adversely changed during the period from 30 September 2011 to the date of this certificate; and

- The Prospectus is not, at the date of this certificate, false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances.

Dated 15th day of June 2012

SIGNED on behalf of all the directors of UDC Finance Limited by:

....
Director Bruce William ANDERSON

....
Director Penelope Jane FORD

UDC Finance Limited
Financial Statements

For the six months ended 31 March 2012

Financial Statements

For the six months ended 31 March 2012

Contents

Directory

Directors:	S J McLauchlan (Independent Director & Chairman) Dunedin
	B W Anderson Auckland
	P J Ford Auckland
	P J Norris (Independent Director) Brisbane, Australia
	G D Turley Auckland
	R A Wilks Auckland
Registered Office:	UDC Finance Limited Level 10 170-186 Featherston Street Wellington
Auditor:	KPMG 18 Viaduct Harbour Avenue Auckland
Trustee:	Trustees Executors Limited Level 5 10 Customhouse Quay Wellington
Principal place of business:	UDC Finance Limited 107 Carlton Gore Road Newmarket Auckland

Directors' Statement

These financial statements have been prepared in accordance with the Financial Reporting Act 1993, which requires financial statements to give a true and fair view of the financial position and financial performance of the Company.

The Directors of the Company believe that, in preparing these financial statements, the officers of the Company have:

- selected suitable accounting policies that comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- followed all applicable accounting standards, with no material departures.

The Directors confirm that accounting records have been kept that will at any time enable the financial position of the Company to be determined with reasonable accuracy and will enable the Directors to ensure that the financial statements comply with the Financial Reporting Act 1993.

Based on the above, the Board of Directors of the Company approve these interim financial statements for the six months ended 31 March 2012.

For and on behalf of the Board of Directors

______________________ Director

______________________ Director

6 June 2012 Date of issue

Statement of Comprehensive Income

$ thousands	Note	**6 months to 31/03/2012**	6 months to 31/03/2011	Year to 30/09/2011
Interest income	3	**88,775**	92,796	182,683
Interest expense	4	**45,412**	58,211	105,897
Net interest income		**43,363**	34,585	76,786
Other operating income	3	**289**	482	772
Operating income		**43,652**	35,067	77,558
Operating expenses	4	**15,802**	15,332	31,176
Profit before provision for credit impairment and income tax		**27,850**	19,735	46,382
Provision for credit impairment	9	**1,799**	6,639	4,891
Profit before income tax		**26,051**	13,096	41,491
Income tax expense	5	**7,331**	3,957	12,590
Profit after income tax		**18,720**	9,139	28,901
Other comprehensive income		**-**	-	-
Total comprehensive income for the period		**18,720**	9,139	28,901

Statement of Changes in Equity

$ thousands	Note	**6 months to 31/03/2012**	6 months to 31/03/2011	Year to 30/09/2011
Ordinary share capital				
Balance at beginning and end of the period	17	**20,752**	20,752	20,752
Retained profits				
Balance at beginning of the period		**258,192**	229,291	229,291
Profit after income tax		**18,720**	9,139	28,901
Total comprehensive income for the period		**18,720**	9,139	28,901
Balance at end of the period		**276,912**	238,430	258,192
Total equity				
Balance at beginning of the period		**278,944**	250,043	250,043
Total comprehensive income for the period		**18,720**	9,139	28,901
Balance at end of the period		**297,664**	259,182	278,944

The notes to the financial statements form part of and should be read in conjunction with these financial statements.

Balance Sheet

$ thousands	Note	31/03/2012	31/03/2011	30/09/2011
Assets				
Short-term deposits with ANZ National Bank Limited		**86,609**	161,588	57,532
Loans and advances	7	**2,016,164**	1,991,124	1,948,522
Other assets	10	**1,276**	3,032	980
Deferred tax assets	11	**10,837**	15,112	12,886
Intangible assets	12	**1,250**	1,875	1,563
Total assets		**2,116,136**	2,172,731	2,021,483
Liabilities				
Borrowings	13	**1,770,810**	1,865,665	1,688,222
Current income tax liabilities		**16,599**	10,599	11,318
Payables and other liabilities	14	**30,187**	36,339	42,029
Provisions		**876**	946	970
Total liabilities		**1,818,472**	1,913,549	1,742,539
Net assets		**297,664**	259,182	278,944
Equity				
Ordinary share capital	17	**20,752**	20,752	20,752
Retained profits		**276,912**	238,430	258,192
Total equity		**297,664**	259,182	278,944

Statement of Cash Flows

$ thousands	Note	6 months to 31/03/2012	6 months to 31/03/2011	Year to 30/09/2011
Cash flows from operating activities				
Interest received		**87,982**	91,544	179,857
Other income received		**289**	482	772
Interest paid		**(49,124)**	(56,533)	(104,195)
Operating expenses paid		**(16,266)**	(17,449)	(32,250)
Income taxes paid		**-**	(335)	(6,023)
Cash flows from operating profits before changes in operating assets and liabilities		**22,881**	17,709	38,161
Net change in loans and advances		**(68,720)**	(27,741)	18,232
Net change in other assets		**(228)**	(1,849)	5,838
Net change in payables and other liabilities		**(7,444)**	1,657	933
Net cash flows provided by/(used in) operating activities	20	**(53,511)**	(10,224)	63,164
Cash flows from investing activities				
Purchase of intangible assets		**-**	(1,061)	(1,062)
Net cash flows used in investing activities		**-**	(1,061)	(1,062)
Cash flows from financing activities				
Net increase/(decrease) in borrowings		**82,588**	37,355	(140,088)
Net cash flows provided by/(used in) financing activities		**82,588**	37,355	(140,088)
Net increase/(decrease) in cash and cash equivalents		**29,077**	26,070	(77,986)
Cash and cash equivalents at beginning of the period		**57,532**	135,518	135,518
Cash and cash equivalents at end of the period		**86,609**	161,588	57,532

The notes to the financial statements form part of and should be read in conjunction with these financial statements.

Notes to the Financial Statements

1. Accounting Policies

A. Basis of Preparation

(i) Statement of compliance
These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Securities Act 1978 and are for UDC Finance Limited (the "Company"). The Company is a wholly owned subsidiary of ANZ National Bank Limited ("ANZ National").

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(ii) Use of estimates and assumptions
The preparation of financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates. Discussion of the critical accounting treatments, which include complex or subjective decisions or assessments, are covered in Note 2. Such estimates may require review in future periods.

(iii) Measurement base
The financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

(iv) Changes in accounting policies and adopting of new accounting standards
There have been no changes in accounting policies or new standards adopted during this financial year.

(v) Rounding and comparatives
The amounts contained in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Certain comparatives have been amended to match current period presentation.

(vi) Foreign currency translation
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 Company operates (the functional currency). The Company's financial statements are presented in New Zealand dollars, which is the Company's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities resulting from foreign currency transactions are subsequently translated at the spot rate at reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in a previous financial report, are recognised in the Statement of Comprehensive Income in the period in which they arise.

B. Income Recognition

Income is recognised to the extent that it is probable that economic benefits will flow to the Company and that revenue can be reliably measured.

(i) Interest income
Interest income is recognised as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability so as to achieve a constant yield on the financial asset or liability.

For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the particular asset portfolio, taking into account contractual obligations and prepayment experience assessed on a regular basis.

(ii) Fee and commission income
Fees and commissions received that are integral to the effective interest rate of a financial asset are recognised using the effective interest method. For example, loan commitment fees, together with related direct costs, are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn. Commitment fees to originate a loan which is unlikely to be drawn down are recognised as fee income as the service is provided.

Fees and commissions that relate to the execution of a significant act are recognised when the significant act has been completed.

Notes to the Financial Statements

Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

(iii) Leasing income
Finance income on finance leases is recognised on a basis that reflects a constant periodic return on the net investment in the finance lease.

C. Expense Recognition

Expenses are recognised in the Statement of Comprehensive Income on an accruals basis.

(i) Interest expense
Interest expense on financial liabilities measured at amortised cost is recognised in the Statement of Comprehensive Income as it accrues using the effective interest method.

(ii) Loan origination expenses
Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:
- fees and commissions payable to brokers in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the expected yield of the financial asset over its expected life using the effective interest method.

(iii) Lease payments
Leases entered into by the Company as lessee are predominantly operating leases, and the operating lease payments are recognised as an expense on a straight-line basis over the lease term.

D. Income Tax

(i) Income tax expense
Income tax on earnings for the year comprises current and deferred tax. It is recognised in the Statement of Comprehensive Income as tax expense, except when it relates to items credited directly to equity or other comprehensive income, in which case it is recorded in equity or other comprehensive income.

(ii) Current tax
Current tax is the expected tax payable on taxable income, based on tax rates and tax laws which are enacted or substantively enacted by the reporting date, including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(iii) Deferred tax
Deferred tax is accounted for using the comprehensive tax balance sheet method. It is generated by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those relating to taxable temporary differences arising from goodwill.

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 the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Company, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

(iv) Offsetting
Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law.

E. Assets

Financial assets
All financial assets are classified as "loans and receivables".

(i) Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money to a debtor with no intention of trading the loans and advances. The loans and advances are initially recognised at fair value plus transaction costs that are directly attributable

to the issue of the loan or advance. They are subsequently measured at amortised cost using the effective interest method less any impairment loss.

Loans and advances include: direct finance provided to customers such as current accounts; term loans; finance lease receivables; and hire purchase finance.

All loans are graded according to the level of credit risk. Loans are classified as either productive, renegotiated, restructured, past due or impaired.

Impaired assets include individually impaired assets and restructured loans. Individually impaired assets include loans where there is doubt as to full recovery. An individual provision is raised to cover the expected loss where full recovery of principal is doubtful.

Past due assets are any loans where the counterparty has failed to make a payment when contractually due, and which is not an individually impaired asset. A 90 days past due asset is any past due asset which has not been operated within the loan's key terms for at least 90 days.

Impairment of loans and advances
Loans and advances are regularly reviewed for impairment. Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date, and that loss event, or events, has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated.

Impairment is assessed for assets that are individually significant (or on a portfolio basis for small value loans) and then on a collective basis for those exposures not individually known to be impaired.

Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data such as changed economic conditions.

The estimated individual impairment losses are measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognised in interest income. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The provision for impairment loss (individual and collective) is deducted from loans and advances in the Balance Sheet and the movement for the reporting period is reflected in the Statement of Comprehensive Income.

When a loan is uncollectible, either partially or in full, it is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off are taken to the Statement of Comprehensive Income.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairment losses are reversed in the Statement of Comprehensive Income.

A provision is also raised for off-balance sheet items such as commitments that are considered likely to result in an expected loss.

(ii) Finance lease receivables
Contracts to lease assets and hire purchase agreements are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the customer or an unrelated third party.

The gross amount of contractual payments expected from customers is recorded as gross lease receivables and the unearned interest component is recognised as income yet to mature.

The finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and a reduction in the lease receivable over the term of the finance lease, reflecting a constant periodic rate of return on the net investment outstanding in respect of the lease.

Non-financial assets

(iii) Intangible assets
Intangible assets include costs incurred in acquiring and building software and computer systems ("software"). Software is amortised using the straight-line method over its expected useful life to the Company. The period of amortisation is between 3 and 5 years.

At each reporting date, the software assets are reviewed for indicators of impairment. If any such indication exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the Statement of Comprehensive Income.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

F. Liabilities

Financial liabilities

(i) Borrowings
Borrowings include interest bearing deposits, debentures, and other related interest bearing financial instruments. They are measured at amortised cost. The interest expense is recognised using the effective interest rate method.

(ii) Derecognition
Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Non-financial liabilities

(iii) Employee benefits
Leave benefits
The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates including on-costs. Expected future payments for long service leave are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Liability for long service leave is calculated and accrued for in respect of all applicable employees (including on-costs) using an actuarial valuation.

Defined contribution cash accumulation schemes
The Company's contribution to its defined contribution cash accumulation schemes is recognised as an expense in the Statement of Comprehensive Income when incurred.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Company has no further payment obligations once the contributions have been paid.

The assets of the defined contribution cash accumulation scheme are held in trust and are not included in these financial statements as the Company does not have direct or indirect control of these schemes. The benefits under the schemes are provided from contributions by employee members and by the Company, and from income earned by the assets of the schemes. Members' contributions are at varying rates. Actuarial valuations are carried out at minimum of every three years. The Company does not operate a defined benefit superannuation scheme.

(iv) Provisions
The Company recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at the reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

G. Equity

(i) Issued shares
Issued shares are recognised at the amount paid per share net of directly attributable issue costs.

H. Presentation

(i) Offsetting of income and expenses
Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:
- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Company is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Company is reimbursed.

(ii) Offsetting of financial assets and liabilities
Assets and liabilities are offset and the net amount reported in the Balance Sheet only where there is:
- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Statement of cash flows
For cash flow statement presentation purposes, cash and cash equivalents includes: cash on hand; deposits held at call with other financial institutions; and other short term, highly liquid, investments with original terms of maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

(iv) Segment reporting
An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker to

make decisions about resources to be allocated to the segment and assess its performance and for which discrete information is available.

(v) Goods and services tax
Income, expenses and assets are recognised net of the amount of goods and services tax ("GST") except where the amount of GST incurred is not recoverable from the Inland Revenue Department ("IRD"). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as other assets or other liabilities in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a net basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the IRD are classified as operating cash flows.

I. Other

(i) Contingent liabilities
A contingent liability is a liability of sufficient uncertainty that it does not qualify for recognition as a provision, but there is a possible obligation that is higher than remote.

Further disclosure is made within Note 22 unless it is considered remote that the Company will be liable to settle the possible obligation.

(ii) Accounting standards not early adopted
The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements. The Company currently does not intend to apply any of these pronouncements until their effective date and is assessing their impact on its financial statements.

- *NZ IFRS 9 Financial Instruments (2009 and 2010) - effective 1 January 2015*
  Specifies a simpler methodology for classifying and measuring financial assets, with two primary measurement categories: amortised cost and fair value. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

- *NZ IFRS 13 Fair value measurement - effective 1 January 2013*
  Provides a single source of guidance on fair value measurement and requires certain disclosures regarding fair value.

- *NZ IAS 27 (2011) Separate Financial Statements - effective 1 January 2013*
  Carries forward the existing accounting and disclosure requirements for separate financial statements.

2. Critical Estimates and Judgements Used in Applying Accounting Policies

There are a number of critical accounting treatments which include complex or subjective judgements and estimates that may affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

An explanation of the judgements and estimates made by the Company in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

Credit provisioning
The accounting policy relating to measuring the impairment of loans and advances requires the Company to assess impairment at least at each reporting date. The credit provisions raised (collective and individual) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement.

The collective provision is estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data and events and an assessment of the impact of model risk. The provision also takes into account the impact of large concentrated losses within the portfolio.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

Individual provisioning is applied when the full collectability of one of the Company's loans is identified as being doubtful. Individual and collective provisioning is calculated using discounted expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Refer to Note 9 for details of credit impairment provisions.

Notes to the Financial Statements

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment charge recorded in the financial statements.

Other judgements
Deferred tax assets
The Company has judged that there will be sufficient taxable income in the future to utilise taxable differences that are expected to reverse in the foreseeable future and has therefore recognised a deferred tax asset.

Yield related fees
The Company has reviewed all fees and has judged that certain fees are integral to the yield of the product. These fees have been included as part of the calculation of the effective interest rate.

Lease arrangements
The Company has reviewed lease arrangements where the Company is the lessor and have determined that those leases are finance leases.

3. Income

$ thousands	**6 months to 31/03/2012**	6 months to 31/03/2011	Year to 30/09/2011
Interest income			
- Term loans	**51,302**	55,311	107,558
- Current accounts	**3,906**	4,259	8,582
- Hire purchase contracts	**24,065**	22,374	45,096
- Finance leases	**7,377**	7,592	15,250
- Individually impaired assets	**997**	1,578	3,236
- Related parties - ANZ National	**1,128**	1,682	2,961
Total interest income	**88,775**	92,796	182,683
Other operating income			
Lending and credit facility fee income	**224**	313	560
Other income	**65**	169	212
Total other operating income	**289**	482	772
Total income	**89,064**	93,278	183,455

4. Expenses

$ thousands	**6 months to 31/03/2012**	6 months to 31/03/2011	Year to 30/09/2011
Interest expense			
- Borrowings	**35,095**	47,386	88,396
- Related parties - ANZ National	**10,317**	10,825	17,501
Total interest expense	**45,412**	58,211	105,897
Operating expenses			
Personnel costs	**6,768**	7,634	15,433
Pension costs - defined contribution schemes	**220**	227	443
Share-based compensation - ANZ National	**110**	110	221
Auditors' remuneration			
- In respect of auditing or reviewing the financial statements	**188**	87	272
- In respect of all other assurance services	**7**	15	14
Depreciation of premises and equipment	**3**	14	22
Amortisation of software	**313**	383	696
Fees paid to related parties - ANZ National[1]	**4,923**	4,370	8,152
Motor vehicle lease expenses	**207**	244	468
Other operating expenses	**3,063**	2,248	5,455
Total operating expenses	**15,802**	15,332	31,176

[1] Fees paid to ANZ National include payments for information technology, property, and other services, all of which have been charged on arms length basis.

Notes to the Financial Statements

5. Income Tax Expense

$ thousands	**6 months to 31/03/2012**	6 months to 31/03/2011	Year to 30/09/2011
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the Statement of Comprehensive Income			
Profit before income tax	**26,051**	13,096	41,491
Prima facie income tax at 28% (2011: 30%)	**7,294**	3,929	12,447
Non-deductible expenses	**34**	54	(48)
	7,328	3,983	12,399
Income tax under provided in prior periods	**3**	-	401
Tax effect of change in domestic tax rate	**-**	(26)	(210)
Total income tax expense	**7,331**	3,957	12,590
Effective tax rate (%)	**28.1%**	30.2%	30.3%
The major components of the income tax expense comprise:			
Current income tax charge	**5,282**	4,012	10,018
Adjustments recognised in the current period in relation to current tax of prior periods	**-**	-	401
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	**2,049**	(55)	2,171
Total income tax expense recognised in Statement of Comprehensive Income	**7,331**	3,957	12,590

In May 2010, legislation was passed to reduce the New Zealand corporate tax rate from 30% to 28% effective for the 2011/2012 income tax year. The tax effect of the change in domestic tax rate shown above is the impact on the value of deferred tax assets and liabilities as a result of the reduction in the corporate tax rate from 1 October 2010. The Company is a member of the NZ resident imputation subgroup which maintains an imputation credit account. Imputation credits held by the NZ resident subgroup are available for use by the Company.

6. Segment Information

The Company provides asset based secured finance to a wide range of industries including transport, agriculture, manufacturing, construction and government. The types of assets that are financed include plant, printing and IT equipment, motor vehicles, aircraft and construction machinery. The Company also offers personal secured finance for motor vehicles. The Company raises funds through a range of secured term and call debentures.

For management purposes the Company is organised into one business segment which is reflective of the fact there are no distinguishable components providing related products and services that are subject to risks and returns that are different from other business segments. This approach is consistent with internal reporting provided to the chief operating decision makers.

The Company operates predominately in the finance industry in New Zealand. The Company has very limited exposure to risks associated with operating in different economic environment or political conditions. On this basis no geographical segment information is provided.

7. Loans and Advances

$ thousands	Note	**31/03/2012**	31/03/2011	30/09/2011
Current accounts		**200,283**	222,393	185,232
Term loans		**1,334,157**	1,362,549	1,316,704
Hire purchase contracts		**586,694**	513,334	533,818
Finance leases		**200,439**	215,519	215,880
Gross loans and advances		**2,321,573**	2,313,795	2,251,634
Deferred fee revenue and expenses		**(5,449)**	(5,138)	(5,173)
Provision for credit impairment	9	**(40,918)**	(54,387)	(42,492)
Unearned income		**(259,042)**	(263,146)	(255,447)
Total net loans and advances		**2,016,164**	1,991,124	1,948,522

Notes to the Financial Statements

$ thousands	**31/03/2012** Hire purchase contract receivables	**31/03/2012** Finance lease receivables	31/03/2011 Hire purchase contract receivables	31/03/2011 Finance lease receivables	30/09/2011 Hire purchase contract receivables	30/09/2011 Finance lease receivables
Gross receivables						
- Less than one year	**249,176**	**80,266**	220,144	81,015	228,680	82,457
- One year to five years	**337,512**	**120,091**	293,187	133,383	305,136	132,794
- Later than five years	**6**	**82**	3	1,121	2	629
Total gross receivables	**586,694**	**200,439**	513,334	215,519	533,818	215,880
Less: unearned future finance income	**93,304**	**28,303**	81,410	33,160	84,257	32,482
Present value of minimum lease payments	**493,390**	**172,136**	431,924	182,359	449,561	183,398
Present value of minimum lease payments						
- Less than one year	**234,747**	**76,067**	207,160	76,944	215,366	78,148
- One year to five years	**258,640**	**96,020**	224,763	104,753	234,194	104,875
- Later than five years	**3**	**49**	1	662	1	375
Present value of minimum lease payments	**493,390**	**172,136**	431,924	182,359	449,561	183,398
Included in the above gross finance lease receivables are:						
- Residual value of finance leases	**-**	**78,096**	-	70,449	-	77,700
- Provision for credit impairment	**(6,530)**	**(2,322)**	(6,163)	(2,786)	(6,264)	(2,685)

8. Individually Impaired and Past Due Loans and Advances

$ thousands	**31/03/2012**	31/03/2011	30/09/2011
Individually impaired loans and advances			
Balance at beginning of the period	**63,107**	81,796	81,796
Transfer to individually impaired assets from past due assets	**4,508**	10,165	10,223
Transfer from individually impaired assets to past due assets	**(738)**	(1,211)	(3,096)
Assets realised or loans repaid	**(3,282)**	(8,260)	(10,713)
Write offs	**(3,141)**	(5,456)	(15,103)
Balance at end of the period	**60,454**	77,034	63,107
Past due loans and advances			
Balance at beginning of the period	**55,660**	127,644	127,644
Net transfers to / (from) past due assets from / (to) productive assets	**5,470**	77,327	(64,857)
Transfers from / (to) past due assets to individually impaired assets	**738**	1,211	(10,223)
Transfers (to) / from past due assets from individually impaired assets	**(4,508)**	(10,165)	3,096
Balance at end of the period	**57,360**	196,017	55,660
Interest forgone on impaired loans and advances			
Gross interest receivable on impaired loans and advances	**1,947**	2,922	5,149
Less: interest recognised	**(997)**	(1,578)	(3,236)
Net interest forgone on impaired loans and advances	**950**	1,344	1,913

Past due loans and advances are considered to be temporarily overdue, but still collectible, and are therefore not impaired.

9. Provision for Credit Impairment on Loans and Advances

$ thousands	**31/03/2012**	31/03/2011	30/09/2011
Collective provision			
Balance at beginning of the period	**23,609**	28,721	28,721
Credit to Statement of Comprehensive Income	**(781)**	(942)	(5,112)
Balance at end of the period	**22,828**	27,779	23,609
Individual provision (individually impaired loans and advances)			
Balance at beginning of the period	**18,883**	25,085	25,085
Charge to Statement of Comprehensive Income	**2,580**	7,581	10,003
Recoveries	**765**	976	2,134
Interest recognised on individually impaired assets	**(997)**	(1,578)	(3,236)
Bad debts written off	**(3,141)**	(5,456)	(15,103)
Balance at end of the period	**18,090**	26,608	18,883
Total provision for credit impairment	**40,918**	54,387	42,492

The following provides a reconciliation of the above movements in provisions for credit impairment reported in the Statement of Comprehensive Income.

$ thousands	**6 months to 31/03/2012**	6 months to 31/03/2011	Year to 30/09/2011
Charge to Statement of Comprehensive Income			
New and increased individual provisions	**5,451**	9,869	15,928
Provision releases	**(2,106)**	(1,312)	(3,791)
Recoveries	**(765)**	(976)	(2,134)
Individual provision charge	**2,580**	7,581	10,003
Collective provision credit	**(781)**	(942)	(5,112)
Total charge to Statement of Comprehensive Income	**1,799**	6,639	4,891
Represented by:			
Corporate exposures	**1,474**	5,390	4,251
Retail exposures	**325**	1,249	640
Total charge to Statement of Comprehensive Income	**1,799**	6,639	4,891

10. Other Assets

$ thousands	**31/03/2012**	31/03/2011	30/09/2011
Accrued interest receivable	**210**	187	138
Premises and equipment	**18**	30	22
Other assets	**1,048**	2,815	820
Total other assets	**1,276**	3,032	980

Accrued interest is receivable from ANZ National. Accrued interest on gross loans and advances is included with the value of the principal in Note 7.

Notes to the Financial Statements

11. Deferred Tax Assets

$ thousands	31/03/2012	31/03/2011	30/09/2011
Deferred tax assets			
Balance at beginning of the period	**12,886**	15,057	15,057
Credited / (charged) to Statement of Comprehensive Income	**(2,049)**	55	(2,171)
Balance at end of the period	**10,837**	15,112	12,886
Deferred tax assets comprise the following temporary differences:			
Provision for credit impairment	**11,457**	15,226	11,897
Equipment and software	**-**	(53)	(43)
Provisions and other liabilities	**704**	1,128	1,304
Lease finance	**(4,377)**	(3,394)	(4,314)
Interest on non-performing loans	**3,053**	2,626	2,642
Other	**-**	(421)	1,400
Net deferred tax assets	**10,837**	15,112	12,886
Deferred tax credited / (charged) to the Statement of Comprehensive Income comprises the following temporary differences:			
Provision for credit impairment	**(440)**	201	(3,128)
Equipment and software	**43**	53	63
Provisions and other liabilities	**(600)**	(820)	(644)
Lease finance	**(63)**	38	(882)
Other	**(989)**	583	2,420
Credited / (charged) to Statement of Comprehensive Income	**(2,049)**	55	(2,171)

12. Intangible Assets

$ thousands	31/03/2012	31/03/2011	30/09/2011
Software - gross carrying amount	**1,875**	4,171	1,875
Software - accumulated amortisation	**(625)**	(2,296)	(312)
Total intangible assets	**1,250**	1,875	1,563

13. Borrowings

$ thousands	31/03/2012	31/03/2011	30/09/2011
Secured debenture stock	**1,455,810**	1,590,665	1,488,222
Committed credit facility utilised	**315,000**	275,000	200,000
Total borrowings	**1,770,810**	1,865,665	1,688,222

Registered secured debenture stock is constituted and secured by trust deed between certain companies within the UDC Finance Limited group (the "Charging Group") and independent trustees. The trust deed creates a security over all the assets, primarily loans and advances and operating lease assets, of the Charging Group. As at the date of these financial statements, the Company is the only member of the Charging Group.

The trust deed stipulates that the Charging Group must comply with certain conditions. These include that the aggregated amount of shareholder funds and uncalled capital be at least $40 million at all times. The Charging Group has fully complied with these requirements during the financial period.

The Company has a committed credit facility available on demand with ANZ National of $800 million (31 March 2011: $800 million; 30 September 2011: $800 million), of which $315 million was utilised as at 31 March 2012 (31 March 2011: $275 million; 30 September 2011: $200 million). The interest rate on the committed credit facility at 31 March 2012 was 4.02% (31 March 2011: 3.86%; 30 September 2011: 4.12%). The current credit facility expires on 30 September 2013. The Company can extend the term of the credit facility subject to agreement with ANZ National.

ANZ National secured bank borrowings and secured debentures would rank equally in the event of priority claims over the assets of the Company.

14. Payables and Other Liabilities

$ thousands	**31/03/2012**	31/03/2011	30/09/2011
Accrued interest payable	**21,239**	24,277	24,356
Accrued interest payable to ANZ National	**530**	1,180	1,125
GST and withholding taxes payable	**1,853**	2,404	3,493
Payables to other members of the ANZ National group	**1,843**	5,026	9,064
Other liabilities	**4,722**	3,452	3,991
Total payables and other liabilities	**30,187**	36,339	42,029

Intercompany settlement balances and accrued charges between the Company and other members of the ANZ National group are on normal commercial terms.

15. Related Party Transactions

Transactions with key management personnel

$ thousands	**6 months to 31/03/2012**	6 months to 31/03/2011	Year to 30/09/2011
Salaries and short-term employee benefits	**530**	469	725
Post-employment benefits	**14**	13	28
Other long-term benefits	**2**	3	5
Share-based payments	**5**	6	11
Total compensation of key management personnel	**551**	491	769
Deposits from key management personnel	**55**	55	55

Key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including directors and the Company's leadership team (whether executive or otherwise).

Loans made to and deposits held by key management personnel (including personally related parties) are made in the course of ordinary business on normal commercial terms and conditions no more favourable than those given to other employees or customers. Loans are fixed or variable and have been made in accordance with the Company's lending policies.

Transactions with other related parties

The parent company is ANZ National, which is incorporated in New Zealand. The ultimate parent company is Australia and New Zealand Banking Group Limited ("ANZ Group") which is incorporated in Australia. All members of the ANZ Group are considered to be related parties, and transactions with ANZ National and other members of the ANZ Group are disclosed throughout the financial statements.

Notes to the Financial Statements

16. Current and Non-Current Assets and Liabilities

$ thousands	31/03/2012 Current	31/03/2012 Non-current	31/03/2011 Current	31/03/2011 Non-current	30/09/2011 Current	30/09/2011 Non-current
Assets						
Short-term deposits with ANZ National	**86,609**	**-**	161,588	-	57,532	-
Loans and advances	**916,556**	**1,099,608**	916,035	1,075,089	884,565	1,063,957
Other assets	**1,258**	**18**	3,002	30	958	22
Deferred tax assets	**-**	**10,837**	-	15,112	-	12,886
Intangible assets	**-**	**1,250**	-	1,875	-	1,563
Total assets	**1,004,423**	**1,111,713**	1,080,625	1,092,106	943,055	1,078,428
Liabilities						
Borrowings	**1,183,257**	**587,553**	1,357,901	507,764	1,245,216	443,006
Payables and other liabilities	**30,187**	**-**	36,339	-	42,029	-
Current income tax liabilities	**16,599**	**-**	10,599	-	11,318	-
Provisions	**-**	**876**	-	946	-	970
Total liabilities	**1,230,043**	**588,429**	1,404,839	508,710	1,298,563	443,976

Asset and liabilities are classified as current if:

- it is expected they will be realised, consumed or settled in the normal operating cycle or within twelve months after the end of the reporting date; or
- they are held primarily for trading; or
- they are assets that are cash or a cash equivalent; or
- they are liabilities where there is no unconditional right to defer settlement for at least twelve months.

17. Ordinary Share Capital

Ordinary share capital	**31/03/2012**	31/03/2011	30/09/2011
Number of shares			
Total ordinary shares	**52,352,000**	52,352,000	52,352,000
Uncalled ordinary shares	**(31,600,000)**	(31,600,000)	(31,600,000)
Ordinary shares issued at beginning and end of the period	**20,752,000**	20,752,000	20,752,000
Ordinary paid in share capital			
$ thousands			
Total share capital	**52,352**	52,352	52,352
Uncalled share capital	**(31,600)**	(31,600)	(31,600)
Ordinary paid in share capital at beginning and end of the period	**20,752**	20,752	20,752

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regard to the Company's residual assets. No dividends were declared for the period to 31 March 2012 (31 March 2011: $nil; 30 September 2011: $nil).

18. Financial Risk Management

The Company manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports are conducted within the Company and also by ANZ National and by Australia and New Zealand Banking Group Limited (the "Ultimate Parent Bank"). Throughout this document, references to Risk Management implicitly involve oversight by both related entities.

Credit risk

Credit risk is the risk of financial loss from counterparties being unable to fulfil their contractual obligations. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, and encompasses both on and off-balance sheet instruments.

The Company has an overall lending objective of sound growth for appropriate returns. The credit risk objectives of the Company are set by the Board, and by ANZ National and the Ultimate Parent Bank, and are implemented and monitored within a tiered structure of delegated authorities, designed to oversee multiple facets of credit risk, including asset writing strategies, credit policies/controls, single exposures, portfolio monitoring and risk concentrations.

A credit risk management framework is in place across the Company with the aim of ensuring a structured and disciplined approach is maintained in achieving the objectives set by the Board. The framework focuses on policies, people, skills, vision, values, controls, risk concentrations and portfolio balance. It is supported by portfolio analysis and business-writing strategies, which guide lending decisions and identify segments of the portfolio requiring attention. The effectiveness of the framework is monitored through a series of compliance and reporting processes.

An independent Risk Management function is staffed by risk specialists. In regard to credit risk management, the objective is for Risk Management to provide robust credit policies, to make independent credit decisions, and to provide strong support to front line staff in the application of sound credit practices. In addition to providing independent credit assessment on lending decisions, Risk Management also performs key roles in portfolio management by development and validation of credit risk measurement systems, loan asset quality reporting, and development of credit standards and policies.

The credit risk management framework is top down. Where required, the framework is defined firstly by ANZ's values and vision, and secondly, by credit principles and policies. The effectiveness of the credit risk management framework is validated through a compliance and monitoring processes.

Risk Management's responsibilities for credit risk policy and management are executed through dedicated departments, which support the business units. All major credit decisions require approval from both business writers and independent risk personnel.

The credit quality of financial assets is assessed by the Company using internal ratings which aim to reflect the relative ability of counterparties to fulfil, on time, their credit-related obligations, and is based on their current probability of default.

Customer risk grades are reviewed periodically (at least annually for large customers) to ensure the risk grade accurately reflects the credit risk of the customer and the prevailing economic conditions. Similarly, the performance of risk grading tools used in the risk grading process is reviewed regularly to ensure the tools remain statistically valid.

Collateral management

The Company's credit principles specify lending only what the counterparty has the capacity and ability to repay, and the Company and ANZ National set limits on the acceptable level of credit risk. Acceptance of credit risk is firstly based on the counterparty's assessed capacity to meet contractual obligations (i.e. interest and capital repayments). Obtaining collateral is only used to mitigate credit risk. Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured where appropriate. The Company and ANZ National policy sets out the types of acceptable collateral, including:

- Charges over business assets, e.g. plant and equipment, premises, stock and debtors;
- Charges over financial instruments, e.g. debt securities and equities in support of trading facilities;
- Financial guarantees.
- Cash; and
- Mortgages over property;

In the event of customer default, any loan security is usually held as mortgagee in possession while action is taken to realise it. Therefore the Company does not usually hold any assets acquired through the enforcement of security.

a. Maximum exposure to credit risk

The following tables present the maximum exposure to credit risk of financial instruments before taking account of any collateral held or other credit enhancements, unless such collateral meets the offsetting criteria in *NZ IAS 32 Financial Instruments: Presentation,* and after deductions such as provisions for credit impairment.

The tables also provide a quantification of the value of charges the Company holds over a borrower's specific asset (or assets) where the Company is able to enforce the collateral in satisfying a debt in the event of the borrower failing to meet its contractual obligations. Estimates of fair value are based on the value of the collateral assessed at the time of the borrowing, and generally are not updated except when a loan is individually assessed as impaired. For the purposes of this disclosure, where security held is valued at more than the corresponding credit exposure, coverage is capped at the value of the credit exposure.

The Company also manages its credit risk by accepting other types of collateral such as guarantees and security interests over the assets of a customer's business. The assignable value of such credit mitigants is less certain and their financial effect has not been quantified for disclosure purposes. Loans and advances shown as not fully secured may benefit from such credit mitigants.

Notes to the Financial Statements

$ thousands	31/03/2012 Maximum Exposure to Credit Risk	31/03/2012 Fair Value of Assessable Collateral	31/03/2012 Remaining Credit Risk	31/03/2011 Maximum Exposure to Credit Risk	31/03/2011 Fair Value of Assessable Collateral	31/03/2011 Remaining Credit Risk
On-balance sheet credit exposure						
Short-term deposits with ANZ National	**86,609**	**-**	**86,609**	161,588	-	161,588
Loans and advances	**2,016,164**	**1,997,181**	**18,983**	1,991,124	1,966,178	24,946
Other financial assets	**1,258**	**-**	**1,258**	3,002	-	3,002
Total financial assets	**2,104,031**	**1,997,181**	**106,850**	2,155,714	1,966,178	189,536
Off-balance sheet credit exposure						
Contingent liabilities	**1,564**	**1,564**	**-**	842	842	-
Credit related commitments	**314,917**	**311,952**	**2,965**	211,010	208,366	2,644
Total off-balance exposures	**316,481**	**313,516**	**2,965**	211,852	209,208	2,644

$ thousands	30/09/2011 Maximum Exposure to Credit Risk	30/09/2011 Fair Value of Assessable Collateral	30/09/2011 Remaining Credit Risk
On-balance sheet credit exposure			
Short-term deposits with ANZ National	57,532	-	57,532
Loans and advances	1,948,522	1,921,549	26,973
Other financial assets	958	-	958
Total financial assets	2,007,012	1,921,549	85,463
Off-balance sheet credit exposure			
Contingent liabilities	1,706	1,706	-
Credit related commitments	228,825	225,657	3,168
Total off-balance exposures	230,531	227,363	3,168

b. Distribution of financial assets by credit quality

$ thousands	31/03/2012 Corporate Exposures	31/03/2012 Retail Exposures	31/03/2012 Total	31/03/2011 Corporate Exposures	31/03/2011 Retail Exposures	31/03/2011 Total
Neither past due nor impaired	**1,252,396**	**774,739**	**2,027,135**	1,219,351	717,698	1,937,049
Past due but not impaired:						
1 to 90 days	**10,453**	**30,162**	**40,615**	101,066	39,294	140,360
over 90 days	**12,114**	**4,631**	**16,745**	48,913	6,745	55,658
Net individually impaired assets	**35,000**	**7,364**	**42,364**	41,357	9,069	50,426
Collective provision for impairment	**(13,665)**	**(9,163)**	**(22,828)**	(17,091)	(10,688)	(27,779)
Total financial assets	**1,296,298**	**807,733**	**2,104,031**	1,393,596	762,118	2,155,714

$ thousands	30/09/2011 Corporate Exposures	30/09/2011 Retail Exposures	30/09/2011 Total
Neither past due nor impaired	1,182,446	748,291	1,930,737
Past due but not impaired:			
1 to 90 days	14,801	25,320	40,121
over 90 days	8,868	6,671	15,539
Net individually impaired assets	37,272	6,952	44,224
Collective provision for impairment	(14,169)	(9,440)	(23,609)
Total financial assets	1,229,218	777,794	2,007,012

Notes to the Financial Statements

c. Concentrations of credit risk

The Company monitors concentrations of credit risk by industry and geographic location. The concentration below exclude related party exposures.

Concentrations by geographic region	31/03/2012	31/03/2011	30/09/2011
Auckland	**31.4%**	32.0%	31.9%
Rest of North Island	**39.3%**	39.7%	39.9%
Canterbury	**13.7%**	13.4%	13.2%
Rest of South Island	**15.6%**	14.9%	15.0%
Concentrations of credit risk to individual counterparties or groups of closely related counterparties that exceed 10% of total equity			
Number of counterparties whose net loans and advances exceeds 10% of total equity			
10%-19%	**2**	2	1
20%-29%	**1**	-	1

Concentrations of credit risk by industry

The analysis of financial assets by industry sector was prepared using Australian and New Zealand Standard Industrial Classification ("ANZSIC") codes:

$ thousands	31/03/2012	31/03/2011	30/09/2011
Agriculture, forestry and fishing	**345,474**	330,005	345,163
Mining	**14,389**	14,011	13,155
Manufacturing	**149,859**	174,752	163,316
Electricity, gas and water	**4,525**	4,129	4,472
Construction	**227,190**	194,907	197,138
Retail and wholesale	**242,776**	241,010	218,096
Accommodation, cafes and restaurants	**9,343**	11,635	11,092
Transport and storage	**357,486**	382,819	351,072
Communications	**21,492**	25,315	24,562
Finance, investment and insurance	**94,892**	173,043	67,078
Property and business services	**129,827**	142,150	128,340
Government administration and defence	**5,914**	7,039	6,351
Education	**82,666**	82,740	84,268
Health and community services	**23,945**	25,754	26,011
Entertainment, leisure and tourism	**30,021**	27,323	30,596
Personal and other services	**364,232**	319,082	336,302
Total financial assets	**2,104,031**	2,155,714	2,007,012

d. Concentrations of credit risk by internal risk grading

$ thousands	31/03/2012	31/03/2011	30/09/2011
0 - 2	**170,417**	247,715	141,125
3 - 4	**281,296**	171,971	178,554
5	**549,909**	636,983	558,865
6	**979,069**	944,352	1,002,250
7 - 8	**103,804**	130,102	105,603
Default	**60,454**	78,978	63,107
Gross exposure to credit risk	**2,144,949**	2,210,101	2,049,504
Less: Provision for credit impairment	**(40,918)**	(54,387)	(42,492)
Total financial assets	**2,104,031**	2,155,714	2,007,012

Exposures to credit risk are graded by an ANZ National risk grade mechanism. Grade 0 is the highest quality credit risk. Grades 1-8 represent ascending steps in management's assessment of exposure at risk.

Notes to the Financial Statements

Interest rate risk

Interest rate risk for the Company is managed within the wider ANZ National group. As the Company is a wholly owned subsidiary of ANZ National all interest rate sensitivity analysis is managed at a group level.

The Company's interest rate risk has been transferred to ANZ National through the adoption of ANZ National's funds transfer pricing system, with charges and receipts based on market rates. ANZ National uses simulation models to quantify the potential impact of interest rate changes on earnings and the market value of the balance sheet. Interest rate risk management focuses on three principal sources of risk:

- mismatches between repricing dates of interest bearing assets and liabilities;
- the investment of capital and other non-interest bearing liabilities in interest bearing assets; and
- the potential risk to earnings or market value from differences between customer pricing and wholesale market pricing.

Interest rate sensitivity analysis and weighted effective interest rates

The cash flows relating to the Company's fixed rate assets and liabilities are not sensitive to changes in interest rates as they are at fixed rates and are measured at amortised cost. The Company's other financial assets and liabilities are non interest bearing.

A change in interest rates of 1% on floating rate assets would have an impact of $2.55m (31 March 2011: $3.07m; 30 September 2011: $2.13m) on total comprehensive income.

A change in interest rates of 1% on floating rate liabilities would have an impact of $1.57m (31 March 2011: $1.81m; 30 September 2011: $1.67m) on total comprehensive income.

ANZ National uses a combination of pricing initiatives and off-balance sheet instruments in the management of interest rate risk. For example, where a strong medium to long term rate view is held, hedging and pricing strategies are used to modify the profile's rate sensitivity so that it is positioned to take advantage of the expected movement in interest rates. However, such positions are taken within the overall risk limits specified by policy.

The following tables represent the interest rate sensitivity of the Company's assets, liabilities and off balance sheet instruments by showing the periods in which these instruments may reprice (that is, when interest rates applicable to each asset or liability can be changed).

The repricing gaps are based upon contractual repricing information except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at the Company's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Notes to the Financial Statements

$ thousands	Weighted Effective Interest Rate	Total Carrying Value	At Call Or Within 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Beyond 5 Years	Not Interest Bearing
31/03/2012									
Financial assets									
Short-term deposits with ANZ National	**2.50%**	**86,609**	**86,609**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**9.33%**	**2,016,164**	**1,070,072**	**116,338**	**211,370**	**328,353**	**288,340**	**1,691**	**-**
Other financial assets	**n/a**	**1,258**	**-**	**-**	**-**	**-**	**-**	**-**	**1,258**
Total financial assets		**2,104,031**	**1,156,681**	**116,338**	**211,370**	**328,353**	**288,340**	**1,691**	**1,258**
Financial liabilities									
Borrowings	**4.65%**	**1,770,810**	**786,333**	**303,131**	**408,793**	**138,338**	**134,215**	**-**	**-**
Other financial liabilities	**n/a**	**28,334**	**-**	**-**	**-**	**-**	**-**	**-**	**28,334**
Total financial liabilities		**1,799,144**	**786,333**	**303,131**	**408,793**	**138,338**	**134,215**	**-**	**28,334**
31/03/2011									
Financial assets									
Short-term deposits with ANZ National	2.50%	161,588	161,588	-	-	-	-	-	-
Loans and advances	9.54%	1,991,124	1,032,056	114,873	216,903	330,910	289,524	6,858	-
Other financial assets	n/a	3,002	-	-	-	-	-	-	3,002
Total financial assets		2,155,714	1,193,644	114,873	216,903	330,910	289,524	6,858	3,002
Financial liabilities									
Borrowings	5.13%	1,865,665	496,377	310,520	551,004	390,060	117,704	-	-
Other financial liabilities	n/a	33,935	-	-	-	-	-	-	33,935
Total financial liabilities		1,899,600	496,377	310,520	551,004	390,060	117,704	-	33,935
30/09/2011									
Financial assets									
Short-term deposits with ANZ National	2.50%	57,532	57,532	-	-	-	-	-	-
Loans and advances	9.46%	1,948,522	1,004,405	113,718	208,698	333,466	285,534	2,701	-
Other financial assets	n/a	958	-	-	-	-	-	-	958
Total financial assets		2,007,012	1,061,937	113,718	208,698	333,466	285,534	2,701	958
Financial liabilities									
Borrowings	4.92%	1,688,222	947,625	264,563	233,029	132,566	110,411	28	-
Other financial liabilities	n/a	38,536	-	-	-	-	-	-	38,536
Total financial liabilities		1,726,758	947,625	264,563	233,029	132,566	110,411	28	38,536

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations as they fall due. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Company and its Board.

The Company's liquidity and funding risks are governed by a detailed policy framework which is approved by Board. The core objective of the Company's framework is to manage liquidity to meet obligations as they fall due, without incurring unacceptable losses.

The Company manages liquidity risk through its daily cash forecast. This forecast takes into consideration a number of factors including the contractual maturities for financial liabilities and assets. The Company also maintains committed credit facilities with ANZ National to cover liquidity risks.

Notes to the Financial Statements

Contractual maturity analysis of financial assets and liabilities

The following tables present the Company's financial assets and liabilities within relevant contractual maturity groupings, based on the earliest date on which the Company may be required to realise an asset or settle a liability. The amounts disclosed in the tables represent undiscounted future principal and interest cash flows and may differ to the amounts reported on the balance sheet.

The Company does not manage its liquidity risk on the basis of the information below.

$ thousands	Total	At Call Or Within 3 Months	3-6 Months	6-12 Months	1-2 Years	2-5 Years	Beyond 5 Years
31/03/2012							
Assets							
Short-term deposits with ANZ National	**87,150**	**87,150**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2,275,206**	**479,015**	**201,541**	**362,140**	**578,208**	**620,147**	**34,155**
Other financial assets	**1,258**	**1,258**	**-**	**-**	**-**	**-**	**-**
Total financial assets	**2,363,614**	**567,423**	**201,541**	**362,140**	**578,208**	**620,147**	**34,155**
Liabilities							
Secured debenture stock	**1,499,477**	**476,815**	**306,656**	**418,297**	**144,771**	**152,938**	**-**
Committed credit facility utilised	**315,000**	**-**	**-**	**-**	**315,000**	**-**	**-**
Other financial liabilities	**28,334**	**28,334**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities	**1,842,811**	**505,149**	**306,656**	**418,297**	**459,771**	**152,938**	**-**
31/03/2011							
Assets							
Short-term deposits with ANZ National	162,598	162,598	-	-	-	-	-
Loans and advances	2,254,269	499,142	191,994	354,332	591,025	589,757	28,019
Other financial assets	3,002	3,002	-	-	-	-	-
Total financial assets	2,419,869	664,742	191,994	354,332	591,025	589,757	28,019
Liabilities							
Secured debenture stock	1,632,615	496,173	314,495	565,165	120,963	135,819	-
Committed credit facility utilised	275,000	-	-	-	275,000	-	-
Other financial liabilities	33,935	33,935	-	-	-	-	-
Total financial liabilities	1,941,550	530,108	314,495	565,165	395,963	135,819	-
30/09/2011							
Assets							
Short-term deposits with ANZ National	57,892	57,892	-	-	-	-	-
Loans and advances	2,203,968	459,872	193,716	356,202	566,751	597,949	29,478
Other financial assets	958	958	-	-	-	-	-
Total financial assets	2,262,818	518,722	193,716	356,202	566,751	597,949	29,478
Liabilities							
Secured debenture stock	1,529,225	756,821	267,817	238,762	139,088	126,708	29
Committed credit facility utilised	200,000	-	-	-	200,000	-	-
Other financial liabilities	38,536	38,536	-	-	-	-	-
Total financial liabilities	1,767,761	795,357	267,817	238,762	339,088	126,708	29

Capital management policy

The Company considers share capital and retained earnings to be capital for management purposes. The Trustee sets and monitors capital requirements for the Company as a whole. The Trustee requires the Company to maintain the aggregate amount of "Shareholders Funds" and "Uncalled Capital", as defined in the Trust Deed, at a value of not less than $40 million. The Company is also required to comply with certain minimum capital requirements under Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 as introduced by the Reserve Bank of New Zealand ("RBNZ").

The Company's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market confidence and to sustain future development of the business. The level of capital also affects the shareholder's return and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Company has complied with all Trustee and RBNZ imposed capital requirements throughout the period.

Notes to the Financial Statements

Other material business risks

The Company is also exposed to operational risks that are potentially inherent in day to day operations. These risks include natural disasters, criminal activity including fraud and forgery, systems failure, personnel failure and non-compliance with legislation and regulations. In accordance with Company policy, operational risks are managed as part of the day to day running of all business operations. Specialist units within ANZ National assist in managing operational risks by setting standards and policies, providing advisory and investigating services and monitoring compliance.

19. Fair Value of Financial Assets and Financial Liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Estimation of fair value

Where market prices are not available, the estimation of fair value involves the exercise of judgement in selecting valuation techniques and variables, such as discount rates, and may not reflect the price that would apply in an actual sale. Changing the assumptions changes the resulting estimate of fair value.

Short-term deposits
Where these financial instruments are short-term in nature, defined as those that reprice or mature in 90 days or less, or are receivable on demand, the carrying values are considered to approximate the fair values.

Loans and advances
Fair value has been estimated through discounting future cash flows. For fixed rate loans and advances, the discount rate applied incorporates changes in wholesale market rates, ANZ National's cost of wholesale funding and movements in customer margin. For floating rate loans, only changes in wholesale market rates and the ANZ National's cost of wholesale funding are incorporated in the discount rate. For variable rate loans where the Company sets the applicable rate at its discretion, the carrying value is considered to approximate the fair value.

Where the Company has established fair value using a market interest rate, the rate used for loans and advances is 8.81% (31 March 2011: 9.09%; 30 September 2011: 8.95%).

Other financial assets / liabilities
Included in this category are accrued interest and fees receivable / payable. For these balances the carrying value is considered to approximate the fair values, as they are short term in nature or are receivable / payable on demand.

Deposits and other borrowings
For interest bearing fixed maturity deposits and other borrowings without quoted market prices, market borrowing rates of interest for debt with similar maturity are used to discount contractual cash flows. The fair value of a deposit liability without a specified maturity or at call is deemed to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

Where the Company has established fair value using a market interest rate, the rate used for debenture borrowings is 5.05% (31 March 2011: 5.67%; 30 September 2011: 5.38%).

Comparison of carrying amount to fair value

The table below summarises the carrying amounts and fair values of each class of financial assets and liabilities. All financial assets and liabilities are carried at amortised cost. The methods and significant assumptions applied in determining fair values are outlined above.

Notes to the Financial Statements

$ thousands	31/03/2012 Carrying Amount	31/03/2012 Fair Value	31/03/2011 Carrying Amount	31/03/2011 Fair Value	30/09/2011 Carrying Amount	30/09/2011 Fair Value
Financial assets						
Short-term deposits with ANZ National	**86,609**	**86,609**	161,588	161,588	57,532	57,532
Loans and advances	**2,016,164**	**2,031,546**	1,991,124	2,003,850	1,948,522	1,962,259
Other financial assets	**1,258**	**1,258**	3,002	3,002	958	958
Total financial assets	**2,104,031**	**2,119,413**	2,155,714	2,168,440	2,007,012	2,020,749
Financial liabilities						
Borrowings	**1,770,810**	**1,776,564**	1,865,665	1,874,331	1,688,222	1,698,384
Payables and other financial liabilities	**28,334**	**28,334**	33,935	33,935	38,536	38,536
Total financial liabilities	**1,799,144**	**1,804,898**	1,899,600	1,908,266	1,726,758	1,736,920

20. Notes to the Statement of Cash Flows

$ thousands	6 months to 31/03/2012	6 months to 31/03/2011	Year to 30/09/2011
Reconciliation of profit after income tax to net cash flows used in operating activities			
Profit after income tax	**18,720**	9,139	28,901
Non-cash items:			
Depreciation of leasehold improvements and equipment	**4**	14	22
Provision for credit impairment	**1,799**	5,062	4,891
Amortisation of intangible assets	**313**	383	696
Deferrals or accruals of past or future operating cash receipts or payments:			
Net change in net operating assets less liabilities	**(77,389)**	(27,933)	21,767
Net change in accrued interest receivable	**(72)**	(1)	48
Net change in accrued interest payable	**(3,712)**	1,678	1,702
Net change in accrued expenses	**(686)**	(2,434)	(1,736)
Net change in deferred fee revenue and expenses	**276**	327	362
Net change in income tax assets / liabilities	**7,330**	3,621	6,567
Net change in provisions	**(94)**	(80)	(56)
Net cash flows used in operating activities	**(53,511)**	(10,224)	63,164

21. Lease Commitments

	31/03/2012	31/03/2011	30/09/2011
Future minimum lease payments under non-cancellable operating leases			
- Less than one year	**383**	405	410
- One year to five years	**340**	493	312
Total lease commitments	**723**	898	722

Notes to the Financial Statements

22. Contingent Liabilities, Credit Related Commitments and Market Related Contracts

Fair value information in respect of off-balance sheet financial instruments has not been disclosed as the estimated fair value is not material. The face or contract values of off-balance sheet financial instruments are as follows:

$ thousands	**31/03/2012**	31/03/2011	30/09/2011
Contingent liabilities			
Standby letters of credit	**1,524**	842	1,706
Commitments to extend credit			
- Undrawn facilities available to customers	**223,484**	126,218	193,519
- Conditional commitments to fund at future dates	**91,433**	84,792	35,306
Total off-balance sheet financial instruments	**316,441**	211,852	230,531

23. Funds Management and Other Fiduciary Activities

The Company acted as Manager for UDC Investment Funds, under which the following funds have been operated - UDC Call Maximiser Fund, UDC Term Maximiser Fund, ANZ Call Fund and ANZ Term Fund (together, the "Funds"). These Funds are managed as separate unit trusts. ANZ Call Fund and ANZ Term Fund were wound up in September 2011. UDC is proposing to close the UDC Call Maximiser and UDC Term Maximiser Funds in November 2012.

The assets of UDC Call Maximiser Fund and UDC Term Maximiser Fund are invested in the Company's secured debenture stock on normal market terms.

The assets and liabilities of the Funds are not included in these financial statements as they are not beneficially owned by the Company.

No fees were earned in respect of the Company's management activities. The Company paid expenses on behalf of the unit trusts of $21,000 (31 March 2011: $10,000; 30 September 2011: $44,000) for which no consideration was received.

On behalf of each of the UDC Call Maximiser Fund and UDC Term Maximiser Fund, ANZ National holds a bond with a face value of $40,000 in favour of Her Majesty the Queen.

$ thousands (Unaudited)	**31/03/2012**	31/03/2011	30/09/2011
UDC Call Maximiser Fund and UDC Term Maximiser Fund	**29,678**	59,939	51,160
ANZ Call Fund and ANZ Term Fund	**-**	47,874	-
Total funds under management	**29,678**	107,813	51,160

24. Subsequent Events

Subsequent to balance date, the Company has drawn down an additional $15 million of the committed credit facility with ANZ National. As at the date these financial statements were approved, the total amount borrowed under the facility was $330 million.

R A Wilks resigned from the Board effective 31 May 2012.

KPMG

Independent auditor's report

To the shareholders of UDC Finance Limited

Report on the financial statements

We have audited the accompanying financial statements of UDC Finance Limited ("the company") on pages 3 to 25. The financial statements comprise the balance sheet as at 31 March 2012, the statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the company. These matters have not impaired our independence as auditor of the company. The firm has no other relationship with, or interest in, the company.

KPMG

Opinion

In our opinion the financial statements on pages 3 to 25:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 31 March 2012 and of its financial performance and cash flows for the 6 month period then ended.

Report on other legal and regulatory requirements

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

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

KPMG

6 June 2012

Auckland