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New Zealand's Finance Company

UDC FINANCE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 September 2010

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BUSINESS & REGISTRIES
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Contents

Incorporation
UDC Finance Limited (the 'Company') was incorporated in New Zealand on 1 April 1938 under the Companies Act 1933. It was re-registered under the Companies Act 1993 on 23 June 1997.

Registered Office
The registered office of the Company is Level 6, 1 Victoria Street, Wellington.

Principal Place of Business
The principal place of business of the Company is Level 2, 107 Carlton Gore Road, Newmarket, Auckland.

Nature of Operations and Principal Activities
The Company is a New Zealand based finance company specialising in lending and investments.

The Company provides "asset-based" finance for plant, vehicles and equipment. The Company also offers a range of investment products such as secured term investments and call accounts.

Trustee of the Debenture Stock and Unsecured Notes Trust Deed
Trustees Executors Limited, Level 5, 10 Customhouse Quay, Wellington.

Parent Company
The Parent Company is ANZ National Bank Limited, which is incorporated in New Zealand. The Ultimate Parent Company is Australia and New Zealand Banking Group Limited, which is incorporated in Australia.

Directors Statement

The Financial Reporting Act 1993 requires the financial statements to be prepared for each financial year which give a true and fair view of the financial position of the Company and of the financial performance for that period. The directors believe that in preparing those financial statements, the officers of the Company have:

- selected suitable accounting policies that comply with New Zealand Generally Accepted Accounting Practice 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 financial statements for the year ended 30 September 2010.

For and on behalf of the Board of Directors

Director

Director

6 December 2010

Date of issue

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 September 2010

Continuing operations	**Note**	**Audited Year to 30/09/2010 $000**	Audited Year to 30/09/2009 $000
Interest income	4	**175,873**	197,700
Interest expense	5	**98,600**	130,187
Net interest income		**77,273**	67,513
Other operating income	4	**2,025**	1,500
Operating income		**79,298**	69,013
Operating expenses	5	**34,286**	34,989
Profit before provision for credit impairment and income tax		**45,012**	34,024
Provision for credit impairment	10	**17,343**	35,462
Profit (Loss) before income tax		**27,669**	(1,438)
Income tax expense (benefit)	6	**9,500**	(440)
Profit (Loss) after income tax from continuing operations		**18,169**	(998)
Release of provision for sale of discontinued operations	17	**-**	3,686
Profit after income tax		**18,169**	2,688
Total comprehensive income for the year		**18,169**	2,688

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

KPMG AUCKLAND Marked for Identification.

STATEMENT OF CHANGES IN EQUITY for the year ended 30 September 2010

	Note	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Ordinary share capital			
Balance at beginning and end of the year	18	**20,752**	20,752
Retained profits			
Balance at beginning of the year		**211,122**	208,434
Profit after income tax		**18,169**	2,688
Total comprehensive income for the year		**18,169**	2,688
Balance at end of the year		**229,291**	211,122
Total equity			
Balance at beginning of the year		**231,874**	229,186
Total comprehensive income for the year		**18,169**	2,688
Balance at end of the year		**250,043**	231,874

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

STATEMENT OF FINANCIAL POSITION as at 30 September 2010

	Note	Audited 30/09/2010 $000	Audited 30/09/2009 $000
Assets			
Cash and cash equivalents	7	**135,518**	27,196
Derivative financial instruments		**-**	80
Loans and advances	8	**1,968,771**	1,829,156
Other assets	11	**6,844**	2,985
Deferred tax assets	12	**15,057**	16,837
Leasehold improvements and equipment	13	**44**	328
Intangible assets	14	**1,197**	996
Total assets		**2,127,431**	1,877,578
Liabilities			
Borrowings	15	**1,828,310**	1,586,705
Payables and other liabilities	16	**41,130**	54,159
Current income tax liabilities		**6,922**	3,654
Provisions	17	**1,026**	1,186
Total liabilities		**1,877,388**	1,645,704
Net assets		**250,043**	231,874
Equity			
Ordinary share capital	18	**20,752**	20,752
Retained profits		**229,291**	211,122
Total equity		**250,043**	231,874

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

STATEMENT OF CASH FLOWS for the year ended 30 September 2010

	Note	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Cash flows from operating activities			
Interest received		**176,956**	198,899
Other income		**2,025**	279
Interest paid		**(108,105)**	(131,547)
Operating expenses paid		**(33,957)**	(33,366)
Income taxes paid		**(4,452)**	(11,767)
		32,467	22,498
Changes in operating assets and liabilities			
Net (increase) decrease in loans and advances		**(158,163)**	126,073
Net (increase) decrease in other assets		**(3,737)**	2,412
Net (decrease) increase in payables and other liabilities		**(3,026)**	518
Net cash flows (used in) provided by operating activities	28	**(132,459)**	151,501
Cash flows from investing activities			
Purchase of intangible asset		**(813)**	-
Purchase of leasehold improvements and equipment		**(11)**	(20)
Net cash flows provided by (used in) investing activities		**(824)**	(20)
Cash flows from financing activities			
Net increase (decrease) in borrowings		**241,605**	(147,018)
Net cash flows provided by (used in) financing activities		**241,605**	(148,018)
Net cash flows (used in) provided by operating activities		**(132,459)**	151,501
Net cash flows provided by (used in) investing activities		**(824)**	(20)
Net cash flows provided by (used in) financing activities		**241,605**	(147,018)
Net increase in cash and cash equivalents		**108,322**	4,463
Cash and cash equivalents at beginning of the year		**27,196**	22,733
Cash and cash equivalents at end of the year	7	**135,518**	27,196

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, the Securities Act 1978, and the Securities Act (Financial Institutions) Exemption Notice 2007 and are for UDC Finance Limited (the 'Company').

These financial statements have also 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 also 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 the 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) Basis of measurement

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts, except for derivative financial instruments which are stated at their fair value.

(iv) Changes in accounting policies and application of new accounting standards

NZ IFRS 8 Operating Segments ("NZ IFRS 8"), NZ IAS 1 Presentation of Financial Statements (revised) ("NZ IAS 1") and NZ IFRS 7 Financial Instruments: Disclosures (revised) ("NZ IFRS 7") became effective for the Company for the year ended 30 September 2010.

NZ IFRS 8 replaces NZ IAS 14 Segment Reporting and requires the use of a "management approach" to segment reporting. Segment information is therefore presented on the same basis as that used for internal reporting purposes.

In accordance with NZ IAS 1 a "statement of comprehensive income" has been disclosed showing net profit or loss and revenues and expenses recognised directly in equity. In addition the revised "statement of changes in equity" shows all changes in equity.

The amendments to NZ IFRS 7 required expanded fair value measurement disclosures and enhanced disclosures about the nature and extent of liquidity risk arising from financial instruments.

These standards/amendments are concerned with disclosure only and have not had a material impact on the financial results or position of the Company.

There have been no other changes in accounting policies or early adoption of accounting standards in the preparation and presentation of the financial statements.

(v) Rounding

The amounts contained in the financial statements are presented in thousands of New Zealand dollars, unless otherwise stated.

(vi) Comparatives

Certain amounts in the comparative information have been reclassified to ensure consistency with the current year's presentation.

(vii) Foreign currency translation

<u>Functional and presentation currency</u>

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 functional and presentation currency.

<u>Foreign currency transactions</u>

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 previous financial statements, are recognised in the Statement of Comprehensive Income in the period in which they arise.

Translation differences on non-monetary items, such as

1. ACCOUNTING POLICIES (continued)

(vii) Foreign currency translation

Foreign currency transactions (continued)

derivatives, measured at fair value through profit or loss, are reported as part of the fair value gain or loss on these items.

(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 financial 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.

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.

(iv) Gain or loss on sale of equipment, furniture and fittings

The gain or loss on the disposal of equipment, furniture and fittings is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is recognised as an item of other operating income or expense in the year in which the significant risks and rewards of ownership are transferred to the buyer.

(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) Share-based compensation expense

The Company's employees participate in various cash settled share-based compensation plans operated by the ANZ and largely comprise the Employee Share Acquisition Plan and the ANZ Share Option Plan. The Company purchases ANZ shares and share options for the benefit of its employees from the ANZ.

(iv) 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.

1. ACCOUNTING POLICIES (continued)

(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, in which case it is recorded in equity.

(ii) Current tax
Current tax is the expected tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date and 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 providing for temporary differences between the carrying amount 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

(i) Derivative financial instruments
Derivative financial instruments are contracts whose value is derived from changes in one or more underlying price index or other variables. They include forward rate agreements only.

Derivative financial instruments are entered into for customer-related reasons or for hedging purposes, where the derivative instruments are used to hedge the Company's exposures to currency risk.

Derivative financial instruments are designated as financial instruments at fair value upon initial recognition with gains or losses from subsequent measurement at fair value being recognised in the Statement of Comprehensive Income. Fair values are obtained from quoted prices in active markets including recent transactions.

(ii) 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 other impaired assets, restructured loans and assets acquired through the enforcement of security. Other 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.

Restructured loans are impaired assets for which the terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulty in complying with the original terms, and where the yield on the asset following restructuring is still above the Company's cost of funds.

Assets acquired through enforcement of security are those assets which are legally owned by the Company as a result of enforcing security. The Company will dispose of the repossessed security and use the proceeds to repay the loan.

Renegotiated loans are loans that would otherwise be past

1. ACCOUNTING POLICIES (continued)

(ii) Loans and advances (continued)

due or impaired had their terms not been renegotiated.

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 more than 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 assets'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 Statement of Financial Position 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.

(iii) Finance lease receivables

Finance lease receivables include amounts due from lessees in relation to finance leases.

The gross amount of contractual payments regarding lease finance to business customers that have a fixed rate and a fixed term are 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 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

(iv) Other intangible assets

Other 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, software assets are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. 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.

(v) Leasehold improvements and equipment, furniture and fittings

Leasehold improvements and equipment, furniture and fittings are carried at cost less accumulated depreciation and impairment. Assets are depreciated at rates based upon their expected useful lives to the Company, using the straight-line

1. ACCOUNTING POLICIES (continued)

(v) Leasehold improvements and equipment, furniture and fittings (continued)

method. The depreciation rates used for each class of asset are:

Furniture & equipment	10%
Computer & office equipment	12.5% - 33%

Leasehold improvements are amortised on a straight-line basis over the shorter of their useful lives or remaining terms of the lease.

At each reporting date, the carrying amounts of leasehold improvements and equipment, furniture and fittings are reviewed for impairment. If any such indication exists, the recoverable amount of the assets is estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the Statement of Comprehensive Income.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(F) LIABILITIES

(i) Borrowings

Borrowings include interest bearing deposits, debentures and other related interest bearing financial instruments. Borrowings are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. The interest expense is recognised using the effective interest 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 contributions to its defined contribution cash accumulation schemes are recognised as a personnel 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 schemes 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 the Company, and from income earned by the assets of the schemes. Members' contributions are at varying rates. Actuarial valuations are carried out at a 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 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. Any expected third party recoveries are recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(G) 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.

1. ACCOUNTING POLICIES (continued)

(ii) Offsetting of 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

Basis of preparation

The Statement of Cash Flows has been prepared using the direct approach modified by the netting of certain items as disclosed below.

Cash and cash equivalents

Cash and cash equivalents include liquid assets and amounts due from other financial institutions held for the purpose of meeting short-term cash commitments that are readily convertible to cash and subject to insignificant risk of changes in value.

Netting of cash flows

Certain cash flows have been netted in order to provide more meaningful disclosure, as many of the cash flows are received and disbursed on behalf of customers and reflect the activities of the customers rather than those of the Company. These include customer loans and borrowings.

(iv) Segment reporting

Business segments are distinguishable components of the Company that provide products or services that are subject to risks and reward that are different to those of other business segments.

The Company is organised as one business segment and this is the primary reporting format (See Note 25).

(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 cash flow statement 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.

(H) 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 27 Contingent Liabilities, Credit Related Commitments and Market Related Contracts. Specific details of the nature of the contingent liabilities are provided together with an estimate of the range or a statement that such an estimate is not practicable.

(ii) Funds under management and other fiduciary activities

The Company acted as manager for the unit trust, UDC Investment Funds, under which the following trusts are operated - UDC Call Maximiser Fund, UDC Term Maximiser Fund, ANZ Call Fund and ANZ Term Fund.

The assets of the trusts are invested in UDC Finance debenture stock. No fees were earned in respect of the Company's management activities. Financial services provided by, and assets purchased from the Company were at arm's length terms and conditions, and at fair value. These trusts are managed as separate unit trusts.

(iii) 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 is currently assessing the impact of applying these amendments to its financial statements.

NZ IFRS 9 Financial Instruments - effective periods commencing after 1 January 2013. Specifies a simpler methodology for classifying and measuring financial assets.

NZ IAS 24 Related Party Disclosures (revised) - effective periods commencing after 1 July 2011. Simplifies the definition of a related party clarifying its intended meaning.

Improvements to New Zealand equivalents to International Financial Reporting Standards 2010 – various effective dates. Is the International Accounting Standards Board's annual omnibus update of standards.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

These financial statements are prepared in accordance with NZ IFRS. However, 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.

Estimates

(a) Credit Provisioning

Provisions for impairment in customer loans and advances are raised by management to cover actual and expected losses arising from past events. Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on loans assessed collectively. Losses expected from future events, no matter how likely, are not recognised. The amount of the impairment loss is recognised as an expense in the Statement of Comprehensive Income.

The calculation of impairment provisions includes consideration of all expected cash flows associated with the loan. This includes any expected cash flows from realisation of security and interest and takes into account any costs expected to be incurred, including security realisation costs, legal and administration costs.

Individual provisions

An individual provision is raised where there is an expectation of a loss of principal, interest and/or fees and there is objective evidence of impairment.

At each balance date, the Company reviews individually significant loans for evidence of impairment. All relevant information, including the economic situation, solvency of the customer/guarantor, enforceability of guarantees, current security values and the time value of future cash flows are taken into account in determining individual provisions. At a minimum, individual provisions are reassessed on a monthly basis, upon receipt of a significant asset realisation or when there is a change in customer circumstances/business strategy.

Collective provisions

A collective provision is calculated for:

- Loans subject to individual assessment to cover losses which have been incurred but not yet identified; and
- For homogenous portfolios of loans that are not considered individually significant (e.g. small business loans).

The collective 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 then adjusted for the impact of current observable data.

For individually significant loans, historical loss experience used to calculate the collective provision is determined by taking into account historical information on probability of default and loss given default by risk grade. The collective provision on homogeneous or portfolio managed exposures is calculated by applying an expected loss factor to the outstanding drawn and undrawn balances in each loan portfolio. The expected loss factor is determined from internal historical loss data.

The long-term historical loss experience is reviewed by management and adjustments made to reflect current economic and credit conditions as well as taking into account such factors as concentration risk in an individual portfolio. In addition, management recognise that a certain level of imprecision exists in any model used to generate risk grading and provisioning levels. As such an adjustment is applied for model risk.

As at 30 September 2010, the Company total provision for credit impairment was $53,806,000 representing 2.73% of total net loans and advances (30 September 2009 $59,327,000 or 3.24%). Of the total provision for 30 September 2010, $28,721,000 (30 September 2009 $36,368,000) represented collective provisions; and $25,085,000 (30 September 2009 $22,959,000) represented individual provisions.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

(a) Credit Provisioning (continued)

Collective provisions (continued)
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 credit provision and credit impairment charge recorded in the financial statements.

(b) Provisions (other than credit provisions)

The Company holds provisions in respect of a range of future obligations such as long service leave, repairs and maintenance, and restructuring costs. Provisions carried for long service leave are supported by an independent actuarial report. Provisions for restructuring are only recognised when a detailed plan has been approved and the restructuring has either commenced or been announced. Costs relating to ongoing activities are not provided for.

Some provisions involve significant management judgement about the likely outcome of future events and estimated future cash flows. These judgements are based on management's assessment of conditions as at balance date. The provision raised could potentially be understated if factors affecting these judgements change. At 30 September 2010 the Company held provisions of $1,026,000 (30 September 2009 $1,186,000).

Judgements

Deferred tax Assets
The Company has judged that there will be sufficient taxable income in the future to utilise taxable losses 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 appropriately included as part of the effective interest rate. See Interest income accounting policy for more detail.

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

3. RISK MANAGEMENT POLICIES

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 the Parent Company, ANZ National Bank Limited, and the Ultimate Parent Company, Australia and New Zealand Banking Group Limited.

Credit risk, including concentrations of credit risk, credit risk to bank counterparties and related party credit risk is the potential loss arising from the non-performance by the counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual agreements, and encompasses both on and off-balance sheet instruments. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures which are carried out on a regular basis, the frequency of which is dependent on the level of risk. A central credit administration function oversees credit policy and asset quality.

Balance Sheet Risk Management embraces the management of non-traded interest rate risk, liquidity and the risk to capital and earnings as a result of exchange rate movements. A specialist balance sheet management unit within the Parent Company manages these risks in New Zealand, and is overseen by Risk Management and the Asset and Liability Committee (of the Parent Company).

- ***Interest rate risk*** management's objective is to produce strong and stable net interest income over time. The Company's interest rate risk has been transferred to the Parent Company through the adoption of the Parent Company's funds transfer pricing system. The Parent Company 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 two principal sources of risk: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

- ***Currency risk*** relates to the potential loss arising from the decline in the value of foreign currency positions, due to changes in foreign exchange rates. For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions are actively managed. The total amount of unmatched foreign currency assets and liabilities, and consequent foreign currency exposure, arising from each class of financial asset or liability, whether recognised or unrecognised, within each currency is not material.

- ***Liquidity risk*** is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The Company closely monitors and forecasts its liquidity risk. The Company has a high retention rate for its investments. The Company also maintains committed credit facilities with the Parent Company.

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, of not less than $40 million.

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 impact of the level of capital on shareholders return is also recognised 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 imposed capital requirements throughout the period.

There have been no material changes in the Company's management of capital during the year.

Other material business risks to which the Company is exposed consist of operational risks that are potentially inherent in day to day operations. These risks include natural disaster, 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 the Parent Company assist in managing operational risks by setting standards and policies, providing advisory and investigating services and monitoring compliance.

4. INCOME

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Interest income		
Interest received or receivable from lending:		
- Term Loans	**106,978**	107,034
- Current Accounts	**7,277**	9,773
- Hire purchase Contracts	**42,557**	58,127
- Finance Leases	**15,071**	20,788
- Individually impaired assets	**2,305**	-
- Related parties - ANZ National Bank Limited	**1,685**	1,978
Total interest income	**175,873**	197,700
Lending and credit facility fee income	**640**	833
Other income	**1,385**	667
Other operating income	**2,025**	1,500
Total income	**177,898**	199,200

5. EXPENSES

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Interest expense		
- Borrowings	**68,704**	111,226
- Related parties - ANZ National Bank Limited	**29,896**	18,961
Total interest expense	**98,600**	130,187
Operating expenses		
Personnel costs	**15,260**	16,095
Employee entitlements	**1,273**	1,401
Pension costs - defined contribution schemes	**422**	403
Share based compensation - ANZ National Bank Limited	**218**	393
Auditors' remuneration		
- In respect of auditing the accounts	**259**	282
- In respect of assurance and audit related services	**14**	11
Depreciation of leasehold improvements and equipment, furniture and fittings	**79**	202
Amortisation of software	**612**	459
Fees paid to related parties - ANZ National Bank Limited [1]	**9,372**	8,829
Technology	**1,728**	1,458
Advertising and public relations	**1,729**	1,090
Trustees fees	**142**	430
Motor vehicle - lease expenses	**521**	528
Motor vehicle - other expenses	**289**	223
Entertainment	**349**	333
Loss on disposal of fixed assets	**216**	-
Travel	**399**	359
Other costs	**1,404**	2,493
Total operating expenses	**34,286**	34,989

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

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6. TAX EXPENSE

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the Statement of Comprehensive Income		
Profit (Loss) before income tax	**27,669**	(1,438)
Prima facie income tax expense (benefit) at 30%	**8,301**	(431)
Entertainment expenses	**52**	68
Legal expenses	**1**	1
Other	**(3)**	(100)
	8,351	(462)
Income tax under provided in prior years	**19**	22
Tax effect of change in domestic tax rate [1]	**1,130**	-
Total income tax expense (benefit)	**9,500**	(440)
Effective tax rate	**34.3%**	30.6%
The major components of the income tax expense comprise:		
Amounts recognised in the Statement of Comprehensive Income		
Current income tax charge	**7,701**	3,880
Adjustments recognised in the current period in relation to current tax of prior periods	**19**	22
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	**1,780**	(4,342)
Total income tax expense (benefit) recognised in Statement of Comprehensive Income	**9,500**	(440)
Attributable to:		
Continuing operations	**9,500**	(440)

[1] 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 shown 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. UDC 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 UDC

7. CASH AND CASH EQUIVALENTS

	Audited 30/09/2010 $000	Audited 30/09/2009 $000
Cash and short term funds	**135,518**	27,196
Total cash and cash equivalents	**135,518**	27,196

The cash and short term funds are held with ANZ National Bank Limited (Parent Company - AA Credit Rating). The interest is received at wholesale interest rates, 3.00% at 30 September 2010 (30 September 2009 2.50%).

8. LOANS AND ADVANCES

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Term loans	**1,411,648**	1,332,372
Current accounts	**185,357**	168,344
Hire purchase contracts	**496,969**	459,016
Finance leases	**206,487**	194,660
Gross loans and advances	**2,300,461**	2,154,392
Deferred fee revenue and expenses	**(4,811)**	(3,606)
Provision for credit impairment (Note 10)	**(53,806)**	(59,327)
Unearned income	**(273,073)**	(262,303)
Total net loans and advances	**1,968,771**	1,829,156
Hire purchase contract receivables		
Gross investment in hire purchase contract receivables		
- Not later than one year	**214,415**	204,832
- Later than one year but not later than five years	**282,546**	254,184
- Later than five years	**8**	-
Total gross hire purchase contract receivables	**496,969**	459,016
Unearned income on hire purchase contracts	**79,308**	72,061
Present value of minimum hire purchase contract receivables	**417,661**	386,955
Present value of minimum hire purchase contract receivables		
- Not later than one year	**201,670**	192,620
- Later than one year but not later than five years	**215,991**	194,335
Present value of minimum hire purchase contract receivables	**417,661**	386,955
Provision for credit impairment on hire purchase receivables	**(6,205)**	(7,815)
Finance leases receivables		
Gross investment in finance lease receivables		
- Not later than one year	**78,164**	79,693
- Later than one year but not later than five years	**126,746**	110,904
- Later than five years	**1,577**	4,063
Total gross finance lease receivables	**206,487**	194,660
Unearned income on finance leases	**32,226**	29,606
Present value of minimum finance lease receivables	**174,261**	165,054
Present value of minimum finance lease receivables		
- Not later than one year	**74,173**	75,684
- Later than one year but not later than five years	**99,158**	86,891
- Later than five years	**930**	2,479
Present value of minimum finance lease receivables	**174,261**	165,054
Included in the above gross finance lease receivables are:		
Residual value on finance leases	**59,868**	40,893
Provision for credit impairment on finance lease receivables	**(2,578)**	(3,286)

9. INDIVIDUALLY IMPAIRED, RESTRUCTURED, RENEGOTIATED AND PAST DUE ASSETS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
On-balance sheet individually impaired, restructured, renegotiated and past due assets		
Individually impaired assets		
Balance at beginning of the year	59,183	37,421
Transfers to individually impaired assets from past due assets	75,797	89,356
Transfers from individually impaired assets to past due assets	(2,558)	(7,550)
Assets realised or loans repaid	(28,138)	(31,372)
Write offs	(22,488)	(28,672)
Balance at end of the year	81,796	59,183
Restructured assets		
Balance at beginning of the year	-	1,313
Transfers to restructured assets from productive assets	-	-
Transfers from restructured assets to productive assets	-	(1,313)
Balance at end of the year	-	-
Total impaired assets	81,796	59,183
Renegotiated assets (see note 23)	59,330	70,325
Past due assets		
Balance at the beginning of the year	107,818	166,955
Transfers to / from past due assets to productive assets	93,065	22,669
Transfers to past due assets from individually impaired assets	2,558	7,550
Transfers from past due assets to individually impaired assets	(75,797)	(89,356)
Balance at the end of the year	127,644	107,818
Interest foregone on impaired assets		
Gross interest receivable on impaired loans	6,029	5,607
Less Interest recognised	(2,305)	-
Net interest foregone on impaired loans	3,724	5,607

The past due assets for the Company represent 5.55% of gross loans outstanding (30 September 2009 5.00%).
All loan balances deemed collectable, that are classified as past due less than 90 days, are considered to be temporarily overdue.

10. PROVISION FOR CREDIT IMPAIRMENT

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Collective provision		
Balance at beginning of the year	36,368	36,996
(Credit) to Statement of Comprehensive Income	(7,647)	(628)
Balance at end of the year	28,721	36,368
Individual provision		
Balance at beginning of the year	22,959	14,253
Charge to Statement of Comprehensive Income	24,990	36,090
Recoveries	1,929	1,288
Discount unwind	(2,305)	-
Bad debts written off	(22,488)	(28,672)
Balance at end of the year	25,085	22,959
Total provision for credit impairment	53,806	59,327

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

Provision movement analysis		
New and increased provisions	32,088	39,623
Provision releases	(5,169)	(2,245)
	26,919	37,378
Recoveries	(1,929)	(1,288)
Individual provision charge	24,990	36,090
Collective provision (credit)	(7,647)	(628)
	17,343	35,462
Charge to Statement of Comprehensive Income		
Corporate exposures	14,469	17,386
Retail exposures	2,874	18,076
Charge to Statement of Comprehensive Income	17,343	35,462

Total provision for credit impairment has been deducted from gross loans and advances.

11. OTHER ASSETS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Current assets		
Accrued interest	**186**	64
GST receivable	**4,986**	2,672
Other assets	**1,672**	249
Total other assets	**6,844**	2,985

Accrued interest balances relate to funds that are held with ANZ National Bank Limited (Parent Company).

12. DEFERRED TAX ASSETS / LIABILITIES

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Non current deferred tax assets / liabilities		
Balance at beginning of the year	**16,837**	12,495
(Charge)/ Credit to Statement of Comprehensive Income	**(1,780)**	4,342
Balance at the end of year	**15,057**	16,837
Deferred tax assets / liabilities comprise the following temporary differences:		
Provision for credit impairment	**15,025**	17,798
Leasehold improvements, equipment and software	**(106)**	(198)
Provisions	**1,948**	1,993
Lease finance	**(3,432)**	(3,799)
Other	**1,622**	1,043
Net deferred tax assets	**15,057**	16,837
The deferred tax (charge) credit in the Statement of Comprehensive Income comprises the following temporary differences:		
Provision for credit impairment	**(2,773)**	2,397
Leasehold improvements, equipment and software	**92**	54
Provisions	**(45)**	340
Lease finance	**367**	715
Other	**579**	836
	(1,780)	4,342

The reduction in the corporate tax rate from 30% to 28% from the 2011/2012 tax year has been reflected when calculating the value of deferred tax assets as at 30 September 2010

13. LEASEHOLD IMPROVEMENTS AND EQUIPMENT, FURNITURE & FITTINGS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Non current assets		
Leasehold improvements		
At cost	-	888
Accumulated depreciation	-	(861)
Book value leasehold improvements	-	27
Equipment, furniture and fittings		
At cost	1,395	4,849
Accumulated depreciation	(1,351)	(4,548)
Book value equipment, furniture and fittings	44	301
Total leasehold improvements and equipment, furniture & fittings	44	328

Reconciliation of the carrying amounts for leasehold improvements and equipment, furniture & fittings are set out below:

Leasehold improvements		
Balance at beginning of the year	27	38
Disposals	(23)	-
Depreciation	(4)	(11)
Balance at end of the year	-	27
Equipment, furniture and fittings		
Balance at beginning of the year	301	472
Additions	11	20
Disposals	(193)	-
Depreciation	(75)	(191)
Balance at end of the year	44	301
Total leasehold improvements and equipment, furniture & fittings	44	328

In October 2009 UDC Finance Limited moved from directly leased premises to ANZ National Bank Group leased premises, for which an inter-company charge is incurred as part of fees paid to ANZ National Bank Limited (see Note 5). Due to the nature of the lease being within the ANZ National Group, future leasehold improvements will be accounted for by ANZ National Group rather than the Company.

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14. INTANGIBLE ASSETS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Non current assets		
Software		
Gross carrying amount		
Balance at beginning of the year	2,297	2,297
Additions from developments	813	-
Balance at end of the year	3,110	2,297
Accumulated amortisation		
Balance at beginning of the year	(1,301)	(842)
Amortisation expense	(612)	(459)
Balance at end of the year	(1,913)	(1,301)
Total intangible assets	1,197	996

No impairment losses have been recognised against the gross carrying amount of intangible assets for the year ended 30 September 2010 (30 September 2009 $nil).

15. BORROWINGS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Current borrowings		
Secured debenture stock	1,058,009	1,328,916
ANZ National Bank Limited facility	-	50,000
	1,058,009	1,378,916
Non current borrowings		
Secured debenture stock	320,301	207,789
ANZ National Bank Limited facility	450,000	-
Total borrowings - recognised at amortised cost	1,828,310	1,586,705

The Company has a committed credit facility available on demand with ANZ National Bank Limited of $800 million (30 September 2009 $500 million), of which $450 million was utilised as at 30 September 2010 (30 September 2009 $50 million). The interest rate on the committed credit facility at 30 September 2010 was 4.20% (30 September 2009 3.81%).

During the financial year ended 30 September 2010 the term of the committed credit facility with the ANZ National Bank Limited was increased from one year to two years.

Registered secured debenture stock is constituted and secured by trust deed between certain companies within the UDC 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 those companies. As at the date of these financial statements, UDC Finance Limited is the only member of the Charging Group.

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

Priority of claims over the assets would rank equally between secured debenture stock and the ANZ secured bank borrowings.

16. PAYABLES AND OTHER LIABILITIES

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Current payables and other liabilities		
Accrued interest secured debenture stock	**23,779**	33,284
Other accrued charges	**4,970**	5,468
Creditors	**686**	3,301
GST payable	**4,873**	3,820
Withholding taxes payable	**1,780**	1,911
Other liabilities	**5,042**	6,375
Total payables and other liabilities	**41,130**	54,159

Included in other liabilities, are intercompany settlement balances between the Company and other members of the ANZ Holdings (New Zealand) Limited Group of $4,932,000 at 30 September 2010 (30 September 2009 $6,275,000).

17. PROVISIONS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Non current liabilities - provisions		
Provision for employee entitlements		
Balance at beginning of the year	**1,186**	1,332
Provision utilised	**(160)**	(146)
Balance at end of the year	**1,026**	1,186
Provision for sale of discontinued operations		
Balance at beginning of the year	**-**	3,686
Provision released to Statement of Comprehensive Income	**-**	(3,686)
Balance at end of the year	**-**	-
Total provisions	**1,026**	1,186

Employee entitlements
The provision for employee entitlements provides for the cost of annual leave and long service leave.

Sale of discontinued operations
This provision was for certain indemnities the Company, as seller, provided in the sale and purchase agreement to the purchaser of Truck Leasing Limited. The provision was released in the prior financial year as there was no longer any expectation of future payments being required.

18. ORDINARY SHARE CAPITAL

	Audited Year to 30/09/2010 No. of Shares	Audited Year to 30/09/2009 No. of Shares
Ordinary share capital		
Total ordinary shares	**52,351,500**	52,351,500
Uncalled ordinary shares	**(31,600,000)**	(31,600,000)
Ordinary shares issued at beginning and end of the year	**20,751,500**	20,751,500

	Audited 30/09/2010 $000	Audited 30/09/2009 $000
Ordinary paid in share capital		
Total share capital	**52,352**	52,352
Uncalled share capital	**(31,600)**	(31,600)
Ordinary paid in share capital at beginning and end of the year	**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. Shares have no par value.
No dividends were declared for the year to 30 September 2010 (30 September 2009 $nil)

19. COMMITMENTS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Lease rentals		
Future minimum lease payments under non-cancellable operating leases:		
Vehicles		
Not later than 1 year	**312**	348
Later than 1 year but not later than 5 years	**499**	4
Total vehicle lease commitments	**811**	352
Premises		
Not later than 1 year	**-**	362
Later than 1 year but not later than 5 years	**-**	-
Total lease rental commitments	**-**	362
Total commitments	**811**	714

In October 2009 UDC Finance Limited moved from directly leased premises to ANZ National Bank Group leased premises. Consequently no direct lease costs were payable on the original lease from the end of the lease expiry date in January 2010. Going forward there is no formal lease agreement, only an annual charge as part of the group fee charged from the ANZ National Bank Limited for lease of its current premises.

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair Value Methodologies

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.

The fair values are based on relevant information available as at balance date. While judgement is used in obtaining the fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale.

The methodologies and assumptions used when determining fair value depend on the terms and risk characteristics of the various instruments and include the following:

Certain short term financial assets
For cash and short term funds, balances with other financial institutions with maturities of less than three months and other types of short term financial assets, the carrying value of these financial instruments are considered to approximate their fair values as they are short term in nature or are receivable on demand.

Derivative financial instruments
Derivative financial instruments are carried at fair value. Foreign exchange contracts were valued using market prices.

Loans and advances
The carrying value of loans and advances includes deferred fees and expenses, and is net of provision for credit impairment and income yet to mature. The estimated fair value of net loans and advances is based on the discounted amount of estimated future cash flows and accordingly has been adjusted for individual and collective impairment.

Estimated contractual cash flows for performing loans are discounted at estimated current bank credit spreads to determine fair value. For loans with doubt as to collection, expected cash flows (inclusive of the value of security) are discounted using a rate which includes a premium for the uncertainty of the flows.

The difference between estimated fair values of loans and advances and their carrying value reflects changes in interest rates and the credit worthiness of borrowers since loan origination.

Where the Company has established fair value using a market interest rate, the rate used for loans and advances is 9.22% (30 September 2009 9.78%).

Other financial assets
The carrying value of accrued interest and fees receivable approximate their fair values, as they are short term in nature or are receivable on demand.

Borrowings
The fair value of demand deposits is the amount payable on demand as at balance date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time. For liabilities with maturities of less than three months, the carrying values are considered to approximate their fair values as they are short term in nature.

For liabilities with maturities of three months or longer, fair values have been estimated using the discounted cash flow approach by reference to rates currently offered for similar liabilities of similar remaining maturities.

Where the Company has established fair value using a market interest rate, the rate used for debenture borrowings is 5.54% (30 September 2009 5.20%)

Payables and other financial liabilities
This category includes accrued interest and fees payable for which the carrying amount is considered to approximate their fair value, as they are short term in nature or are payable on demand. Income tax liabilities and provisions are not considered financial liabilities.

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The table below summarises the carrying amounts and fair values of each class of financial assets and liabilities.

The methods and significant assumptions applied in determining fair values are outlined on the previous page.

	Audited 30/09/2010 Carrying Amount $000	Audited 30/09/2010 Fair Value $000	Audited 30/09/2009 Carrying Amount $000	Audited 30/09/2009 Fair Value $000
Financial assets				
Cash and cash equivalents	135,518	135,518	27,196	27,196
Derivative financial instruments	-	-	80	80
Loans and advances	1,968,771	1,982,419	1,829,156	1,843,800
Other assets	1,858	1,858	313	313
Total financial assets	2,106,147	2,119,795	1,856,745	1,871,389
Financial liabilities				
Borrowings	1,828,310	1,834,642	1,586,705	1,593,831
Payables and other liabilities	34,477	34,477	48,428	48,428
Total financial liabilities	1,862,787	1,869,119	1,635,133	1,642,259

All financial assets and liabilities are carried at amortised cost with the exception of derivative financial instruments which are carried at their fair value (refer below)

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments that are required to be recognised at fair value in the balance sheet.

Level 1 : quoted prices in active markets for the same instrument
Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3 : valuation techniques for which any significant input is not based on observable market data

	Audited Year to 30/09/2010 Level 2 $000	Audited Year to 30/09/2009 Level 2 $000
Financial Assets		
Derivative financial instruments	-	80
	-	80
Financial Liabilities		
Derivative financial instruments	-	-
	-	-

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21. LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting its commitments when they fall due. As part of its risk management programme, the Company manages liquidity risk through its daily cash forecast. This forecast takes into consideration contractual maturities for financial liabilities and assets. A key factor in the management of liquidity risk by the Company is the existence of a $800 million (30 September 2009 $500 million) committed credit facility. This facility has a two year term.

The Company does not manage its liquidity on the basis of expected maturity dates. The following maturity analysis of assets and liabilities has been prepared on the basis of the remaining period to contractual maturity of principal and interest as at period end on an undiscounted basis.

Contractual maturity analysis for on-balance sheet financial assets and liabilities, including expected interest to maturity:

	Total $000	At Call Or Within 3 Months $000	3-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	Beyond 5 Years $000
Audited 30/09/2010							
Assets							
Cash and cash equivalents	**135,518**	**135,518**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**2,242,861**	**463,211**	**195,266**	**351,091**	**572,698**	**629,948**	**30,647**
Other assets	**1,858**	**1,858**	**-**	**-**	**-**	**-**	**-**
Total financial assets (inclusive of interest)	**2,380,237**	**600,587**	**195,266**	**351,091**	**572,698**	**629,948**	**30,647**
Liabilities							
Borrowings	**1,428,197**	**559,183**	**223,248**	**297,911**	**213,356**	**134,499**	**-**
Other liabilities	**34,477**	**34,477**	**-**	**-**	**-**	**-**	**-**
Committed credit facility utilised	**450,000**	**-**	**-**	**-**	**450,000**	**-**	**-**
Total financial liabilities (inclusive of interest)	**1,912,674**	**593,660**	**223,248**	**297,911**	**663,356**	**134,499**	**-**
Audited 30/09/2009							
Assets							
Cash and cash equivalents	27,196	27,196	-	-	-	-	-
Derivative financial instruments	80	48	32	-	-	-	-
Loans and advances	2,091,629	416,399	188,145	333,733	533,059	592,417	27,876
Other assets	313	313	-	-	-	-	-
Total financial assets (inclusive of interest)	2,119,218	443,956	188,177	333,733	533,059	592,417	27,876
Liabilities							
Borrowings	1,580,153	725,529	230,475	396,742	136,728	90,350	329
Other liabilities	48,428	48,428	-	-	-	-	-
Committed credit facility utilised	50,000	-	-	50,000	-	-	-
Total financial liabilities (inclusive of interest)	1,678,581	773,957	230,475	446,742	136,728	90,350	329

22. INTEREST RATE SENSITIVITY ANALYSIS AND WEIGHTED AVERAGE INTEREST RATES

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

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.

The Company is part of the ANZ National Bank Limited's (ANZ National) Fund Transfer Pricing System. ANZ National's responsibilities include managing deposits received and raising funds on the wholesale money market. Interest rate risk inherent in the balance sheet has been transferred to the Parent Company. Fund Transfer Pricing charges and receipts are based on market rates.

Interest rate sensitivity 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 fixed rate loans and receivables have no exposure to interest cashflow sensitivity as they are at fixed rates and are measured at amortised cost. The Company's derivatives and other financial assets are non interest bearing.

The Company's fixed rate liabilities have no exposure to interest cashflow sensitivity as they are at fixed rates and are measured at amortised cost. The Company's derivatives and other financial liabilities are non interest bearing.

A change in interest rates of 1% on floating rate assets would have an impact of $2.66m (30 September 2009 $1.84m) on profit and loss and equity.

A change in interest rates of 1% on floating rate liabilities would have an impact of $1.89m (30 September 2009 $2.68m) on profit and loss and equity.

In New Zealand, ANZ National Group 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.

	Weighted Effective Interest Rate	Total Carrying Value $000	At Call Or Within 3 Months $000	3-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	Beyond 5 Years $000	Not interest bearing $000
Audited 30/09/2010									
Financial assets									
Cash and cash equivalents	3.00%	135,518	135,518	-	-	-	-	-	-
Loans and advances	9.65%	1,968,771	986,100	117,843	214,164	346,158	298,253	6,253	-
Other assets	n/a	1,858	-	-	-	-	-	-	1,858
Total financial assets		2,106,147	1,121,618	117,843	214,164	346,158	298,253	6,253	1,858
Financial liabilities									
Borrowings	4.97%	1,828,310	546,822	220,514	290,673	653,254	117,047	-	-
Other liabilities	n/a	34,477	-	-	-	-	-	-	34,477
Total financial liabilities		1,862,787	546,822	220,514	290,673	653,254	117,047	-	34,477
On-balance sheet interest sensitivity gap		243,360	574,796	(102,671)	(76,509)	(307,096)	181,206	6,253	(32,619)
Interest sensitivity gap managed by Parent Company		(243,360)	(574,796)	102,671	76,509	307,096	(181,206)	(6,253)	32,619
Interest sensitivity		-	-	-	-	-	-	-	-

	Weighted Effective Interest Rate	Total Carrying Value $000	At Call Or Within 3 Months $000	3-6 Months $000	6-12 Months $000	1-2 Years $000	2-5 Years $000	Beyond 5 Years $000	Not interest bearing $000
Audited 30/09/2009									
Financial assets									
Cash and cash equivalents	2.50%	27,196	27,196	-	-	-	-	-	-
Derivative financial instruments	n/a	80	-	-	-	-	-	-	80
Loans and advances	9.71%	1,829,156	802,362	119,624	222,159	349,656	324,819	10,536	-
Other assets	n/a	313	-	-	-	-	-	-	313
Total financial assets		1,856,745	829,558	119,624	222,159	349,656	324,819	10,536	393
Financial liabilities									
Borrowings	5.40%	1,586,705	765,199	227,405	386,312	129,723	77,754	312	-
Other liabilities	n/a	48,428	-	-	-	-	-	-	48,428
Total financial liabilities		1,635,133	765,199	227,405	386,312	129,723	77,754	312	48,428
On-balance sheet interest sensitivity gap		221,612	64,359	(107,781)	(164,153)	219,933	247,065	10,224	(48,035)
Interest sensitivity gap managed by Parent Company		(221,612)	(64,359)	107,781	164,153	(219,933)	(247,065)	(10,224)	48,035
Interest sensitivity		-	-	-	-	-	-	-	-

23. CREDIT RISK

a. Maximum exposure to credit risk

The maximum credit risk of on-balance sheet financial assets is best represented by the carrying amount of the assets, net of any allowance for credit impairment. The credit risk exposure does not take into account the fair value of any collateral, in the event of other parties failing to perform their obligations under financial instruments.

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

On-balance sheet credit exposures

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Cash and cash equivalents	**135,518**	27,196
Derivative financial instruments	**-**	80
Loans and advances	**1,968,771**	1,829,156
Other assets	**1,858**	313
Total on-balance sheet financial assets	**2,106,147**	1,856,745

Concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The exposure is classified into Basel II asset classes (Corporate and Retail).

Corporate exposures	**1,351,676**	1,083,680
Retail exposures	**754,471**	773,065
Total on-balance sheet financial assets	**2,106,147**	1,856,745

b. *Credit risk management*

A core component of credit risk management capability is the risk grading framework used in the Company. A set of risk grading principles and policies are supported by a complimentary risk grading methodology.

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.

Past Due but not impaired - a financial asset is past due when a customer has failed to make a payment when contractually due.

Impaired exposures are those where there is doubt as to whether the full contractual amount (including interest) will be received. All loans past due older than 90 days are reclassified as impaired. Where the value of collateral is sufficient to repay both the principal debt and all potential interest and there is no concern about the creditworthiness of the customer in question, the exposure is then classified as Past Due but not impaired.

Restructured loans are impaired assets for which the terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulty in complying with the original terms, and where the yield on the asset following restructuring is still above the Company's cost of funds.

Renegotiated loans are loans that would otherwise be past due or impaired had their terms not been renegotiated.

The Company establishes an allowance for impairment losses that represents its estimate of incurred losses on its loan portfolio. The main components of this allowance are a specific component that relates to individually significant exposures, and a collective loss allowance established for groups of homogeneous loans for losses that have been incurred, but have not been identified on loans subject to individual assessment for impairment.

The Company writes off a loan (and any related allowances for impairment losses) when it is determined that the loan is uncollectible. The factors considered in making the decision are the occurrence of significant changes in the borrower's financial position and changes in the proceeds available from collateral.

23. CREDIT RISK (continued)

c. Exposure to credit risk

The Company's material credit risk arises from loans and advances made to customers.

Audited 30 September 2010	**Corporate Exposures**	**Retail Exposures**	**Total**
Neither past due nor impaired			
- Cash and cash equivalents and other assets	**137,376**	**-**	**137,376**
- Loans and advances	**1,105,254**	**707,883**	**1,813,137**
	1,242,630	**707,883**	**1,950,513**
Past due but not impaired			
Up to 30 days	**61,453**	**27,902**	**89,355**
30 to 60 days	**9,488**	**9,727**	**19,215**
60 to 90 days	**655**	**3,640**	**4,295**
	71,596	**41,269**	**112,865**
Past due and impaired			
90 days plus	**7,623**	**7,156**	**14,779**
	79,219	**48,425**	**127,644**
less Collective provision for impairment (see note 10)	**(17,708)**	**(11,013)**	**(28,721)**
Individually impaired (see note 9)	**68,784**	**13,012**	**81,796**
less provision for individual impairment (see note 10)	**(21,249)**	**(3,836)**	**(25,085)**
Net individually impaired	**47,535**	**9,176**	**56,711**
Total on-balance sheet financial assets	**1,351,676**	**754,471**	**2,106,147**
Renegotiated loans (see note 9)	**53,979**	**5,351**	**59,330**

Audited 30 September 2009	**Corporate Exposures**	**Retail Exposures**	**Total**
Neither past due nor impaired			
- Cash and cash equivalents and other assets	27,589	-	27,589
- Loans and advances	1,000,650	720,832	1,721,482
	1,028,239	720,832	1,749,071
Past due but not impaired			
Up to 30 days	28,840	32,294	61,134
30 to 60 days	6,771	11,247	18,018
60 to 90 days	3,449	6,236	9,685
	39,060	49,777	88,837
Past due and impaired			
90 days plus	10,396	8,585	18,981
	49,456	58,362	107,818
less Collective provision for impairment (see note 10)	(20,837)	(15,531)	(36,368)
Individually impaired (see note 9)	38,112	21,071	59,183
less provision for individual impairment (see note 10)	(11,290)	(11,669)	(22,959)
Net individually impaired	26,822	9,402	36,224
Total on-balance sheet financial assets	1,083,680	773,065	1,856,745
Renegotiated loans (see note 9)	68,923	1,402	70,325

23. CREDIT RISK (continued)

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
d. Concentrations of credit risk		
The Company monitors concentrations of credit risk by industry and geographic location.		
Concentrations by Geographic region		
Auckland	**31.93%**	31.68%
Rest of North Island	**39.52%**	39.56%
Canterbury	**13.31%**	13.91%
Rest of South Island	**15.25%**	14.85%
These concentrations exclude any related party exposure		
Concentrations by largest counterparties		
As a % of total on-balance sheet financial assets	**4.38%**	4.85%
As a % of total equity	**36.91%**	38.88%
Concentrations of credit risk to individual counterparties or groups of closely related counterparties		
Number of counterparties whose net loans and advances exceeds 10% of total equity		
10%-19%	**1**	1
20%-25%	**1**	1
These concentrations exclude any related party exposures		
Concentrations of credit risk by industry		
Analyses of financial assets by industry sector using Australian and New Zealand Standard Industrial Classification (ANZSIC) codes were as follows:		
Agriculture, forestry and fishing	**323,180**	291,255
Mining	**12,220**	17,405
Manufacturing	**183,810**	174,887
Electricity, gas and water	**3,685**	3,006
Construction	**203,812**	185,630
Retail and wholesale	**216,089**	194,209
Accommodation, cafes and restaurants	**12,164**	8,563
Transport and storage	**395,058**	355,576
Communications	**23,879**	15,164
Finance, investment and insurance	**144,543**	34,085
Property and business services	**138,269**	156,265
Government administration and defence	**8,233**	11,011
Education	**82,577**	74,878
Health and community services	**23,280**	16,387
Entertainment, leisure and tourism	**34,054**	36,016
Personal and other services	**301,294**	282,408
Total on-balance sheet financial assets	**2,106,147**	1,856,745

e. Concentrations of credit risk by internal risk grading		
Grade 0	**74,561**	59,508
Grade 1	**901**	1,303
Grade 2	**4,411**	6,343
Grade 3	**27,500**	25,493
Grade 4	**134,496**	76,760
Grade 5	**550,753**	496,180
Grade 6	**986,880**	910,321
Grade 7	**71,770**	103,004
Grade 8	**60,790**	114,019
Grade 9	**908**	2,958
Grade 10	**55,801**	33,267
No internal risk grading		
- cash and cash equivalents and other assets	**137,376**	27,589
Total on-balance sheet financial assets	***2,106,147***	*1,856,745*

Exposures to credit risk are graded by an ANZ National Bank Group risk grade mechanism. Grade 0 is the highest quality credit risk. Grades 9 and 10 represent the grades where potential loss is possible. Grades 1 to 8 represent ascending steps in management's assessment of exposures at risk.

23. CREDIT RISK (continued)

f. Estimated value of collateral and other charges related to financial assets that are individually impaired

Collateral requirements

The company holds collateral against loans and advances to customers in the form of registered interests over property, other registered securities over assets, and guarantees.

Although the Company relies primarily on the integrity of borrowers and their ability to make contracted repayments the Company also requires appropriate collateral for loans. This collateral is usually by way of first charge over the asset financed and frequently includes personal guarantees from business owners.

Estimated value of collateral

The table below discloses the estimated value of collateral and other charges related to financial assets that are individually impaired. For the purposes of this disclosure, at the time of lending UDC ensures that there is adequate collateral over the loan amount, where the collateral held is valued at more than the corresponding credit exposure, coverage is capped at the value of the credit exposure.

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Credit exposure - loans and advances	**81,796**	59,183
Unsecured portion of credit - loans and advances	**(25,085)**	(22,959)
Total value of collateral - loans and advances	**56,711**	36,224

g. Commitments to extend credit

Undrawn facilities available to customers	**193,285**	216,935
Conditional commitments to fund at future dates	**28,911**	25,484

24. CONCENTRATIONS OF FUNDING

Other than related party transactions, predominately all funding is received from New Zealand households, and there are no significant concentrations of funding from individual household depositors.

25. *SEGMENTAL ANALYSIS*

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 banking industry in New Zealand. The company has very limited exposure to risks associated with operating in different economic environments or political conditions. On this basis no geographical segment information is provided.

26. FUNDS MANAGEMENT AND OTHER FIDUCIARY ACTIVITIES

The Company acted as Manager for the unit trust, UDC Investment Funds, under which the following funds are operated - UDC Call Maximiser Fund, UDC Term Maximiser Fund, ANZ Call Fund and ANZ Term Fund. These funds are managed as separate unit trusts. The Trustee of the Funds is Trustees Executors Limited. UDC Call Maximiser Fund and UDC Term Maximiser Fund began taking deposits on 1 May 2008, ANZ Call Fund and ANZ Term Fund began taking deposits on 6 October 2008.

The assets and liabilities of the trust 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 $87,000 in the current year for which no consideration was received (30 September 2009 $176,000).

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

	Unaudited 30/09/2010 $000	Unaudited 30/09/2009 $000
UDC Call Maximiser Fund and UDC Term Maximiser Fund	**58,544**	93,432
ANZ Call Fund and ANZ Term Fund	**47,242**	44,581
Total funds under management	**105,786**	138,013

27. CONTINGENT LIABILITIES, CREDIT RELATED COMMITMENTS AND MARKET RELATED CONTRACTS

The credit risk exposure of contingent liabilities and credit related commitments has been based upon the credit equivalent amounts determined in accordance with the Reserve Bank of New Zealand's capital adequacy guidelines. Fair value information in respect of off-balance sheet financial instruments has not been disclosed as the estimated fair value is not material.

The estimated face or contract values and credit equivalent amounts are as follows:

	Audited 30/09/2010		Audited 30/09/2009	
	Face or Contract Value $000	**Credit Equivalent Exposure $000**	Face or Contract Value $000	Credit Equivalent Exposure $000
Contingent liabilities				
Standby letters of credit	**1,173**	**235**	3,277	655
Credit related commitments				
Commitments to extend credit	**222,196**	**-**	242,419	-
Foreign exchange contracts				
Foreign exchange forward rate contracts	**92**	**18**	2,615	523
Total contingent liabilities and credit related commitments	**223,461**	**253**	248,311	1,178

Contingent tax liability
As at 30 September 2010, there were no contingent liabilities

The New Zealand Inland Revenue Department ("IRD") had been reviewing a number of structured finance transactions carried out by the ANZ Holdings (New Zealand) Limited Group which could give rise to a potential tax liability for the Company. During the year ended 30 September 2010 ANZ National Bank Limited reached a settlement with the IRD in relation to all of the transactions in dispute. This did not result in any liability borne directly by the Company

28. NOTES TO THE STATEMENT OF CASH FLOWS

	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Reconciliation of Statement of Comprehensive Income to net cash flows provided by operating activities		
Total Comprehensive Income	**18,169**	2,688
Non cash items		
Revaluation of derivative financial instruments	**80**	(93)
Depreciation leasehold improvements and equipment	**79**	202
Provision for credit impairment	**17,343**	35,462
Amortisation of intangible assets	**612**	459
Capitalised interest	**-**	355
Deferrals or accruals of past or future operating cash receipts or payments:		
Net (increase) decrease in loans and advances	**(158,163)**	126,073
Net (increase) decrease in accrued interest income	**(122)**	213
Net (decrease) in accrued interest expense	**(9,505)**	(1,360)
Net (decrease) increase in accrued charges	**(498)**	1,200
Net decrease (increase) in income tax assets	**1,780**	(4,342)
Net increase (decrease) in income tax liabilities	**3,268**	(7,864)
Net (increase) decrease in other assets	**(3,737)**	2,412
Net (decrease) increase in payables and other liabilities	**(3,026)**	518
Net (decrease) in provisions	**(160)**	(146)
Net increase (decrease) in deferred fee revenue and expenses	**1,205**	(590)
Items classified as investing/financing:		
Release of provision for sale of discontinued operations	**-**	(3,686)
Loss on disposal of fixed assets	**216**	-
Net cash flows (used in) provided by operating activities	**(132,459)**	151,501

29. RELATED PARTY TRANSACTIONS

Compensation of Key Management Personnel	Audited Year to 30/09/2010 $000	Audited Year to 30/09/2009 $000
Key management personnel compensation		
Salaries and short-term employee benefits	**2,401**	2,250
Post-employment benefits	**107**	129
Other long-term benefits	**12**	13
Termination benefits	**199**	108
Share-based payment	**46**	39
Total compensation of key management personnel	**2,765**	2,539
Loans to key management personnel	**152**	34
Deposits from key management personnel	**104**	62

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 on terms that range between fixed and variable, all of which have been made in accordance with the Company's lending policies.

No provision for credit impairment has been recognised for loans made to key management personnel for the year ended 30 September 2010 (30 September 2009 $nil).

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 UDC Leadership team (whether executive or otherwise).

No provision for credit impairment on related party balances has been recognised for the year ended 30 September 2010 (30 September 2009 $nil).

30. PARENT COMPANY

The Parent Company is ANZ National Bank Limited which is incorporated in New Zealand. The Ultimate Parent Company is Australia and New Zealand Banking Group Limited which is incorporated in Australia.

31. SUBSEQUENT EVENTS

Subsequent to 30 September 2010, the Company has repaid $150 million to ANZ National Bank Limited on the committed credit facility agreement. This reduces the total amount borrowed to $300 million on the $800 million facility.

The financial statements were authorised for issue by the Directors on 6 December 2010.

KPMG

Independent Auditor's Report

To the Shareholder of UDC Finance Limited

Report on the Financial Statements

We have audited the accompanying financial statements of UDC Finance Limited (''the company") on pages 4 to 35. The financial statements comprise the statement of financial position as at 30 September 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and 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 audit services to the Company. Partners and employees of our firm may also deal with the company on normal terms within the ordinary course of trading activities of the business of the company. There are, however, certain restrictions on dealings which the partners and employees of our firm can have with the Company. These matters have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

KPMG

Opinion

In our opinion the financial statements of UDC Finance Limited on pages 4 to 35:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 30 September 2010 and of its financial performance and cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

- we have obtained all the information and explanations 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.

6 December 2010

KPMG

Auckland

Annual Report of UDC Finance Limited for the Year to 30 September 2010

Pursuant to section 211(3) of the Companies Act 1993 (the "Act'), the shareholder of the Company has agreed that the annual report of the Company need not comply with any of the paragraphs (a), and (e) to (j) of subsection (1) and subsection (2) of section 211.

Accordingly, there is no information to be provided in this Annual Report other than the financial statements for the year to 30 September 2010 and the Audit Report thereon, which are enclosed.

______________________ Director

______________________ Director

6 December 2010 Date