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**UDC FINANCE LIMITED
("Company")**

**PROSPECTUS DATED 22 DECEMBER 2010
AS AMENDED BY A MEMORANDUM OF AMENDMENTS DATED 30 MAY 2011
("Prospectus")**

DIRECTORS' CERTIFICATE

(Given under section 37A(1A) of the Securities Act 1978 by the Directors of the Company)


The following statement is given under section 37A(1A) of the Securities Act 1978 in respect of the Prospectus:

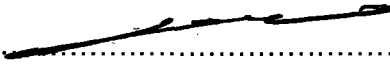
We hereby state that, in the opinion of all the Directors of the Company as the issuer of the securities, after due enquiry by them:

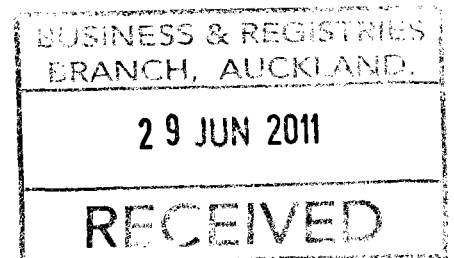
- the financial position of the Company as shown in the statement of financial position which is referred to in the Prospectus has not materially and adversely changed during the period from 30 September 2010 to the date of this certificate; and
- the Prospectus is not, at the date of this certificate, false or misleading in a material particular by reason of failing to refer, or give proper emphasis, to adverse circumstances.

Dated this 29th day of June 2011

SIGNED on behalf of all the Directors of the Company by:


..... Director
Name (print): Bruce William ANDERSON


..... Director
Name (print): Richard Arthur WILKS



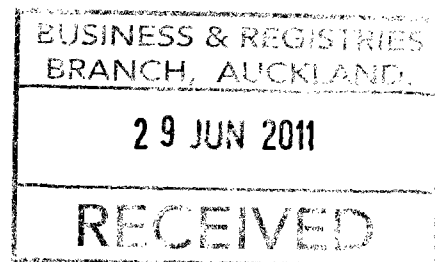


UDC FINANCE LIMITED

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

31 March 2011



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UDC FINANCE LIMITED

GENERAL DISCLOSURES

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 ("ANZ Group"), which is incorporated in Australia.

Directors Statement

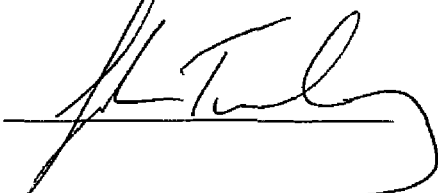
The Securities Regulations 2009 require issuers that continuously offer debt securities to the public to prepare annual financial statements and half-yearly financial statements. These financial statements have been prepared in accordance with the Financial Reporting Act 1993, which requires financial statements to give a true and fair view of the financial position and financial performance of the Company. The Directors believe that in preparing these financial statements, the officers of the Company have:

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

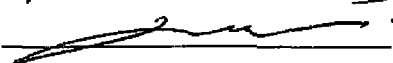
The directors confirm that accounting records have been kept that will at any time enable the financial position of the Company to be determined with reasonable accuracy and will enable the directors to ensure that the financial statements comply with the Financial Reporting Act 1993.

Based on the above, the Board of Directors of the Company approve these financial statements for the six months ended 31 March 2011.

For and on behalf of the Board of Directors



Director



Director

8 / 06 / 2011

Date of issue

STATEMENT OF COMPREHENSIVE INCOME for the period ended 31 March 2011

	Note	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Interest income	4	92,796	85,730	175,873
Interest expense	5	58,211	51,422	98,600
Net interest income		34,585	34,308	77,273
Other operating income	4	482	435	2,025
Operating income		35,067	34,743	79,298
Operating expenses	5	15,332	15,930	34,286
Profit before provision for credit impairment and income tax		19,735	18,813	45,012
Provision for credit impairment	10	6,639	13,710	17,343
Profit before income tax		13,096	5,103	27,669
Income tax expense	6	3,957	1,556	9,500
Profit after income tax		9,139	3,547	18,169
Total comprehensive income for the period		9,139	3,547	18,169



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

STATEMENT OF CHANGES IN EQUITY for the period ended 31 March 2011

	Note	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Ordinary share capital				
Balance at beginning and end of the period	17	20,752	20,752	20,752
Retained profits				
Balance at beginning of the period		229,291	211,122	211,122
Profit after income tax		9,139	3,547	18,169
Total comprehensive income for the period		9,139	3,547	18,169
Balance at end of the period		238,430	214,669	229,291
Total equity				
Balance at beginning of the period		250,043	231,874	231,874
Total comprehensive income for the period		9,139	3,547	18,169
Balance at end of the period		259,182	235,421	250,043



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

STATEMENT OF FINANCIAL POSITION as at 31 March 2011

	Note	Audited 31/03/2011 \$000	Audited 31/03/2010 \$000	Audited 30/09/2010 \$000
Assets				
Cash and cash equivalents	7	161,588	54,445	135,518
Loans and advances	8	1,991,124	1,838,340	1,968,771
Other assets	11	8,694	4,676	6,844
Deferred tax assets	12	15,112	18,559	15,057
Leasehold improvements and equipment, furniture & fittings		30	57	44
Intangible assets	13	1,875	766	1,197
Total assets		2,178,423	1,916,843	2,127,431
Liabilities				
Borrowings	14	1,865,665	1,633,392	1,828,310
Payables and other liabilities	15	42,031	40,119	41,130
Current income tax liabilities		10,599	6,933	6,922
Provisions	16	946	978	1,026
Total liabilities		1,919,241	1,681,422	1,877,388
Net assets		259,182	235,421	250,043
Equity				
Ordinary share capital	17	20,752	20,752	20,752
Retained profits		238,430	214,669	229,291
Total equity		259,182	235,421	250,043



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

STATEMENT OF CASH FLOWS for the period ended 31 March 2011

	Note	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Cash flows from operating activities				
Interest received		91,544	85,978	176,956
Other income		482	435	2,025
Interest paid		(56,533)	(60,750)	(108,105)
Operating expenses paid		(17,449)	(17,507)	(33,957)
Income taxes paid		(335)	1	(4,452)
		17,709	8,157	32,467
Changes in operating assets and liabilities				
Net increase in loans and advances		(27,741)	(23,218)	(158,163)
Net increase in other assets		(1,849)	(1,615)	(3,737)
Net increase (decrease) in payables and other liabilities		1,657	(2,966)	(3,026)
Net cash flows used in operating activities	27	(10,224)	(19,642)	(132,459)
Cash flows from investing activities				
Expenditure on intangible assets		(1,061)	-	(813)
Proceeds from sale of assets		-	211	-
Purchase of leasehold improvements and equipment		-	(7)	(11)
Net cash flows (used in) provided by investing activities		(1,061)	204	(824)
Cash flows from financing activities				
Net increase in borrowings		37,355	46,687	241,605
Net cash flows provided by financing activities		37,355	46,687	241,605
Net cash flows used in operating activities		(10,224)	(19,642)	(132,459)
Net cash flows (used in) provided by investing activities		(1,061)	204	(824)
Net cash flows provided by financing activities		37,355	46,687	241,605
Net increase in cash and cash equivalents		26,070	27,249	108,322
Cash and cash equivalents at beginning of the period		135,518	27,196	27,196
Cash and cash equivalents at end of the period	7	161,588	54,445	135,518



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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, 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

There have been no 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 have been rounded to the nearest thousand dollars except where otherwise indicated.

(vi) Comparatives

Certain amounts in the comparative information have been reclassified to conform with the current periods financial statement presentation.

(vii) Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different to those at which they were initially recognised or included in 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 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 rate method.

The effective interest rate 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 assessed on a regular basis.



NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(B) INCOME RECOGNITION (continued)

(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 rate 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 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 period 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 rate 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 Group and largely comprise the Employee Share Acquisition Plan and the ANZ Group Share Option Plan. The Company purchases ANZ Group shares and share options for the benefit of its employees from the ANZ Group.

ANZ ordinary shares

The fair value of ANZ Group ordinary shares granted under the Employee Share Acquisition Plan is measured at grant date, using the one-day volume weighted average market price of ANZ Group shares. The fair value is expensed immediately when shares vest or on a straight-line basis over the relevant vesting period.

Share options

The fair value of ANZ Group share options is measured at grant date, using an option pricing model. The fair value is expensed on a straight-line basis over the relevant vesting period. This is recognised as an employee compensation expense with a corresponding increase in the share options liability account.

The option pricing model takes into account the exercise price of the option, the risk-free interest rate, the expected volatility of ANZ Group's ordinary share price and other factors. Market vesting conditions are taken into account in estimating the fair value.

(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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(D) INCOME TAX

(i) Income tax expense

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

(iii) Deferred tax

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

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

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

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

(iv) Offsetting

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

(E) ASSETS

Financial Assets

(i) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from 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 rate method less any impairment loss.

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

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

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

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(ii) Loans and advances (continued)

Renegotiated loans are loans that would otherwise be past 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 at least 90 days.

Impairment of loans and advances

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

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

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

The estimated individual impairment losses are measured as the difference between the assets 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.

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

(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 are estimated and compared against the existing carrying value. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the Statement of Comprehensive Income.

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(v) **Equipment, furniture and fittings**

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

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

At each reporting date, the carrying amounts of equipment, furniture and fittings are reviewed for impairment. If any such indication exists, the recoverable amount of the assets are 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****Financial liabilities**(i) **Borrowings**

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

(ii) **Derecognition**

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

Non-financial liabilities(iii) **Employee benefits**Leave benefits

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

for in respect of all applicable employees (including on-costs) using an actuarial valuation.

Defined contribution cash accumulation schemes

The Company's 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.

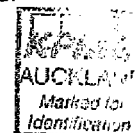
(iv) **Provisions**

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.

(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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

1. ACCOUNTING POLICIES (continued)

(ii) Offsetting 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

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating division maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete information is available.

(v) Goods and services tax

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

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

Cash flows are included in the 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 26 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 (2010) - effective periods commencing after 1 January 2013. Specifies a simpler methodology for classifying and measuring financial assets. Requires the amount of change in the fair value attributable to changes in credit risk of certain liabilities designated under the fair value option to be presented in other comprehensive income.

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

(c) 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

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).

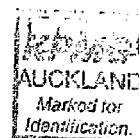
- **Interest rate risk** management's objective is to produce strong and stable net interest income over time. The Company's interest rate risk has been transferred to the Parent Company through the adoption of the Parent Company's funds transfer pricing system. The Parent Company uses simulation models 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 period.

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INCOME

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Interest income			
Interest received or receivable from lending:			
- Term loans	55,311	52,644	106,978
- Current accounts	4,259	3,535	7,277
- Hire purchase contracts	22,374	21,024	42,557
- Finance leases	7,592	7,519	15,071
- Individually impaired assets	1,578	323	2,305
- Related parties - ANZ National Bank Limited	1,682	685	1,685
Total interest income	92,796	85,730	175,873
Lending and credit facility fee income	313	307	640
Other income	169	128	1,385
Other operating income	482	435	2,025
Total income	93,278	86,165	177,898

5. EXPENSES

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Interest expense			
- Borrowings	47,386	35,156	68,704
- Related parties - ANZ National Bank Limited	10,825	16,266	29,896
Total interest expense	58,211	51,422	98,600
Operating expenses			
Personnel costs	6,995	6,817	15,260
Employee entitlements	639	625	1,273
Pension costs - defined contribution schemes	227	207	422
Share based compensation - ANZ National Bank Limited	223	218	218
Auditors' remuneration			
- In respect of auditing the accounts	87	220	259
- In respect of assurance and audit related services	15	13	14
Depreciation of leasehold improvements and equipment, furniture and fittings	14	67	79
Amortisation of software	383	230	612
Fees paid to related parties - ANZ National Bank Limited	4,257	4,515	9,372
Technology	674	668	1,728
Advertising and public relations	629	596	1,729
Motor vehicle - lease expenses	244	271	521
Motor vehicle - other expenses	119	131	289
Disposal of fixed assets	-	216	216
Other costs	826	1,136	2,294
Total operating expenses	15,332	15,930	34,286

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

6. TAX EXPENSE

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the Statement of Comprehensive Income			
Profit before income tax	13,096	5,103	27,669
Prima facie income tax expense at 30%	3,929	1,531	8,301
Non-deductible expenses	54	32	50
	3,983	1,563	8,351
Income tax (over) under provided in prior years	-	(7)	19
Tax effect of change in domestic tax rate ¹	(26)	-	1,130
Total income tax expense	3,957	1,556	9,500
Effective tax rate	30.2%	30.5%	34.3%
The major components of the income tax expense comprise:			
Amounts recognised in the Statement of Comprehensive Income			
Current income tax charge	4,012	3,285	7,701
Adjustments recognised in the current period in relation to current tax of prior periods	-	(7)	19
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	(55)	(1,722)	1,780
Total income tax expense recognised in Statement of Comprehensive Income	3,957	1,556	9,500

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 31/03/2011 \$000	Audited 31/03/2010 \$000	Audited 30/09/2010 \$000
Cash and short term funds	161,588	54,445	135,518
Total cash and cash equivalents	161,588	54,445	135,518

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, 2.50% at 31 March 2011 (31 March 2010 2.50%; 30 September 2010 3.00%).



NOTES TO THE FINANCIAL STATEMENTS (continued)

8. LOANS AND ADVANCES

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Term loans	1,362,549	1,322,945	1,411,648
Current accounts	222,393	170,352	185,357
Hire purchase contracts	513,334	463,330	496,969
Finance leases	215,519	202,224	206,487
Gross loans and advances	2,313,795	2,158,831	2,300,461
Deferred fee revenue and expenses	(5,138)	(3,930)	(4,811)
Provision for credit impairment (Note 10)	(54,387)	(64,150)	(53,806)
Unearned income	(263,146)	(252,411)	(273,073)
Total net loans and advances	1,991,124	1,838,340	1,968,771
Hire purchase contract receivables			
Gross investment in hire purchase contract receivables			
- Not later than one year	220,144	203,794	214,415
- Later than one year but not later than five years	293,187	259,529	282,546
- Later than five years	3	7	8
Total gross hire purchase contract receivables	513,334	463,330	496,969
Unearned income on hire purchase contracts	81,410	73,245	79,308
Present value of minimum hire purchase contract receivables	431,924	390,085	417,661
Present value of minimum hire purchase contract receivables			
- Not later than one year	207,160	191,436	201,670
- Later than one year but not later than five years	224,763	198,645	215,991
- Later than five years	1	4	-
Present value of minimum hire purchase contract receivables	431,924	390,085	417,661
Provision for credit impairment on hire purchase receivables	(6,163)	(7,334)	(6,205)
Finance lease receivables			
Gross investment in finance lease receivables			
- Not later than one year	81,015	80,234	78,164
- Later than one year but not later than five years	133,383	118,829	126,746
- Later than five years	1,121	3,161	1,577
Total gross finance lease receivables	215,519	202,224	206,487
Unearned income on finance leases	33,160	31,112	32,226
Present value of minimum finance lease receivables	182,359	171,112	174,261
Present value of minimum finance lease receivables			
- Not later than one year	76,944	76,186	74,173
- Later than one year but not later than five years	104,753	92,991	99,158
- Later than five years	662	1,935	930
Present value of minimum finance lease receivables	182,359	171,112	174,261
Included in the above gross finance lease receivables are:			
Residual value on finance leases	70,449	52,064	59,868
Provision for credit impairment on finance lease receivables	(2,786)	(3,205)	(2,578)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. INDIVIDUALLY IMPAIRED, RENEGOTIATED AND PAST DUE ASSETS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
On-balance sheet individually impaired, renegotiated and past due assets			
<i>Individually impaired assets</i>			
Balance at beginning of the period	81,796	59,183	59,183
Transfers to individually impaired assets from past due assets	10,165	43,668	75,797
Transfers from individually impaired assets to past due assets	(1,211)	(1,478)	(2,558)
Assets realised or loans repaid	(8,260)	(11,704)	(28,138)
Write offs	(5,456)	(9,642)	(22,488)
Total impaired assets	77,034	80,027	81,796
Renegotiated assets (see note 22)			
	15,469	50,678	59,330
<i>Past due assets</i>			
Balance at the beginning of the period	127,644	107,818	107,818
Transfers to / from past due assets to productive assets	77,327	44,368	93,055
Transfers to past due assets from individually impaired assets	1,211	1,478	2,558
Transfers from past due assets to individually impaired assets	(10,165)	(43,668)	(75,797)
Balance at the end of the period	196,017	109,996	127,644
<i>Interest foregone on impaired assets</i>			
Gross interest receivable on impaired loans	2,922	3,115	6,029
Less Interest recognised	(1,578)	(323)	(2,305)
Net interest foregone on impaired loans	1,344	2,792	3,724

The past due assets for the Company represent 8.47% of gross loans outstanding (31 March 2010 5.10%; 30 September 2010 5.55%). 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 Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
<i>Collective provision</i>			
Balance at beginning of the period	28,721	36,368	36,368
(Credit) to Statement of Comprehensive Income	(942)	(2,244)	(7,647)
Balance at end of the period	27,779	34,124	28,721
<i>Individual provision (individually impaired assets)</i>			
Balance at beginning of the period	25,085	22,959	22,959
Charge to Statement of Comprehensive Income	7,581	15,954	24,990
Recoveries	976	1,078	1,929
Interest on individually impaired assets	(1,578)	(323)	(2,305)
Bad debts written off	(5,456)	(9,642)	(22,488)
Balance at end of the period	26,608	30,026	25,085
Total provision for credit impairment	54,387	64,150	53,806

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

<i>Provision movement analysis</i>			
New and increased individual provisions	9,869	18,562	32,088
Provision releases	(1,312)	(1,530)	(5,169)
Recoveries	8,557	17,032	26,919
	(976)	(1,078)	(1,929)
Individual provision charge	7,581	15,954	24,990
Collective provision (credit)	(942)	(2,244)	(7,647)
	6,639	13,710	17,343
Charge to Statement of Comprehensive Income			
Corporate exposures	5,390	7,987	14,469
Retail exposures	1,249	5,723	2,874
Charge to Statement of Comprehensive Income	6,639	13,710	17,343

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

11. OTHER ASSETS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Accrued interest	187	140	186
GST receivable	5,692	4,168	4,986
Other assets	2,815	368	1,672
Total other assets	8,694	4,676	6,844

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

12. DEFERRED TAX ASSETS / LIABILITIES

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Balance at beginning of the period	15,057	16,837	16,837
Credit / (Charge) to Statement of Comprehensive Income	55	1,722	(1,780)
Balance at the end of period	15,112	18,559	15,057
Deferred tax assets comprise the following temporary differences:			
Provision for credit impairment	15,226	19,245	15,025
Equipment and software	(53)	(235)	(106)
Provisions and other liabilities	1,128	1,367	1,948
Lease finance	(3,394)	(3,251)	(3,432)
Other	2,205	1,433	1,622
Net deferred tax assets	15,112	18,559	15,057
The deferred tax credit (charge) in the Statement of Comprehensive Income comprises the following temporary differences:			
Provision for credit impairment	201	1,447	(2,773)
Leasehold improvements, equipment and software	53	(37)	92
Provisions	(820)	(626)	(45)
Lease finance	38	548	367
Other	583	390	579
	55	1,722	(1,780)

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 31 March 2011.



NOTES TO THE FINANCIAL STATEMENTS (continued)

13. INTANGIBLE ASSETS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Software			
Gross carrying amount			
Balance at beginning of the period	3,110	2,297	2,297
Additions from developments	1,061	-	813
Balance at end of the period	4,171	2,297	3,110
Accumulated amortisation			
Balance at beginning of the period	(1,913)	(1,301)	(1,301)
Amortisation expense	(383)	(230)	(612)
Balance at end of the period	(2,296)	(1,531)	(1,913)
Total intangible assets	1,875	766	1,197

No impairment losses have been recognised against the gross carrying amount of intangible assets for the period ended 31 March 2011 (31 March 2010 Nil; 30 September 2010 Nil).

14. BORROWINGS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Current borrowings			
Secured debenture stock	1,357,901	1,087,253	1,058,009
ANZ National Bank Limited	-	275,000	-
	1,357,901	1,362,253	1,058,009
Non current borrowings			
Secured debenture stock	232,764	271,139	320,301
ANZ National Bank Limited	275,000	-	450,000
Total borrowings - recognised at amortised cost	1,865,665	1,633,392	1,828,310

The Company has a committed credit facility available on demand with ANZ National Bank Limited of \$800 million (31 March 2010 \$650 million; 30 September 2010 \$800 million), of which \$275 million was utilised as at 31 March 2011 (31 March 2010 \$275 million; 30 September 2010 \$450 million). The interest rate on the committed credit facility at 31 March 2011 was 3.86% (31 March 2010 3.71%; 30 September 2010 4.20%).

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. The current facility expires on 30 September 2012 but the Company has the option to extend the agreement.

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 conditions. 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 period.

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

15. PAYABLES AND OTHER LIABILITIES

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Accrued interest secured debenture stock	25,457	23,956	23,779
Other accrued charges	2,536	3,722	4,970
Creditors	802	188	686
GST payable	5,907	5,074	4,873
Withholding taxes payable	2,189	1,589	1,780
Other liabilities	5,140	5,590	5,042
Total payables and other liabilities	42,031	40,119	41,130

Included in other liabilities, are intercompany settlement balances between the Company and other members of the ANZ Holdings (New Zealand) Limited Group of \$5,026,000 at 31 March 2011 (31 March 2010 \$5,472,000; 30 September 2010 \$4,932,000).

16. PROVISIONS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Provision for employee entitlements			
Balance at beginning of the period	1,026	1,186	1,186
Provision utilised	(80)	(208)	(160)
Total provisions	946	978	1,026

Employee entitlements

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

17. ORDINARY SHARE CAPITAL

	Audited Six Months to 31/03/2011 No. of Shares	Audited Six Months to 31/03/2010 No. of Shares	Audited Year to 30/09/2010 No. of Shares
Ordinary share capital			
Total ordinary shares	52,352,000	52,352,000	52,352,000
Uncalled ordinary shares	(31,600,000)	(31,600,000)	(31,600,000)
Ordinary shares issued at beginning and end of the period	20,752,000	20,752,000	20,752,000
	Audited 31/03/2011 \$000	Audited 31/03/2010 \$000	Audited 30/09/2010 \$000
Ordinary paid in share capital			
Total share capital	52,352	52,352	52,352
Uncalled share capital	(31,600)	(31,600)	(31,600)
Ordinary paid in share capital at beginning and end of the period	20,752	20,752	20,752

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company, and rank equally with regard to the Company's residual assets.
No dividends were declared for the period to 31 March 2011 (31 March 2010 \$nil; 30 September 2010 \$nil)

18. COMMITMENTS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Lease rentals			
Future minimum lease payments under non-cancellable operating leases:			
Vehicles			
Not later than 1 year	405	119	312
Later than 1 year but not later than 5 years	493	16	499
Total commitments	898	135	811



NOTES TO THE FINANCIAL STATEMENTS (continued)

19. 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 arms 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

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

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 9.09% (31 March 2010 9.25%; 30 September 2010 9.22%).

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

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

Where the Company has established fair value using a market interest rate, the rate used for debenture borrowings is 5.67% (31 March 2010 5.42%; 30 September 2010 5.54%)

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

19. 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 31/03/2011 Carrying Amount \$000	Audited 31/03/2011 Fair Value \$000	Audited 31/03/2010 Carrying Amount \$000	Audited 31/03/2010 Fair Value \$000	Audited 30/09/2010 Carrying Amount \$000	Audited 30/09/2010 Fair Value \$000
Financial assets						
Cash and cash equivalents	161,588	161,588	54,445	54,445	135,518	135,518
Loans and advances	1,991,124	2,003,850	1,838,340	1,851,948	1,968,771	1,982,419
Other assets	3,002	3,002	508	508	1,858	1,858
Total financial assets	2,155,714	2,168,440	1,893,293	1,906,901	2,106,147	2,119,795
Financial liabilities						
Borrowings	1,865,665	1,874,331	1,633,392	1,638,341	1,828,310	1,834,642
Payables and other liabilities	33,936	33,936	33,456	33,456	34,477	34,477
Total financial liabilities	1,899,600	1,908,266	1,666,848	1,671,797	1,862,787	1,869,119

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



NOTES TO THE FINANCIAL STATEMENTS (continued)

20. 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 (31 March 2010 \$650 million; 30 September 2010 \$800 million) committed credit facility. This facility has a two year term. The current facility expires on 30 September 2012 but the Company has the option to extend the agreement.

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 31/03/2011							
Assets							
Cash and cash equivalents	161,588	161,588	-	-	-	-	-
Loans and advances	2,255,279	500,152	191,994	354,332	591,025	589,757	28,019
Other assets	3,002	3,002	-	-	-	-	-
Total financial assets (inclusive of interest)	2,419,869	664,742	191,994	354,332	591,025	589,757	28,019
Liabilities							
Borrowings	1,632,615	496,173	314,495	565,165	120,963	135,819	-
Other liabilities	33,935	33,935	-	-	-	-	-
Committed credit facility utilised	275,000	-	-	-	275,000	-	-
Total financial liabilities (inclusive of interest)	1,941,550	530,108	314,495	565,165	395,963	135,819	-
Audited 31/03/2010							
Assets							
Cash and cash equivalents	54,445	54,445	-	-	-	-	-
Loans and advances	2,091,091	439,292	182,819	337,338	536,264	566,193	29,185
Other assets	508	508	-	-	-	-	-
Total financial assets (inclusive of interest)	2,146,044	494,245	182,819	337,338	536,264	566,193	29,185
Liabilities							
Borrowings	1,401,362	813,337	259,096	34,294	162,957	131,677	1
Other liabilities	33,456	33,456	-	-	-	-	-
Committed credit facility utilised	275,000	-	-	275,000	-	-	-
Total financial liabilities (inclusive of interest)	1,709,818	846,793	259,096	309,294	162,957	131,677	1
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	-



NOTES TO THE FINANCIAL STATEMENTS (continued)

21. 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 ANZ National. Fund Transfer Pricing charges and receipts are based on market rates.

Interest rate sensitivity for the Company is managed within ANZ National. As the Company is a wholly owned subsidiary of ANZ National all interest rate sensitivity analysis is managed at the ANZ National 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 \$3.07m (31 March 2010 \$2.03m; 30 September 2010 \$2.66m) on profit and loss and equity.

A change in interest rates of 1% on floating rate liabilities would have an impact of \$1.81m (31 March 2010 \$2.12m; 30 September 2010 \$1.89m) on profit and loss and equity.

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

	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 31/03/2011									
Financial assets									
Cash and cash equivalents	2.50%	161,588	161,588	-	-	-	-	-	-
Loans and advances	9.54%	1,991,124	1,032,056	114,873	216,903	330,910	289,524	6,858	-
Other assets	n/a	3,002	-	-	-	-	-	-	3,002
Total financial assets		2,155,714	1,193,644	114,873	216,903	330,910	289,524	6,858	3,002
Financial liabilities									
Borrowings	5.13%	1,865,665	496,377	310,520	551,004	390,060	117,704	-	-
Other liabilities	n/a	33,935	-	-	-	-	-	-	33,935
Total financial liabilities		1,899,600	496,377	310,520	551,004	390,060	117,704	-	33,935
On-balance sheet interest sensitivity gap		256,114	697,267	(195,647)	(334,101)	(59,150)	171,820	6,858	(30,933)
Interest sensitivity gap managed by Parent Company		(256,114)	(697,267)	195,647	334,101	59,150	(171,820)	(6,858)	30,933
Interest sensitivity		-	-	-	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS (continued)

21. INTEREST RATE SENSITIVITY ANALYSIS AND WEIGHTED AVERAGE INTEREST RATES (continued)

	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 31/03/2010									
Financial assets									
Cash and cash equivalents	2.50%	54,445	54,445	-	-	-	-	-	-
Loans and advances	9.67%	1,838,340	841,642	118,059	224,136	349,546	296,005	8,952	-
Other assets	n/a	508	-	-	-	-	-	-	508
Total financial assets		1,893,293	896,087	118,059	224,136	349,546	296,005	8,952	508
Financial liabilities									
Borrowings	4.68%	1,633,392	803,931	256,100	302,222	155,672	115,466	1	-
Other liabilities	n/a	33,456	-	-	-	-	-	-	33,456
Total financial liabilities		1,666,848	803,931	256,100	302,222	155,672	115,466	1	33,456
On-balance sheet interest sensitivity gap		226,445	92,156	(138,041)	(78,086)	193,874	180,539	8,951	(32,948)
Interest sensitivity gap managed by Parent Company		(226,445)	(92,156)	138,041	78,086	(193,874)	(180,539)	(8,951)	32,948
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 30/09/2010									
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		-	-	-	-	-	-	-	-



NOTES TO THE FINANCIAL STATEMENTS (continued)

22. 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 Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Cash and cash equivalents	161,588	54,445	135,518
Loans and advances	1,991,124	1,838,340	1,968,771
Other assets	3,002	508	1,858
Total on-balance sheet financial assets	2,155,714	1,893,293	2,106,147

Off-balance sheet credit exposures

Contingent liabilities	842	1,533	1,173
Credit related commitments	211,010	240,817	222,196
Foreign exchange forward rate contracts	76	-	92
Total off-balance sheet financial assets	211,928	242,350	223,461

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	1,393,596	1,099,082	1,351,676
Retail exposures	762,118	794,211	754,471
Total on-balance sheet financial assets	2,155,714	1,893,293	2,106,147

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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

22. CREDIT RISK (continued)

c. Exposure to credit risk

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

Audited 31 March 2011	Corporate Exposures \$000	Retail Exposures \$000	Total \$000
Neither past due nor impaired			
- Cash and cash equivalents and other assets	164,590	-	164,590
- Loans and advances	1,054,761	717,698	1,772,459
	1,219,352	717,698	1,937,050
Past due but not impaired			
Up to 30 days	54,404	26,565	80,969
30 to 60 days	40,232	8,916	49,148
60 to 90 days	6,430	3,813	10,243
	101,067	39,294	140,360
Past due and impaired			
90 days plus	48,913	6,745	55,658
	149,980	46,039	196,017
less Collective provision for impairment (see note 10)	(17,091)	(10,688)	(27,779)
Individually impaired (see note 9)	62,307	14,727	77,034
less provision for individual impairment (see note 10)	(20,950)	(5,658)	(26,608)
Net individually impaired	41,357	9,069	50,426
Total on-balance sheet financial assets	1,393,598	762,118	2,155,714
Renegotiated loans (see note 9)	8,979	6,490	15,469
Audited 31 March 2010	Corporate Exposures \$000	Retail Exposures \$000	Total \$000
Neither past due nor impaired			
- Cash and cash equivalents and other assets	54,953	-	54,953
- Loans and advances	971,215	741,252	1,712,467
	1,026,168	741,252	1,767,420
Past due but not impaired			
Up to 30 days	27,485	35,126	62,611
30 to 60 days	5,890	8,875	14,765
60 to 90 days	3,126	6,164	9,290
	36,501	50,165	86,666
Past due and impaired			
90 days plus	13,525	9,805	23,330
	50,026	59,970	109,996
less Collective provision for impairment (see note 10)	(19,248)	(14,876)	(34,124)
Individually impaired (see note 9)	59,552	20,475	80,027
less provision for individual impairment (see note 10)	(17,416)	(12,610)	(30,026)
Net individually impaired	42,136	7,865	50,001
Total on-balance sheet financial assets	1,099,082	794,211	1,893,293
Renegotiated loans (see note 9)	47,716	2,962	50,678

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. CREDIT RISK (continued)

c. Exposure to credit risk (continued)

Audited 30 September 2010

	Corporate Exposures \$000	Retail Exposures \$000	Total \$000
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 Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000

d. Concentrations of credit risk

The Company monitors concentrations of credit risk by industry and geographic location.

Concentrations by Geographic region

Auckland	32.00%	31.97%	31.93%
Rest of North Island	39.71%	39.67%	39.52%
Canterbury	13.42%	13.35%	13.31%
Rest of South Island	14.87%	15.01%	15.25%

These concentrations exclude any related party exposure

Concentrations by largest counterparties

As a % of total on-balance sheet financial assets	4.03%	5.92%	4.38%
As a % of total equity	33.25%	47.83%	36.91%

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%	2	2	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	330,004	306,355	323,180
Mining	14,011	14,585	12,220
Manufacturing	174,752	168,389	183,810
Electricity, gas and water	4,129	3,338	3,685
Construction	194,907	179,995	203,812
Retail and wholesale	241,010	194,169	216,089
Accommodation, cafes and restaurants	11,635	11,824	12,164
Transport and storage	382,819	365,919	395,058
Communications	25,315	22,796	23,879
Finance, investment and insurance	173,043	61,610	144,543
Property and business services	142,150	131,194	138,269
Government administration and defence	7,039	11,120	8,233
Education	82,740	81,184	82,577
Health and community services	25,754	19,629	23,280
Entertainment, leisure and tourism	27,323	34,411	34,054
Personal and other services	319,082	286,775	301,294

Total on-balance sheet financial assets

2,155,714 1,893,293 2,106,147

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
22. CREDIT RISK (continued)			
e. Concentrations of credit risk by internal risk grading			
Grade 0	75,836	71,315	74,561
Grade 1	775	747	901
Grade 2	417	5,210	4,411
Grade 3	30,857	25,964	27,500
Grade 4	136,883	89,845	134,496
Grade 5	621,308	521,406	550,753
Grade 6	921,113	889,658	986,880
Grade 7	68,846	104,320	71,770
Grade 8	58,054	79,950	60,790
Grade 9	990	1,039	908
Grade 10	76,044	48,886	55,801
No internal risk grading			
- cash and cash equivalents and other assets	164,590	54,953	137,376
Total on-balance sheet financial assets	2,155,714	1,893,293	2,106,147

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.

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 Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Credit exposure - loans and advances	77,034	80,027	81,796
Unsecured portion of credit - loans and advances	(26,608)	(30,026)	(25,085)
Total value of collateral - loans and advances	50,426	50,001	56,711

g. Commitments to extend credit

Undrawn facilities available to customers	177,757	208,752	193,285
Conditional commitments to fund at future dates	33,253	32,065	28,911

23. CONCENTRATIONS OF FUNDING

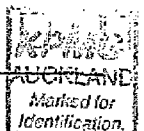
Other than related party transactions, predominately all funding is received from New Zealand households, and there are no significant concentrations of funding from individual household depositors.

24. 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.



NOTES TO THE FINANCIAL STATEMENTS (continued)

25. 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 \$10,000 in the current period for which no consideration was received (31 March 2010 \$100,000; 30 September 2010 \$87,000).

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 31/03/2011 \$000	Unaudited 31/03/2010 \$000	Unaudited 30/09/2010 \$000
UDC Call Maximiser Fund and UDC Term Maximiser Fund	59,939	76,774	58,344
ANZ Call Fund and ANZ Term Fund	47,874	45,793	47,242
Total funds under management	107,813	122,567	105,786

26. 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 31/03/2011	Credit Equivalent Exposure \$000	Audited 31/03/2010	Credit Equivalent Exposure \$000	Audited 30/09/2010	Credit Equivalent Exposure \$000
Contingent liabilities						
Standby letters of credit	842	168	1,533	307	1,173	235
Credit related commitments						
Commitments to extend credit	211,010	-	240,817	-	222,196	-
Foreign exchange contracts						
Foreign exchange forward rate contracts	76	15	-	-	92	18
Total contingent liabilities and credit related commitments	211,928	183	242,350	307	223,461	253

Contingent tax liability
As at 31 March 2011, there were no contingent liabilities

27. NOTES TO THE STATEMENT OF CASH FLOWS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2010 \$000	Audited Year to 30/09/2010 \$000
Reconciliation of Profit after tax to net cash flows provided by operating activities			
Profit after income tax	9,139	3,547	18,169
Non cash items			
Revaluation of derivative financial instruments	-	80	80
Depreciation leasehold improvements and equipment	14	67	79
Provision for credit impairment	5,062	13,710	17,343
Amortisation of intangible assets	383	230	612
Deferrals or accruals of past or future operating cash receipts or payments:			
Net increase in loans and advances	(27,741)	(23,218)	(158,163)
Net increase in accrued interest income	(1)	(76)	(122)
Net increase (decrease) in accrued interest expense	1,678	(9,328)	(9,305)
Net decrease in accrued charges	(2,434)	(1,746)	(498)
Net (increase) decrease in income tax assets	(55)	(2,126)	1,780
Net increase in income tax liabilities	3,676	3,683	3,268
Net increase in other assets	(1,849)	(1,615)	(3,237)
Net increase (decrease) in payables and other liabilities	1,657	(2,966)	(3,026)
Net decrease in provisions	(80)	(208)	(180)
Net increase in deferred fee revenue and expenses	327	324	1,205
Items classified as investing/financing:			
Loss on disposal of fixed assets	-	-	216
Net cash flows used in operating activities	(10,224)	(19,642)	(132,459)

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NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RELATED PARTY TRANSACTIONS

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/3/2010 \$000	Audited Year to 30/09/2010 \$000
Compensation of Key Management Personnel			
<i>Key management personnel compensation</i>			
Salaries and short-term employee benefits	1,198	1,443	2,401
Post-employment benefits	33	79	107
Other long-term benefits	7	5	12
Termination benefits	2	151	199
Share-based payment	15	20	46
Total compensation of key management personnel	1,255	1,698	2,765
Loans to key management personnel	18	23	152
Deposits from key management personnel	241	68	104

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 period ended 31 March 2011 (31 March 2010 Nil, 30 September 2010 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 period ended 31 March 2011 (31 March 2010 Nil, 30 September 2010 Nil).

29. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/03/2011 \$000	Audited Six Months to 31/3/2010 \$000	Audited Six Months to 31/3/2010 \$000	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2010 \$000
	Current	Non-current	Current	Non-current	Current	Non-current
Assets						
Cash and cash equivalents	161,588	-	54,445	-	135,518	-
Loans and advances	334,593	1,656,531	262,034	1,576,306	287,915	1,680,856
Other assets	6,694	-	4,676	-	6,844	-
Deferred tax assets	-	15,112	-	18,559	-	15,057
Leasehold improvements and equipment, furniture & fittings	-	30	-	57	-	44
Intangible assets	-	1,875	-	766	-	1,197
Total assets	504,875	1,673,548	321,155	1,595,688	430,277	1,697,154
Liabilities						
Borrowings	1,357,901	507,764	1,362,253	271,139	1,058,009	770,301
Payable and other liabilities	42,031	-	40,119	-	41,130	-
Current income tax liabilities	10,599	-	6,933	-	6,922	-
Provisions	-	946	-	978	-	1,026
Total liabilities	1,410,531	508,710	1,409,305	272,117	1,106,061	771,327

Asset and liabilities are classified as current if:

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

Non-current assets include equipment and intangible assets as well as financial assets of a long-term nature.

Non-current liabilities include financial and non-financial liabilities which are expected to be settled after twelve months from balance date.

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 31 March 2011, the Company has repaid \$50 million to the ANZ National Bank Limited on the committed credit facility agreement. This reduces the total amount borrowed to \$225 million on the \$800 million facility.





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 ("the company") on pages 4 to 34. The financial statements comprise the statement of financial position as at 31 March 2011, the statements of comprehensive income, changes in equity and cash flows for the 6 months period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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



Opinion

In our opinion the financial statements of on pages 4 to 34 :

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 31 March 2011 and of its financial performance and cash flows for the 6 months period then ended.

Report on Other Legal and Regulatory Requirements

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

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

KPMG
8 June 2011
Auckland