

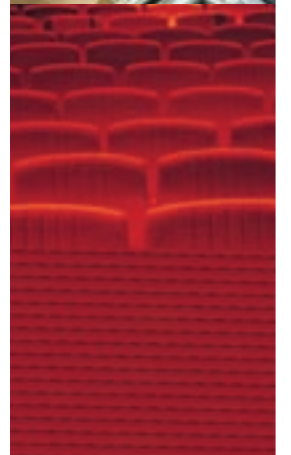
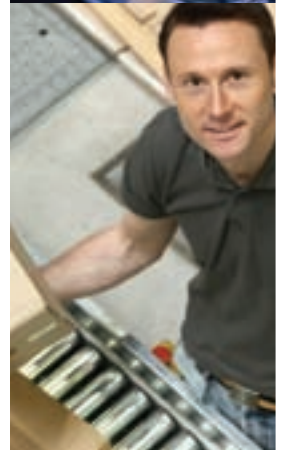
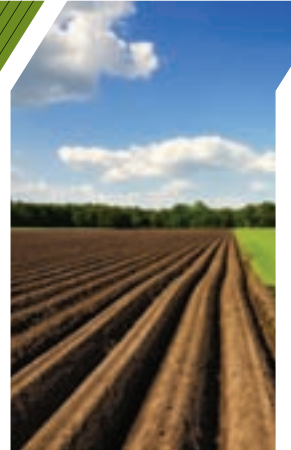
UDC FINANCE LIMITED PROSPECTUS

22 December 2010

(as amended by a Memorandum of Amendments dated 30 May 2011)

UDC SECURED INVESTMENTS

NO.
64



NEW ZEALAND'S FINANCE COMPANY

**As at September 2010, over
23,000 investors have chosen
to invest with us to provide
them with solid returns on their
chosen Secured Investments.**



As at September 2010, over 23,000 investors have chosen to invest with us to provide them with solid returns on their chosen Secured Investments.

We hold an AA long-term credit rating from international ratings agency, Standard & Poor's. This is an investment grade rating that's as strong as the main trading banks and denotes our very strong capacity to meet our financial commitments.

We take pride in having helped New Zealanders with their financial needs for over 70 years. We have supported backbone New

Zealand industries by providing them with asset finance solutions for a range of plant, machinery, vehicle, and equipment assets. Our commitment to you, the investor, is to continue to create and manage solid investment options both now and long into the future. It is our priority to ensure that our investors continue to benefit from solid returns and are provided with the highest level of customer service. For more information about our range of Secured Investments please call us during business hours on 0800 652 832 or visit www.udc.co.nz. We look forward to hearing from you.

CONTENTS

DIRECTORS' STATEMENT	02		
DIRECTORY	03		
CHAIRMAN'S MESSAGE	04	TERMS OF THE OFFER	11
KPMG LETTER	05	SUMMARY OF THE TRUST DEED	15
TRUSTEE LETTER	06	GENERAL INFORMATION	20
OVERVIEW OF UDC FINANCE LIMITED	07	CORPORATE GOVERNANCE	22
THE OFFER	08	RISK MANAGEMENT	23
CHOOSE THE TYPE OF SECURED INVESTMENT THAT SUITS YOU	09	GLOSSARY	28
		STATUTORY INDEX	67

DIRECTORS' STATEMENT

In our opinion, after due inquiry by us in relation to the period between 30 September 2010 and the date of this Prospectus no circumstances have arisen which materially adversely affect:

- (a) the trading or profitability of UDC; or
- (b) the value of UDC's assets; or
- (c) the ability of UDC to pay its liabilities due within the next 12 months.

This Prospectus has been duly signed by the Directors (or their duly authorised agents) of UDC Finance Limited

Graham David Turley
Director

Penelope Jane Ford
Director

Steven Montgomery Fyfe (resigned as a Director with effect from 1 March 2011)
Director

Richard Arthur Wilks
Director

THE DIRECTORS OF THE ISSUER AS AT 30 MAY 2011 ARE:

Graham David Turley
Managing Director Commercial, ANZ
49 Glen Road, Stanley Point, Auckland,
New Zealand

Penelope Jane Ford
Head of FX Sales Northern, ANZ
7 Kerr Street, Devonport, Auckland, New Zealand

Bruce William Anderson
Head of Finance Commercial, ANZ
47 Helvetia Drive, Browns Bay, Auckland, New Zealand (appointed as a Director with effect from 28 February 2011)

Richard Arthur Wilks
Chief Credit Officer, ANZ
1 Taumata Road, Castor Bay, Auckland, New Zealand

You can contact the Directors at:

UDC Finance Limited
Level 6
1 Victoria Street
Wellington

None of the Directors of the Issuer have been adjudged bankrupt, convicted of a crime involving dishonesty, or prohibited from acting as a director of a company, in the 5 years preceding the date of delivery of this Prospectus for registration.

DIRECTORY



ISSUER

Name: UDC Finance Limited
Head Office: Level 2, 107 Carlton Gore Rd,
Newmarket, Auckland
Postal Address: PO Box 91145,
Victoria Street West, Auckland 1142
Registered Office: Level 6,
1 Victoria Street, Wellington
Telephone: 0800 652 832
Facsimile: 0800 655 832
Email: udcinv@anz.com
Website: www.udc.co.nz

AUDITORS

Name: KPMG
Physical Address:
18 Viaduct Harbour Avenue, Auckland
Postal Address: PO Box 1584,
Shortland Street, Auckland, 1140
Telephone: (09) 367 5800
Facsimile: (09) 367 5875

SOLICITORS

Name: Minter Ellison Rudd Watts
Physical Address: Level 20, Lumley Centre,
88 Shortland Street, Auckland
Postal Address: PO Box 3798, Auckland
Telephone: (09) 353 9700
Facsimile: (09) 353 9701

TRUSTEE

Name: Trustees Executors Limited
Physical Address: Level 5,
10 Customhouse Quay, Wellington
Postal Address: PO Box 3222, Wellington 6140
Telephone: (04) 495 0999
Facsimile: (04) 496 2952

SECURITIES REGISTRY

Name: UDC Finance Limited
Physical Address: Level 2, 107 Carlton Gore Rd,
Newmarket, Auckland
Postal Address: PO Box 91145,
Victoria Street West, Auckland 1142
Telephone: 0800 652 832
Facsimile: 0800 655 832

INCORPORATION

We were incorporated on 1 April 1938 under the Companies Act 1933 and re-registered on 23 June 1997 under the Companies Act 1993. Our registered company number is 3580.

INSPECTION OF DOCUMENTS

Investors can view our certificate of incorporation, company constitution, and Trust Deed on the Companies Office website at <http://www.business.govt.nz/companies>. Alternatively, investors may obtain copies of those documents by contacting the Ministry of Economic Development Business Service Centre on 0508 266 726. A fee may apply. Copies of the Trust Deed may be inspected without fee during normal office hours at the Wellington office of the Trustee. Copies of our certificate of incorporation, company constitution, latest audited financial statements, and any material contract referred to on page 20 of this Prospectus may be inspected without fee during normal office hours at our head office situated in Auckland.

A copy of a disclosure statement prepared under the Securities Markets Act 1988 is available on request from us up to and including 30 June 2011. The requirement to make such disclosure will be repealed and replaced by the Financial Advisors Act 2008 on 1 July 2011.

CHAIRMAN'S MESSAGE

PAGE

4



UDC PROSPECTUS NUMBER 64 DECEMBER 2010

We are particularly proud to be able to deliver you our sixty fourth prospectus with the business in good heart. In our financial year to 30 September 2010, we lent New Zealanders and New Zealand business over one billion dollars. This level of activity, we believe, reinforces our commitment to help New Zealand grow and prosper.

Our focus hasn't changed. We continue to provide asset based finance for plant, equipment and vehicles. It is what we have been doing since 1938 and it is our knowledge and expertise in this specialist area that defines us. We continue to support our customers and as the economy starts to grow and businesses begin to invest we are ready to provide the finance they need.

In addition to improved profitability and market share, we ensure that we remain focused on employing industry best practice risk management policies as part of our ongoing commitment to investor confidence. We have once again maintained our investment grade, AA credit rating

from Standard & Poor's*. This remains as strong as the major Banks.

For investors who value our unique combination of strengths, investing with us represents an opportunity to play an important part in New Zealand's growth.

Graham Turley
Chairman
UDC Finance Limited

Chris Cowell
Chief Executive Officer
UDC Finance Limited

*Credit ratings issued by Standard & Poor's Ratings Services are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Latest ratings can be found at www.standardandpoors.co.nz



The Directors
UDC Finance Limited
Level 6,
1 Victoria Street
WELLINGTON

22 December 2010

Dear Directors

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF COMPANY

As auditor of UDC Finance Limited ("the Company") we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 for inclusion in the prospectus dated 22 December 2010.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Company on pages 32 to 65. On 6 December 2010 we expressed an unqualified audit opinion on those financial statements. A copy of that audit opinion is included in our Audit Opinion included on pg 66 of this prospectus. The financial statements do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

REPORT ON THE SUMMARY FINANCIAL STATEMENTS

The summary financial statements on pages 30 to 31 are derived from the audited financial statements of UDC Finance Limited for the years ended 30 September 2006, 2007, 2008, 2009 and 2010. We expressed an unmodified audit opinion on those financial statements in our audit reports for each of those years. The summary financial statements do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of UDC Finance Limited.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for preparing a summary of the audited financial statements of the Company for the years ended 30 September 2006, 2007, 2008, 2009 and 2010 in accordance with clause 8 of Schedule 2 of the Securities Regulations 2009.

Auditor's Responsibility for the Summary Financial Statements

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 Engagements to Report on Summary Financial Statements.

Opinion on the Summary Financial Statements

In our opinion, the amounts set out in the summary financial statements on pages 30 to 31 of this prospectus, derived from the audited financial statements of UDC Finance Limited for the years ended 30 September 2006, 2007, 2008, 2009 and 2010, as required by clause 8 of Schedule 2 of the Securities Regulations 2009:

- Are consistent, in all materials respects, with those financial statements; and

- Have been correctly taken from the audited financial statements of UDC Finance Limited for the years ended 30 September 2006, 2007, 2008, 2009 and 2010.

REPORT ON THE RANKING OF SECURITIES

Directors' Responsibility for the Ranking of Securities

The directors are responsible for the preparation and presentation of the details and amounts in respect of the ranking of securities of the Company as at 30 September 2010, in accordance with clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditor's Responsibility for the Ranking of Securities

Our responsibility is to express an opinion whether the amounts set out in the ranking of securities have been correctly taken from the audited financial statements of the Company.

Opinion on the Ranking of Securities

In our opinion, the amounts set out in the ranking of securities on page 16 of this prospectus, have been correctly taken from the audited financial statements of UDC Finance Limited as at 30 September 2010.

OTHER MATTERS

Responsibility for updating

We have no responsibility to update our opinion on any of the matters above for events and circumstances occurring after the date of this report.

Restriction on use

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 22 of Schedule 2 of the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements or the ranking of securities for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Auditor's consent

In accordance with Regulation 18(1)(c)(ii) of the Securities Regulations 2009, we hereby give our consent to the inclusion of this report and the opinion on page 66 in the prospectus in the form in which it appears. We also confirm that we have not, before delivery of this prospectus, withdrawn our consent to the issue thereof.

22 December 2010
Auckland

The Directors
UDC Finance Limited
Level 6,
1 Victoria Street
WELLINGTON

22 December 2010

Dear Sirs

Clause 14(3) of the Second Schedule of the Securities Regulations 2009 requires us to confirm that the offer of Debenture Stock ("the Securities") set out in this Prospectus No. 64 complies with any relevant provisions of the Trust Deed. These provisions are those which:

- (i) Entitle UDC Finance Limited to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in this Prospectus;
- (ii) Impose restrictions on the right of UDC Finance Limited to issue the Securities.

The Auditors have reported on the financial information set out in this Prospectus and our statement does not refer to that information or to any other material in this Prospectus which does not relate to the Trust Deed.

We confirm that the offer of Securities set out in this Prospectus complies with the relevant provisions of the Trust Deed. We have given the above confirmation on the following basis:

- (a) Set out above; and
- (b) That, subject to the duties imposed on the Trustee by the Fifteenth Schedule of the Securities Regulations 2009, the Trustee relies on the information supplied to it by UDC Finance Limited pursuant to the Trust Deed and does not carry out an independent check of that information.

Trustee Executors Limited does not guarantee the repayment of the Securities or the payment of interest thereon.

**Signed for and on behalf of
Trustees Executors Limited**



L. MORAN
Manager
Corporate Trust

OVERVIEW OF UDC FINANCE LIMITED



We were established in 1938 as a finance company to provide financial services to our customers. Our core business is asset finance. During the past 5 years, our principal business activities have included providing the products listed below.

- Secured investment products help New Zealand investors and savers earn a competitive return.
- Asset finance products - including loans, leases and lines of credit - help New Zealand businesses buy or upgrade the vehicles, plant and equipment they need to grow and prosper.
- Motor vehicle finance products (one of our asset finance specialities) - supplied directly or through a network of approved dealers - help New Zealand consumers and businesses get the cars, trucks, vans, motorbikes and trailers they want.
- Asset insurance facilitated through third party insurers - helps customers to protect the vehicles and assets we've financed.

For more information about us, visit www.udc.co.nz.

THE OFFER

This Prospectus relates to our offer for subscription of a maximum aggregate amount at any time of \$4,000,000,000 of First Ranking Security Stock issued at par.

The amount of First Ranking Security Stock equals the amount of deposits subscribed under this offer. Except in the case of the Dealer Reserve Account, the minimum deposit required for each subscription is \$5,000.

We offer the following Secured Investment products under this Prospectus:

Term Investment	A Term Investment is a secured term deposit with a tiered interest rate, fixed for the investment term. We offer a choice of deposit terms, interest rates, and interest payment options.
Capital Drawdown	A Capital Drawdown Investment is a secured term deposit with a tiered interest rate, fixed for the investment term. With a Capital Drawdown Investment, you may receive regular payments of both the principal invested and interest.
Telephone Call Account	A Telephone Call Account is a secured call deposit with a tiered interest rate. We offer flexible deposit and withdrawal terms for this type of account.
Dealer Reserve Account	A Dealer Reserve Account is a secured call deposit and is only available to dealers who have entered into certain underlying trading agreements with us.



CHOOSE THE TYPE OF SECURED INVESTMENT THAT SUITS YOU

Step 1: SELECT THE UDC SECURED INVESTMENT OPTION THAT BEST SUITS YOUR FINANCIAL GOALS

If you need more information on these options, call our Investor Services team on 0800 652 832. Alternatively, contact your financial adviser or an ANZ branch staff member.

On our website, www.udc.co.nz, you will find copies of:

- Our Investment Statement relating to this Prospectus;
- Investment application forms; and
- Our current Standard & Poor's credit report.

Or call us on **0800 652 832** and we will post you the documents you request. You can also pick up an application pack at your local ANZ branch or from your financial adviser.

At the date of this Prospectus, we do not intend to list any Secured Investments offered in this Prospectus on any Stock Exchange.

	SECURED TERM INVESTMENT		SECURED TELEPHONE CALL ACCOUNT
	Term Investment	Capital Drawdown	
Investment Amount ("Principal")	minimum of \$5,000	minimum of \$5,000	minimum of \$5,000
Term of Investment ("Term")	From 1 month to 5 years	From 1 year to 5 years	Not applicable
Interest Rate ("Rate")	Fixed for Term - tiered structure	Fixed for Term - tiered structure	Variable Rate - tiered structure
Interest options and payment terms	<p>Monthly interest: interest earned will be paid on or before the first working day of the following month. Interest is pro-rated for a partial month.</p> <p>Quarterly interest: interest earned may be compounded or paid on or before the first working day of January, April, July and October. Interest is pro-rated for a partial quarter.</p> <p>Annual interest: interest earned may be compounded or paid on or before the first working day after your investment anniversary date.</p> <p>Maturity interest: interest earned will be paid on or before the first working day after your maturity date.</p> <p>Your Principal is fixed for the Term and may not be withdrawn before maturity.</p>	<p>Monthly interest: interest earned will be compounded one month from the start of your investment and monthly thereafter.</p> <p>Quarterly interest: interest earned will be compounded one quarter from the start of your investment and quarterly thereafter.</p> <p>In your investment application you may choose to receive payments on your investment during the Term, provided you maintain a balance of \$5,000. Such payments will be paid on the next business day after the date we compound your interest. During the Term, you may choose to increase, decrease, or suspend such payments. However if you choose to increase those payments, we may apply a reduced Rate for the Term.</p>	<p>Interest is calculated on your daily balance and compounded on the last day of each calendar month.</p> <p>You may make minimum withdrawals or one-off deposits of \$500 at any time, provided you maintain a minimum balance of \$5,000.</p> <p>Regular deposits of any amount can be arranged by automatic payment.</p>
	Payments are made by direct credit to your nominated bank account. A final payment of interest (if applicable) and the balance of your Principal will be made by direct credit to your nominated bank account on maturity. If you wish to re-invest or invest additional Principal during the Term, this will form a separate investment for the Term and corresponding Rate on offer at that time.		
Fees	No fees		No fees
Tax	Interest earned on your investment is taxable. We will deduct resident withholding tax, non-resident withholding tax, or approved issuer levy (as applicable) from interest earned, then pay the balance to you.		

Step 2:

COMPLETE AND SIGN THE RELEVANT APPLICATION FORM

To apply, complete the relevant form in our application pack. You can download an application form from our website, www.udc.co.nz, or call us on **0800 652 832** and we will post you one. You can also pick up an application pack at your local ANZ branch or from your financial adviser.

Step 3:

LODGE YOUR APPLICATION AND FUNDS

Applications can be mailed directly to:

UDC Finance Limited, PO Box 91145, Victoria Street West, Auckland 1142

Alternatively, you may give your application to your broker or financial adviser to send to us.

To deposit your funds, you can choose from several options—please read ‘deposits made easy’ at the back of the application forms. If you pay by cheque, please make your cheque payable to ‘UDC Finance Limited’ and cross it ‘account payee only’. Please enclose the relevant identification documents with your application.

The Dealer Reserve Account is offered to dealers who have entered into certain underlying trading agreements with us. The Dealer Reserve Account is offered on the same terms as a Telephone Call Account, but the minimum investment amount required, if any, will be agreed between ourselves and the respective dealer under the terms of their trading agreement. Funds may not be deposited into the Dealer Reserve Account by automatic payment. If you need more information about the Dealer Reserve Account, call us on 09 252 5535.

TERMS OF THE OFFER



Unless they are implied by law, all the terms of this offer (including the terms of the Secured Investments) are set out in this Prospectus.

FEES

We do not charge entry, exit, or management fees on our Secured Investments. However, if we do permit early redemption of a Secured Term Investment, we may lower the interest rate on your investment and deduct this interest adjustment from the balance payable to you.

INTEREST RATES

The interest rate for a Secured Investment varies, depending on the amount of money you wish to invest and the investment term you choose.

To find indicative interest rates, check our website, www.udc.co.nz, or call us on **0800 652 832**.

Secured Term Investment

We will fix the interest rate for the entire term at the start of your Secured Term Investment. To determine the applicable interest rate, we will consider:

- the amount of your deposit;
- whether you choose to have interest compounded; and
- the term of your investment.

Interest is calculated daily on the balance of your investment and may be paid monthly, quarterly, annually or at maturity, or compounded quarterly

or annually, according to the type of investment and payment option you choose. We will deduct resident withholding tax, non-resident withholding tax, or approved issuer levy (as applicable) from any interest earned.

Telephone Call Account and Dealer Reserve Account

Interest rates are not fixed and may vary day to day. Interest is calculated daily from the date your investment starts, and is compounded on a monthly basis. We will deduct resident withholding tax, non-resident withholding tax, or approved issuer levy (as applicable) from any interest earned.

INTEREST AND OTHER STATEMENTS

We will send you quarterly statements showing the balance of your Secured Investment and interest earned for the preceding period. We will send you an annual tax deduction certificate detailing the resident withholding tax or non-resident withholding tax (excluding approved issuer levy) that we have deducted from interest earned on your Secured Investment.

If you have a Dealer Reserve Account and have made account deposits or withdrawals during the month, we will send you a monthly statement itemising these transactions.

In addition, you can call us on **0800 652 832** and request, without charge, an interim statement of your Secured Investment.

ON MATURITY

Secured Term Investment

The maturity date for your Secured Term Investment will be the date on which your chosen investment term expires. You can tell us how you would like to deal with your Secured Term Investment on its maturity, or we will advise you in writing of the pending maturity date and offer you the options listed below.

- You can reinvest your Secured Term Investment for a further term at the applicable interest rates available at that time.
- You can reinvest the principal amount of your Secured Term Investment, and have the accrued unpaid interest (less any deduction for resident withholding tax, non-resident withholding tax, or approved issuer levy, if applicable) paid to your nominated bank account.
- You can transfer your Secured Term Investment to another person or investment.
- You can reinvest part of your Secured Term Investment and have the remainder repaid.
- You can have the principal amount plus any accrued unpaid interest (less any deduction for resident withholding tax, non-resident withholding tax, or approved issuer levy, if applicable) repaid to your nominated bank account.

If you do not advise us of your preferred option before the maturity date, we will place your Secured Term Investment on call at the 'on demand' interest rate applicable on the date of reinvestment.

If you choose on your application form to automatically reinvest your Secured Term Investment on the maturity date, we will automatically reinvest it for the same term at the interest rate applicable on the reinvestment date.

We will notify you when we reinvest your funds, confirming:

- the amount reinvested;
- the applicable interest rate; and

- the new maturity date and any change to our auto-reinvest conditions for the new investment term (if it has been reinvested into a Secured Term Investment).

We retain a residual power under our Trust Deed to (on prior arrangement with you) alter the terms of your Secured Term Investment, including:

- the maturity date;
- the applicable interest rate;
- the payment of a premium on the redemption of your Secured Term Investment; or
- any of the other terms and conditions of your Secured Term Investment.

Telephone Call Account and Dealer Reserve Account

We will repay investments in these accounts on demand, as long as the funds have been cleared. We may separately agree with you that we may deduct or set-off amounts from the Dealer Reserve Account to satisfy other obligations you have to us.

EARLY REPAYMENT

We set our fixed interest rates on the assumption that your invested funds will remain with us until the maturity date of your Secured Term Investment. For this reason you are not able to withdraw your invested funds prior to maturity. However, in certain circumstances, such as the death of the investor or financial hardship, we may consider written applications for early redemption. Please note that if we do permit early redemption, we have the right to lower the interest rate on your Secured Term Investment and deduct this interest adjustment from the balance payable to you.

TRANSFERRING YOUR SECURED TERM INVESTMENT

You can transfer your Secured Term Investment to another person, using the form in Schedule 1 of the Securities Transfer Act 1991. The transfer becomes valid when it is registered in accordance with our Trust Deed.

TAXATION

You should seek independent, professional tax advice tailored to your circumstances before investing.

The following is a general summary of the New Zealand tax implications of a Secured Investment. It does not deal with all relevant considerations and possible situations.

The interest earned from Secured Investments is taxable.

Under the tax law as at the date this Prospectus was amended, interest (including compounded interest) paid to all New Zealand tax residents is subject to RWT unless you provide us with a valid certificate of

exemption. On the application form, you may elect an RWT rate when you provide us with your Inland Revenue Department (IRD) number. Your RWT rate should be determined by the amount of your taxable income.

If you are an individual or a trustee and you do not provide us with your IRD number and/or elect an RWT rate, we are obliged to deduct RWT at the highest RWT rate (currently 33%). If you are a company and you do not provide us with your IRD number, we are obliged to deduct RWT at the highest RWT rate (currently 33%). If you are a company that has provided us with your IRD number but you do not elect an RWT rate, we are obliged to deduct RWT at 28%.

RWT rates that investors can elect	
Type of investor	RWT rate
<ul style="list-style-type: none"> An individual who has a reasonable expectation at the time of election that their income for the income year (usually the period from 1 April to 31 March) will not exceed \$14,000 A trustee 	10.5%
<ul style="list-style-type: none"> An individual A trustee 	17.5%
<ul style="list-style-type: none"> A company 	28%
<ul style="list-style-type: none"> An individual A trustee 	30%
<ul style="list-style-type: none"> An individual A trustee A company 	33%

When you elect an RWT rate, that rate will only apply from the time that you notify us. A higher RWT rate may be applied until you notify us of your RWT rate election. If you elect a lower RWT rate than applies to you, you may have a tax liability at the end of the tax year (1 April – 31 March). If you elect a higher RWT rate than applies to you, you may be entitled to apply to the IRD to recover any overpaid RWT at the end of the tax year (1 April – 31 March).

If the IRD considers that you have elected an inconsistent RWT rate, they may instruct us to apply another RWT rate. We must use the RWT rate provided by the IRD, unless you tell us to apply a different RWT rate.

If you are an overseas resident and you are not engaged in business in New Zealand through a fixed establishment in New Zealand, non-resident

withholding tax will be deducted from the interest earned. The rate of non-resident withholding tax applied depends on your country of residence, and can be up to 15%.

If you are a non-resident, you can agree to have deducted the cost of the approved issuer levy, which is 2% of the interest paid or credited. In this case, we will deduct the approved issuer levy from the interest to be paid or credited to you and non-resident withholding tax will not be deducted. As a non-resident investor, you are required to provide us with your overseas address and where applicable, to complete an approved issuer levy application, which is available on request from us.

WITHHOLDING OF PAYMENTS

We may withhold payment of the principal and interest on your Secured Investment if legally required to do so.

SUMMARY OF THE TRUST DEED



Capitalised terms used in this section are defined in the glossary on page 28 or in the Trust Deed.

1. THE TRUST DEED

The Trust Deed between us, various of our then-related companies, and Trustees Executors Limited is dated April 1998 (and as subsequently amended). Under the Trust Deed, we may issue any of the following types of debt securities:

- Money Market Secured Deposits;
- Stock; and
- Notes.

At the date of this Prospectus, we do not offer or have any Money Market Secured Deposits or Notes outstanding.

The Trust Deed provides for the concept of a Charging Group. However, at the date of this Prospectus, we are the only member of the Charging Group. Accordingly, references to 'our', 'us', or 'we' in this section may reflect references in the Trust Deed to the Charging Group.

2. DUTIES OF THE TRUSTEE

Under the Trust Deed, the Trustee acts as an independent Trustee for stockholders.

The Trustee owes to stockholders the duties listed below.

- The Trustee oversees compliance with all of our covenants and obligations under and in accordance with the Trust Deed.
- If the Charge becomes enforceable under the terms of the Trust Deed, the Trustee may at its discretion enforce that security in any of the ways provided in the Trust Deed. The Trustee must enforce security:

- at the request of any stockholder who holds First Ranking Security Stock equating to 2.5% or more in nominal value of the total amount of First Ranking Security Stock then outstanding;
- at the request of the holders of 20% or more of the Security Stock; or
- upon being directed to do so by an extraordinary resolution of the holders of First Ranking Security Stock.

Enforcing security includes taking possession of or selling our assets, and appointing a receiver.

- The Trustee receives and considers the regular financial reports provided by us and our auditors.
- The Trustee performs a number of functions relating to the operation and administration of the Trust Deed, and performs the statutory duties set out in the Securities Act 1978 and Securities Regulations 2009.

3. SECURITY

To secure repayment of all First Ranking Security Stock and Second Ranking Security Stock issued under the Trust Deed, we have granted the Charge over all our assets and undertaking in favour of the Trustee.

The fixed assets subject to the Charge granted by us to the Trustee comprise office equipment, IT equipment, leasehold improvements, and fixtures and fittings used by us to carry out our business activities. In addition, we have also charged to the Trustee our undertaking, which includes our net loans and advances, and our operating lease assets.

Our fixed assets are not subject to any other obligations in favour of any person that modify or restrict our ability to deal with the assets.

4. GUARANTEE

Under the Trust Deed, we have granted a guarantee in favour of the Trustee that we will perform our obligations under the Trust Deed, including repaying the First Ranking Security Stock that comprises the Secured Investments.

Our liabilities under the Trust Deed are not guaranteed by the Trustee, by ANZ, or by any other person. In particular, the Trustee does not guarantee to repay to you the principal or interest on your Secured Investment.

5. RANKING OF SECURITY STOCK

Under the Trust Deed, Security Stock (being Stock which is secured by the Charge) may be either First Ranking Security Stock or Second Ranking Security Stock. All First Ranking Security Stock ranks ahead of all Second Ranking Security Stock. Among themselves, holders of any one class of Secured Stock rank equally.

First Ranking Security Stock issued under this Prospectus will rank equally with all First Ranking Security Stock previously issued and still outstanding. At 30 September 2010, the total amount of First Ranking Security Stock was \$1,852,089,000.

Second Ranking Security Stock issued under this Prospectus (if any) will rank equally with all Second Ranking Security Stock previously issued and still outstanding. At 30 September 2010, no Second Ranking Security Stock was outstanding.

Money Market Secured Deposits will rank ahead of the Security Stock. At 30 September 2010, no Money Market Secured Deposits were outstanding.

As discussed under 'Prior charges' below, we have entered into a number of vehicle lease agreements, which rank ahead of the First Ranking Security Stock because they are purchase money security interests under the Personal Property Securities Act 1999. At

30 September 2010, the aggregate amount secured by such purchase money security interests was \$811,000.

6. PRIOR CHARGES

We agree not to allow any charge that would rank equally with or ahead of the charge we have granted to the Trustee, except as permitted by the Trust Deed. The Trust Deed permits the prior charges listed below.

- The Trust Deed permits any charge granted to finance the cost of buying, building, developing, or improving any property or asset, as long as the amount secured is not more than two-thirds of that cost, together with interest discounts and other financing charges and ancillary sums.
- The Trust Deed permits any charge granted before the date of the Trust Deed.
- The Trust Deed permits us to renew or extend the term, increase the interest rate, or vary or replace the provisions of any permitted prior charge, as long as the principal sum secured by the prior charge (or a prior charge given in replacement or renewal thereof) does not increase.
- The Trust Deed permits any charge granted to the Trustee to further secure Security Stock that ranks equally with the charges created by the Trust Deed.
- The Trust Deed permits any charge over a specifically charged asset to secure Money Market-Secured Deposits, as long as the book value of the specifically charged asset does not at any time exceed 125% of the value of the monies secured, and as long as the Charge is given for, and in the normal course of business of, a money market dealer, merchant bank or other financial intermediary carrying on similar business in New Zealand. Money Market-Secured Deposits are deposits or loans accepted by us at any time that are secured by such charges.



- The Trust Deed permits any charge that is a purchase money security interest we create in favour of a seller of goods to us, or a lease in favour of a lessor of goods to us, that does not in substance secure payment or performance of an obligation. In each case, the purchase money security interest must be created or provided for by a transaction that is in the ordinary course of business and for the purposes of carrying on the same.

Apart from operating leases in relation to cars for sales executives, there are no other prior charges at the date of this Prospectus. Apart from further purchase money security interests granted in the ordinary course of our business, we do not intend to create any such other prior charges during the term of this Prospectus.

In addition, any creditors with claims that are preferred by statute (such as employees' costs, certain taxes, and liquidator's costs) will rank ahead of your Secured Investment.

7. BORROWING RESTRICTIONS

There are no specific restrictions on our ability to borrow resulting from any undertaking given, or contract or deed entered into by us, other than a general covenant under the Trust Deed to carry on and conduct business in an efficient, prudent and business like manner.

8. RESTRICTIONS ON CHARGING GROUP MEMBERS

In the Trust Deed, we provide negative covenants, including that we will not, without the prior written consent of the Trustee:

- provide credit to or give guarantees, indemnities, or securities for the obligations of, any person, except in accordance with good commercial practice;

- dispose of any assets, or provide services to, purchase assets from, or accept services from a related party, other than in the ordinary course of business and for proper value;
- alter our business in any way that would result in our principal business ceasing to be that of a financial intermediary;
- sell or transfer (by a single transaction or a series of transactions, and whether related or not) the whole or any substantial part of our business (viewing such business as a single entity) except to a Charging Group Member;
- write up the value of any asset in our account books to a higher value than is acceptable to the auditors without qualification; or
- relocate our principal place of business outside New Zealand, or change our place of incorporation.

At the date of this Prospectus, there are no borrowing group members or Charging Group members other than ourselves.

9. ENFORCEMENT

The Trustee may enforce the Trust Deed if we do not comply with our obligations under the Trust Deed. The Trust Deed provides for various events of default, including if we:

- fail to pay any principal amount on the due date, or fail to pay interest within 14 days of the due date;
- create a charge over our assets (except as permitted by the Trust Deed) or default under the terms of any permitted charge;
- enter insolvency, distress or execution, arrangement or composition with creditors, receivership or dissolution;
- sell a major part of our assets without the consent of the Trustee, other than to another Charging Group Member;



- pay a dividend while principal or interest remains unpaid as a result of a default;
- cease or threaten to cease to carry on business;
- reduce or attempt to reduce our share capital without the written consent of the Trustee; or
- commit any other default which continues for more than 14 days after the Trustee notifies us of the default.

If any event of default occurs, the Trustee may, among other things, appoint a receiver and realise our assets.

10. FUTURE CHARGING GROUP MEMBERS

The Trust Deed provides in summary that, unless the Trustee otherwise agrees, any corporation that becomes our wholly-owned subsidiary must become a Charging Group Member.

11. STOCKHOLDER MEETINGS

We or the Trustee may call stockholder meetings at any time. The Trustee shall also call a stockholder meeting if it is requested by stockholders who hold at least 10% in nominal amount of all the securities or any class of securities. Likewise, the Trustee shall call a stockholder meeting if it is requested by any stockholder who holds First Ranking Security Stock of at least 2.5% in nominal amount of all the First Ranking Security Stock. Stockholders must be given 14 days' notice of a stockholder meeting.

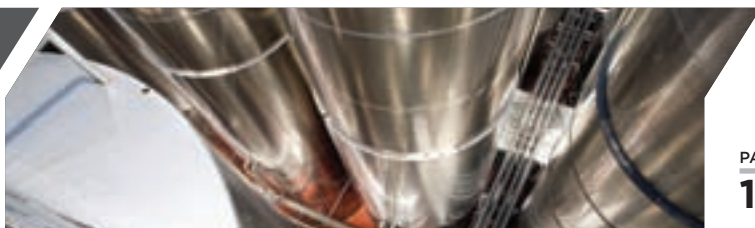
Stakeholders may not transact business at a stockholder meeting without the required quorum. For holders of First Ranking Security Stock to pass an extraordinary resolution, the quorum is holders of First Ranking Security Stock present in person or by representatives who hold a majority in nominal amount of First Ranking Security Stock.

For holders of Second Ranking Security Stock to pass an extraordinary resolution, the quorum is holders of Second Ranking Security Stock present in person or by representatives who hold or represent a majority in nominal amount of Second Ranking Security Stock.

For any class of stockholders to transact any business at a meeting other than the passing of an extraordinary resolution of that class, the quorum is stockholders present in person, by proxy, by attorney, or by representatives who hold at least 10% in nominal amount of the stock of that class.

If a quorum is not present at any meeting and the meeting is adjourned, the stockholders present at the adjourned meeting shall be a quorum for the transaction of business, including the passing of extraordinary resolutions.

Any director, officer, or solicitor of the Trustee and any person authorised by the Trustee may attend the meeting and shall have the right to speak at the meeting. The Trustee will appoint a chairperson of the meeting. The chairperson may adjourn the meeting from time to time.



12. REPORTS TO TRUSTEE

Under the Securities Regulations 2009, we provide the Trustee with the reports listed below.

- Monthly management reports setting out our liquidity, the quality of our assets, our reinvestment rates and our compliance with financial covenants. These reports must be signed by two of our directors on behalf of our Board of Directors.
- Quarterly reports, which include resolutions from our directors that we have not breached the financial covenants of the Trust Deed. The quarterly reports also include certificates from our directors confirming certain financial information for that financial quarter and that we have not breached the provisions of the Trust Deed. Our directors also report quarterly to the Trustee on whether anything has occurred that materially and adversely affects the interests of investors, and certifying that the current Prospectus is up to date and is not materially false or misleading.
- Audited half-yearly financial statements and an annual report, which includes our audited financial statements for the year.

In addition to the above, the Trustee may also ask us to provide special reports if they think special circumstances warrant such a request.

13. FINANCIAL COVENANTS

Under the Trust Deed, we covenant that:

- the aggregate amount of shareholders' funds and uncalled capital will be at least \$40,000,000 at all times;

- the total book value of land and shares (other than in Charging Group members) we hold will not exceed 50% of shareholders' funds and uncalled capital, without the Trustee's consent;
- the principal monies owing on Security Stock will not exceed our total tangible assets less the book value of all assets specifically charged to secure the payment of Money Market-Secured Deposits;
- the aggregate of (1) the amount available under the Committed Credit Facility, (2) 70% of the total Securities (excluding Committed Credit Facility and any other bank loan facilities), and (3) Shareholders Funds will not, without the prior written consent of the Trustee, fall below 65% of the Total Tangible Assets; and
- we shall maintain a minimum capital ratio of not less than 8%, as defined and calculated in accordance with Part 3 of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 ("Regulations") as varied by the Deposit Takers (UDC Finance Limited) Exemption Notice 2010 ("Exemptions"); and
- we shall comply with the condition of the maximum limit on aggregate exposures to related parties specified in the Exemptions, as defined and calculated in accordance with Part 4 of the Regulations as varied by the Exemptions.

We review the minimum level of shareholders' funds and uncalled capital every two years, and may increase the minimum level by agreement with the Trustee. The Trustee may increase the minimum amount of shareholders' funds and uncalled capital if we cease to be a subsidiary of ANZ or any holding company of ANZ. Dealings between non-charging related companies are also restricted.

GENERAL INFORMATION



This section contains information that is required under the Securities Act 1978 and the Securities Regulations 2009, and is not contained elsewhere in this Prospectus.

SHAREHOLDERS AND SHAREHOLDERS' GUARANTEES

All of our issued share capital is held by ANZ. ANZ does not guarantee any of the Secured Investments offered or referred to in this Prospectus.

RESERVED SECURITIES

We do not reserve securities for any applicant, and have not given preference in allotment to any class of applicant.

MATERIAL CONTRACTS

We have entered into the following material contracts within the period two years preceding the date of this Prospectus and the date this Prospectus was amended:

- A Committed Facility Agreement dated 23 September 2010 between ANZ and UDC;
- A Deed of Amendment amending the Trust Deed dated 30 November 2010 between the Trustee and UDC; and
- A Deed of Amendment amending the Trust Deed dated 30 May 2011 between the Trustee and UDC.

A copy of these material contracts were delivered to the Registrar of Companies (together with this Prospectus and the written authority of any agent signing this Prospectus) under section 41 of the Securities Act 1978.

OTHER MATERIAL MATTERS

The Securities Act (Continuous Debt Issues) Exemption Notice 2002 and the Securities Act (Financial Institutions) Exemption Notice 2007 apply to this Prospectus.

FINANCIAL ADVISERS

Financial advisers (including share-brokers, accountants, solicitors, financial planners, and insurance advisers) do not act as our agents, and we are not responsible for money held by them or for their actions. Financial advisers are paid commission or brokerage in lieu of payment for the services they provide to us.



BROKERAGE

Investors do not pay brokerage. We pay brokerage to our financial advisers on terms agreed between us and the financial adviser from time to time. We calculate our standard brokerage rate for financial advisers on the nominal value of accepted Secured Investments or reinvestments, at an annualised rate up to 0.50% per annum. We pay this brokerage to financial advisers on successful applications bearing the stamp of a registered financial adviser. The financial adviser may decide to pass on all or part of its brokerage fee to the investor. Such arrangements are a matter between the financial adviser and the investor.

ISSUE EXPENSES

We estimate that the operating expenses of Secured Investments issued under this Prospectus are \$2,793,995. Operating expenses include all legal, accounting, marketing, and printing costs, brokerage paid to our investment advisers, and fees paid to the Trustee.

STATEMENT ON SUBSTANTIAL SECURITY HOLDERS

We have not issued a request for information under sections 28 and 29 of the Securities Markets Act 1988 because we are a wholly-owned subsidiary of ANZ. ANZ is the only substantial security holder.

FINANCIAL STATEMENT

Our latest financial statements for the year ended 30 September 2010 were registered under the Financial Reporting Act 1993 on 13 December 2010. We have included a copy of those statements (and a summary of those statements) in this Prospectus.

PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending at the date of this Prospectus that may have a material and adverse effect on us.

CORPORATE GOVERNANCE & RISK MANAGEMENT

CORPORATE GOVERNANCE

We are a wholly-owned subsidiary of ANZ and our Board of Directors meet at least four times a year.

Our Board of Directors delegate authorities to the Chief Executive Officer, who further delegates certain authorities to his senior staff, as set out in our delegations manual.

Our constitution does not impose any material modifications, exceptions or limitations on the powers of its Board of Directors.

The Board of Directors is subject to the usual limitations and restrictions imposed on its powers by the Companies Act 1993, which require shareholder approval in certain circumstances.

CREDIT RATING

Our creditworthiness is rated by a ratings agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989. The approved ratings agency is Standard & Poor's Ratings Services.

Our current long-term Standard & Poor's credit rating is AA with outlook stable. Standard & Poor's Ratings Services defines its AA rating to mean the obligor 'has a very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.' According to Standard & Poor's Ratings Services, an outlook of 'stable' indicates that our credit rating is not likely to change. We have held our credit rating since February 2007.

This is a local currency (New Zealand dollar) long-term issuer rating. This type of rating expresses an opinion about an issuer's overall capacity to meet its senior, unsecured financial obligations over a horizon which is not short-term.

Standard & Poor's Ratings Services bases this rating on an independent review and analysis, including a review of our ownership, management, and governance structures, our loan book, our credit quality, our level of diversification, our competencies, and our lending procedures.

Standard & Poor's Rating Services' ratings range from AAA (extremely strong) to D (in default). The

table below sets out this scale, and the details of where we sit on that scale.

STANDARD & POOR'S RATINGS SCALE*

		Approximate probability of default (over 5 years)	
Investment Grade Ratings	AAA	Extremely Strong	1 in 600
	AA+ AA AA-	Very Strong	1 in 300
	A+ A A-	Strong	1 in 150
	BBB+ BBB BBB-	Adequate	1 in 30
	Speculative Grade Ratings	BB+ BB BB-	Less Vulnerable
B+ B B-		More Vulnerable	1 in 5
CCC+ CCC CCC-		Currently Vulnerable	1 in 2
CC		Currently Highly Vulnerable	
D		In Default	

UDC FINANCE

* Taken from Reserve Bank of New Zealand: Bulletin, Vol. 71, No 3, September 2008.

Credit ratings are statements of opinion issued by Standard & Poor's Ratings Services. A credit rating is not a statement of fact, an endorsement of the rated entity, or a recommendation to buy, hold, or sell securities. Further information is available on the website of Standard & Poor's Ratings Services at www.standardandpoors.com



RISK MANAGEMENT

Risk management is integral to the way we do business. We maintain a range of internal corporate governance procedures and risk management strategies and protocols to ensure that risks are actively managed and to the extent possible, mitigated. Our Board of Directors and management team are committed to ensuring the highest levels of corporate governance are maintained. This section summarises our key corporate governance and risk management strategies. Our Risk Management Programme sets out our framework for managing risk. Our Risk Committee manages our credit and operational risk. The Risk Committee meets at least six times a year and is made up of:

- the Chief Executive Officer;
- the Heads of Risk, Technology, and Operations;
- the Finance Manager;
- the Senior Credit Manager;
- the Operational Risk and Compliance Manager,
- the Head of Lending Support,
- the Head of Wholesale Risk,
- the ANZ Head of Commercial Credit; and
- the ANZ Legal Counsel (as required).

According to the Risk Committee's terms of reference, the committee is a forum to be aware of, monitor, and debate all significant risk issues we may face in relation to credit, liquidity, operational, technology, and compliance risks, while providing oversight and executive level support to the management team. The Risk Committee must approve changes to policy or process that have a material impact on credit or operational risk.

As an investor, the principal risks you could face are that we become insolvent or we fail to manage our

liquidity. Insolvency risk is the risk that we become insolvent and do not have enough assets to meet all our liabilities. Insolvency might mean that you are not able to recover all or part of the returns on your Secured Investment (i.e., the principal amount of your deposit and accrued unpaid interest). You will not be liable to pay us any additional money in relation to your Secured Investment if we become insolvent. Liquidity risk is the risk that we are not able to raise enough cash at short notice to meet our debts as they fall due, including repaying Secured Investments as they mature.

The principal risks we face that could lead to our insolvency broadly fall into four categories – financial risk, operational risk, economic and regulatory risk, and related party risk. We discuss these in more detail below.

(A) FINANCIAL RISK

(i) Credit Risk:

Our core business is asset financing. We lend the money you invest in our Secured Investments, primarily to finance assets such as vehicles, plant, machinery, IT and telecommunications equipment, agricultural equipment, forestry equipment, light and heavy industrial equipment, printing equipment, aircraft and boats, and other plant and equipment. We are therefore exposed to credit risks that:

- our borrowing customers default on their repayment and other obligations owed to us;
- the realisable value of security that we have taken to secure such obligations is not enough to repay amounts owing to us; and
- a guarantor is unable or does not have enough assets to meet the obligations of the principal debtor to us.



We reduce these credit risks by following established credit methodology and policies. All applications for credit are assessed and recorded in writing, and we use our internal credit policy and statistical risk-rating tools to assess each application.

At the heart of our credit policy are 'the 5 C's of credit':

- capacity (whether a borrower is able to repay the finance);
- character (whether a borrower is willing to repay the finance);
- conditions (the conditions and stability of the industry in which a borrower operates);
- capital (how much of a borrower's capital is at risk in the transaction); and
- collateral (if a borrower is unable to repay the finance, what recourse we have by way of security or guarantees).

We use these five qualities to determine the value of assets, the creditworthiness of a borrower, and the extent of appropriate financing.

We use credit risk-rating tools to help assess credit applications. These tools use sophisticated statistical techniques to determine creditworthiness, and comply with the rigorous standards prescribed in the Basel II banking accords. Further information can be obtained from www.udcinvestment.co.nz

We require the assets we finance to be fully insured and our interest must be noted on the insurance certificate. Borrowers must notify us when their insurance policies lapse.

For each borrower, we will decide (based on our credit assessment of the borrower) whether we require a guarantor. We do not require guarantees for all credit applications.

We monitor changing credit risk, and our Risk Committee is given monthly reports on portfolio credit risk rating, high-risk accounts, and delinquencies.

We also have a robust framework for dealing with delinquent, high-risk, or impaired loans. Our collections team actively manages delinquent loans under \$250,000, while high-risk or impaired loans over \$250,000 are managed by our Asset Management and Recoveries teams. The Asset Management and Recoveries teams work with customers to manage our risk and maximise returns. External solicitors, accountants, insolvency firms, and collections agencies provide specialist advice and services if we need them.

We are also exposed to credit risk on our deposits. ANZ Treasury (as our agent) makes these deposits with ANZ.

(ii) Liquidity Risk:

Liquidity risk is the risk that we are not able to raise enough cash at short notice to meet our debts as they fall due, including repaying Secured Investments as they mature.

We closely monitor and forecast our liquidity risk. We also maintain a number of banking facilities with ANZ including an \$NZ 800,000,000 committed facility to assist in managing our liquidity profile.

(iii) Interest Rate Risk:

Interest rate risk is the risk associated with fluctuations in interest rates. For example, we may be exposed to an interest rate risk if there is a mismatch between the fixed interest rates we offer investors and the interest rates we charge to borrowers.

We closely monitor and forecast changes in interest rates. ANZ regularly informs us of current and forecast changes to market interest rates. For more details, refer to page 56, note 22.

(B) OPERATIONAL RISK

Operational risks are risks that we are exposed to as part of conducting our business. Operational risk includes risks associated with:

- failures in internal processes and procedures;
- fraud;
- litigation;
- disruption to business caused by industrial disputes;
- competition;
- systems failures;
- pandemics;
- natural disasters; and
- other unforeseen external events that affect our business operations.

We have sound policies and procedures for managing risk. These policies and procedures follow applicable ANZ policies and comply with the requirements laid out in the Basel II banking accords. Our policies include a comprehensive Business Continuity Plan to minimise the effect of any interruption to business that affects personnel, premises, or technology. As part of the plan, we have processes for keeping key elements of the IT infrastructure working, and we have an alternative operating site.

Our Risk Committee monitors and manages our exposure to operational risk.



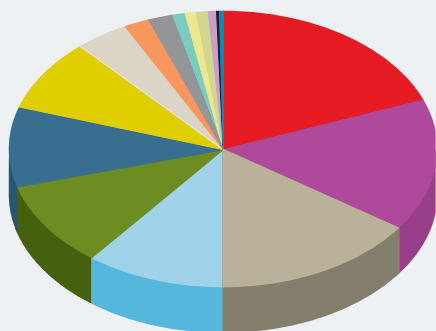
(C) ECONOMIC AND REGULATORY RISK

(i) Economic Risk:

An economic downturn might expose us to risk, particularly if it negatively affected industries to which we have extended considerable credit. To reduce this risk, we keep our lending portfolio diverse in terms of assets financed, and the regions and industries in which our customers are active.

At 30 September 2010, our diversified lending portfolio was split between the following industries:

UDC INDUSTRY DIVERSIFICATION



Transport and storage	18.76%
Agriculture, forestry and fishing	15.34%
Personal and other services	14.31%
Retail and wholesale	10.27%
Construction	9.68%
Manufacturing	8.73%
Finance, investment and insurance	6.86%
Business services	6.57%
Education	3.92%
Entertainment, leisure and tourism	1.62%
Communications	1.13%
Health and community services	1.11%
Mining	0.58%
Accommodation, cafes and restaurants	0.58%
Government administration and defence	0.39%
Electricity, gas and water supply	0.15%

We monitor how these industries are performing, and our Risk Committee monitors the concentration of risk in particular industries. We actively manage accounts in sectors suffering economic downturn.

(ii) Regulatory Risk:

A change in the regulatory environment in which we operate may expose us to risk and/or increased compliance costs. We closely monitor our regulatory environment, and we are in contact with our industry regulators.

We are a deposit taker for the purposes of the Non Bank Deposit Taker Regime implemented under the Reserve Bank of New Zealand Amendment Act 2008.

As a deposit taker, we are required to comply with certain requirements under the Non Bank Deposit Taker Regime. These requirements include:

- having a risk management programme;
- having an independent credit rating;
- meeting minimum capital requirements;
- limiting related-party exposures;
- meeting governance requirements; and
- meeting liquidity requirements.

The Reserve Bank has granted us part exemptions from the minimum capital and related-party exposure requirements. These exemptions apply from 1 June 2011 until the close of 1 December 2015, and provide that:

- our total exposure to related parties may be up to and including 75% of our capital; and
- we may use ANZ's capital calculation model approved by the Reserve Bank, for the purposes of calculating our risk-weighted amount for credit risk purposes.



The Reserve Bank has granted us these part exemptions on the basis that we are already subject to regulation as a consequence of being owned by ANZ, a registered bank regulated by the Reserve Bank.

(D) RELATED PARTY RISK

Our cash deposits are held from time to time by ANZ Treasury as our agent pursuant to an agency agreement dated 23 September 2000 (as subsequently amended). The aggregate amount of those cash deposits as at 30 September 2010 was \$135,518,000. Though we remain the legal owner of those cash deposits, they are exposed to the credit risk of ANZ meaning that if ANZ became insolvent, those amounts may not be repaid. In addition, as ANZ is our sole shareholder, we could also be at risk if ANZ were to become insolvent. However the risk that ANZ would become insolvent is remote. ANZ is a registered bank, and as such is regulated by the Reserve Bank. ANZ is subject to (amongst other matters) capital adequacy requirements and also has an AA long-term credit rating from Standard & Poor's.

GLOSSARY

The following is a summary of terms used in this Prospectus.

ANZ means ANZ National Bank Limited.

Charge includes a mortgage, charge, lien, or pledge (including a floating charge).

First Ranking Security Stock means all first ranking Stock issued as such under the Trust Deed. It includes the Stock issued as Secured Investments.

IRD means the Inland Revenue Department.

Investment Statement means the Investment Statement in relation to the Secured Term Investments.

Money Market Secured Deposits means the money market-secured deposits that we may accept under the Trust Deed.

Notes means any unsecured notes, and all other securities that may be issued under the Trust Deed that are not secured by the Charge.

Reserve Bank means the Reserve Bank of New Zealand.

RWT means resident withholding tax under the Income Tax Act 2007.

Second Ranking Security Stock means all second ranking Stock issued as such under the Trust Deed and ranking behind the First Ranking Security Stock.

Secured Investment means the Term Investment, the Capital Drawdown Investment, the Telephone Call Account and the Dealer Reserve Account.

Secured Term Investment means the Term Investment and the Capital Drawdown Investment.

Security Stock includes First Ranking Security Stock and Second Ranking Security Stock, unless the context otherwise requires.

Stock is a collective term used in the Trust Deed to describe all the types of secured securities covered

by the Trust Deed (but does not include Money Market Secured Deposits). It includes the First Ranking Security Stock issued in respect of our Secured Investments.

Trust Deed refers to a document titled “Debenture Stock and Unsecured Notes Trust Deed”, dated 1 April 1998 (as amended on 17 March 2006, and as further amended). This deed combined and restated two previous trust deeds (and incorporated amendments in amendment and supplemental deeds); the first entered into by us and the Trustee on 3 September 1974 (as amended from time to time), which governed secured registered debenture stock, and the second, a further trust deed entered into by the same parties on 5 February 1979 (as amended from time to time), which governed unsecured notes.

Trustee means Trustees Executors Limited.

UDC Finance Limited is referred to, in this document, as ‘UDC’, ‘us’, ‘we’, or ‘our’, as the context requires.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2010

CONTENTS

SUMMARY OF FINANCIAL STATEMENTS	30
GENERAL DISCLOSURES	31
STATEMENT OF COMPREHENSIVE INCOME	32
STATEMENT OF CHANGES IN EQUITY	32
STATEMENT OF FINANCIAL POSITION	33
STATEMENT OF CASH FLOWS	34
NOTES TO THE FINANCIAL STATEMENTS	35
AUDIT REPORT	66

SUMMARY OF FINANCIAL STATEMENTS

	Year to 30/09/2010 \$000	Year to 30/09/2009 \$000	Year to 30/09/2008 \$000	Year to 30/09/2007 \$000	Year to 30/09/2006 \$000
Summary Statement of Financial Position					
Cash and cash equivalents	135,518	27,196	22,733	217,529	220,345
Loans and Advances	1,968,771	1,829,156	1,990,456	1,821,565	2,032,622
Held for sale assets	-	-	-	-	28,799
Other current assets	6,844	3,065	5,610	13,661	2,102
Deferred tax asset	15,057	16,837	12,495	11,114	10,671
Other non current assets	1,241	1,324	1,965	2,688	2,731
Total assets	2,127,431	1,877,578	2,033,259	2,066,557	2,297,270
Borrowings	1,828,310	1,586,705	1,733,723	1,786,268	2,077,391
Current income tax liabilities	6,922	3,654	11,518	18,359	11,327
Payables and other liabilities	41,130	54,159	53,814	47,389	48,934
Provisions	1,026	1,186	5,018	13,590	2,180
Total liabilities	1,877,388	1,645,704	1,804,073	1,865,606	2,139,832
Total equity	250,043	231,874	229,186	200,951	157,438
Summary Statement of Comprehensive Income					
Interest income	175,873	197,700	232,681	222,620	221,899
Interest expense	98,600	130,187	147,146	143,600	148,525
Net interest income	77,273	67,513	85,535	79,020	73,374
Other operating income	2,025	1,500	423	2,881	2,301
Operating income	79,298	69,013	85,958	81,901	75,675
Operating expenses	34,286	34,989	34,910	33,738	36,062
Profit before provision for credit impairment and income tax	45,012	34,024	51,048	48,163	39,613
Provision for credit impairment	17,343	35,462	21,981	(945)	1,086
Profit (Loss) before income tax from continuing operations	27,669	(1,438)	29,067	49,108	38,527
Income tax expense (benefit)	9,500	(440)	9,528	17,710	12,808
Profit (Loss) after income tax from continuing operations	18,169	(998)	19,539	31,398	25,719
Profit after income tax from discontinued operations ¹	-	3,686	8,696	112,115	-
Profit after income tax	18,169	2,688	28,235	143,513	25,719
Adjustment on adoption of NZ IAS 39 on 1 October 2005	-	-	-	-	(28,989)
Total comprehensive income after income tax	18,169	2,688	28,235	143,513	(3,270)
Summary Statement of Changes in Equity					
Opening equity	231,874	229,186	200,951	157,438	190,708
Total comprehensive income	18,169	2,688	28,235	143,513	(3,270)
Distribution of dividends	-	-	-	(100,000)	(30,000)
Closing equity	250,043	231,874	229,186	200,951	157,438
Represented by:					
Share capital	20,752	20,752	20,752	20,752	20,752
Retained earnings	229,291	211,122	208,434	180,199	136,686
Summary Cash Flow Statement					
Net cash flows (used in) provided by operating activities	(132,459)	151,501	(142,215)	242,254	96,415
Net cash flows (used in) provided by investing activities	(824)	(20)	(36)	146,053	(1,235)
Net cash flows provided by (used in) financing activities	241,605	(147,018)	(52,545)	(391,123)	(30,000)
Net increase/ (decrease) in cash held	108,322	4,463	(194,796)	(2,816)	65,180
Cash and cash equivalents at beginning of the year	27,196	22,733	217,529	220,345	155,165
Cash and cash equivalents at end of the year	135,518	27,196	22,733	217,529	220,345

1. Profit after income tax from discontinued operations relates to the release of provisions provided in the sale and purchase agreement of Truck Leasing Limited. The final remaining provision was released in the 2009 financial year as there was no longer any expectation of future payments being required.

SUMMARY OF FINANCIAL STATEMENTS (Continued)

The information contained in the summary financial statements has been extracted from the Company's full audited financial statements for the year ended 30 September 2010, and preceding four consecutive financial years ending 30 September. The Company's full audited financial statements were prepared in accordance with New Zealand Generally Accepted Accounting Practice and complied with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate to profit-orientated entities. The full audited financial statements contain an explicit and unreserved statement of compliance with International Financial Reporting Standards. The full financial statements of the Company for the years ended 30 September 2010 and the preceding four consecutive financial years ending 30 September were authorised for issue by the Directors of the Company on 6 December 2010, 11 December 2009, 10 December 2008, 16 November 2007 and 20 October 2006 and unqualified audit reports were issued on the same dates.

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

The information in the summary financial statements has been prepared in accordance with FRS 43 Summary Financial Statements, subject to clause 8(4) of Schedule 2 of the Securities Regulations 2009. The summary financial statements were authorised for issue by the Directors of the Company on 22 December 2010.

Amounts contained in the summary financial statements are presented in thousands of New Zealand dollars. Certain prior period comparatives have been amended to reflect current period presentation.

Because of their summary nature, these summary financial statements cannot provide a complete understanding of the Company's financial position and results as provided by the full financial statements.

The full financial statements are included in the prospectus pages 32 to 65 and can also be obtained from the Companies Office (www.business.govt.nz/companies).

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, which is incorporated in Australia.

Directors Statement

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


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

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

Based on the above, the Board of Directors of the Company approve these financial statements for the year ended 30 September 2010.

For and on behalf of the Board of Directors

Graham Turley
6 December 2010



Steven Fyfe
6 December 2010

STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 September 2010

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

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

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

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

STATEMENT OF FINANCIAL POSITION as at 30 September 2010

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

The notes on pages 35 to 65 form part of and should be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS for the year ended 30 September 2010

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

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

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

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

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

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

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

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

(v) Rounding

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

(vi) Comparatives

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

(vii) Foreign currency translation

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 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 method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(ii) Fee and commission income

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

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

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

(iii) Leasing income

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

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

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

(C) EXPENSE RECOGNITION

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

(i) Interest expense

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

(ii) Loan origination expenses

Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:

- fees and commissions payable to brokers in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

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

(iii) Share-based compensation expense

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

(iv) Lease Payments

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

(D) INCOME TAX

(i) Income tax expense

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

(ii) Current tax

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

(iii) Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(iv) Offsetting

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

(E) ASSETS

(i) Derivative financial instruments

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

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

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

(ii) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money to a debtor with no intention of trading the loans and advances. The loans and advances are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the loan or advance. They are subsequently measured at amortised cost using the effective interest method less any impairment loss.

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

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

Impaired assets include other impaired assets, restructured loans and assets acquired through the enforcement of security. Other impaired assets include loans where there is doubt as to full recovery. An individual provision is raised to cover the expected loss, where full recovery of principal is doubtful.

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

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

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

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

Impairment of loans and advances

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

(iii) Finance lease receivables

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

The gross amount of contractual payments regarding lease finance to business customers that have a fixed rate and a fixed term are recorded as gross lease receivables and the unearned interest component is recognised as income yet to mature.

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

Non-financial Assets

(iv) Other intangible assets

Other intangible assets include costs incurred in acquiring and building software and computer systems ("software").

Software is amortised using the straight-line method over its expected useful life to the Company. The period of amortisation is between 3 and 5 years.

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

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

(v) Leasehold improvements and equipment, furniture and fittings

Leasehold improvements and equipment, furniture and fittings are carried at cost less accumulated depreciation and impairment. Assets are depreciated at rates based upon their expected useful lives to the Company, using the straight-line method. The depreciation rates used for each class of asset are:

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

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

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

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

(F) LIABILITIES

(i) Borrowings

Borrowings include interest bearing deposits, debentures and other related interest bearing financial instruments. Borrowings are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. The interest expense is recognised using the effective interest method.

(ii) Derecognition

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

Non-financial Liabilities

(iii) Employee benefits

Leave benefits

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

Defined contribution cash accumulation schemes

The Company's contributions to its defined contribution cash accumulation schemes are recognised as a personnel expense in the Statement of Comprehensive Income when incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iv) Provisions

The Company recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Any expected third party recoveries are recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(G) PRESENTATION

(i) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. This generally arises in the following circumstances:

- where gains and losses arise from a group of similar transactions, such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Company is, in substance, acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Company is reimbursed.

(ii) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where there is:

- a current enforceable legal right to offset the asset and liability; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(iii) Statement of cash flows

Basis of preparation

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

Cash and cash equivalents

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

Netting of cash flows

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

(iv) Segment reporting

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

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

(v) Goods and services tax

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

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

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

(H) OTHER

(i) Contingent liabilities

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

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

(ii) Funds under management and other fiduciary activities

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

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

(iii) Accounting Standards not early adopted

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements. The Company is currently assessing the impact of applying these amendments to its financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

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

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

Estimates

(a) Credit Provisioning

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

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

Individual provisions

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

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

Collective provisions

A collective provision is calculated for:

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

The collective provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is then adjusted for the impact of current observable data.

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Judgements

Deferred tax Assets

The Company has judged that there will be sufficient taxable income in the future to utilise taxable losses and has therefore recognised a deferred tax asset.

Yield related fees

The Company has reviewed all fees and has judged that certain fees are integral to the yield of the product. These fees have been appropriately included as part of the effective interest rate. See Interest income accounting policy for more detail.

Lease arrangements

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

3. RISK MANAGEMENT POLICIES

The Company manages risk through an approval, delegation and limits structure. Regular reviews of the policies, systems and risk reports are conducted within the Company and also by the Parent Company, ANZ National Bank Limited, and the Ultimate Parent Company, Australia and New Zealand Banking Group Limited.

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

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

- **Interest rate risk** management's objective is to produce strong and stable net interest income over time. The Company's interest rate risk has been transferred to the Parent Company through the adoption of the Parent Company's funds transfer pricing system. The Parent Company uses simulation models to quantify the potential impact of interest rate changes on earnings and the market value of the balance sheet. Interest rate risk management focuses on two principal sources of risk: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets.
- **Currency risk** relates to the potential loss arising from the decline in the value of foreign currency positions, due to changes in foreign exchange rates. For non-traded instruments in foreign currencies, the risk is monitored and is hedged in accordance with policy. Risk arising from individual funding and other transactions are actively managed. The total amount of unmatched foreign currency assets and liabilities, and consequent foreign currency exposure, arising from each class of financial asset or liability, whether recognised or unrecognised, within each currency is not material.
- **Liquidity risk** is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. The Company closely monitors and forecasts its liquidity risk. The Company has a high retention rate for its investments. The Company also maintains committed credit facilities with the Parent Company.

Capital Management Policy, the Company considers share capital and retained earnings to be capital for management purposes. The trustee sets and monitors capital requirements for the Company as a whole. The trustee requires the Company to maintain the aggregate amount of "Shareholders Funds" and "Uncalled Capital" as defined in the Trust Deed, of not less than \$40 million.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. INCOME	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
Interest income		
Interest received or receivable from lending:		
- Term Loans	106,978	107,034
- Current Accounts	7,277	9,773
- Hire purchase Contract	42,557	58,127
- Finance Leases	15,071	20,788
- Individually impaired assets	2,305	-
- Related parties - ANZ National Bank Limited	1,685	1,978
Total interest income	175,873	197,700
Lending and credit facility fee income	640	833
Other income	1,385	667
Other operating income	2,025	1,500
Total income	177,898	199,200
5. EXPENSES		
Interest expense		
- Borrowings	68,704	111,226
- Related parties - ANZ National Bank Limited	29,896	18,961
Total interest expense	98,600	130,187
Operating expenses		
Personnel costs	15,260	16,095
Employee entitlements	1,273	1,401
Pension costs - defined contribution schemes	422	403
Share based compensation - ANZ National Bank Limited	218	393
Auditors' remuneration		
- In respect of auditing the accounts	259	282
- In respect of assurance and audit related services	14	11
Depreciation of leasehold improvements and equipment, furniture and fittings	79	202
Amortisation of software	612	459
Fees paid to related parties - ANZ National Bank Limited ¹	9,372	8,829
Technology	1,728	1,458
Advertising and public relations	1,729	1,090
Trustees fees	142	430
Motor Vehicle - lease expenses	521	528
Motor Vehicle - other expenses	289	223
Entertainment	349	333
Loss on disposal of fixed assets	216	-
Travel	399	359
Other costs	1,404	2,493
Total operating expenses	34,286	34,989

¹ Fees paid to related parties

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TAX EXPENSE	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the Statement of Comprehensive Income		
Profit (Loss) before income tax	27,669	(1,438)
Prima facie income tax expense (benefit) at 30%	8,301	(431)
Entertainment expenses	52	68
Legal expenses	1	1
Other	(3)	(100)
	8,351	(462)
Income tax under provided in prior years	19	22
Tax effect of change in domestic tax rate ¹	1,130	-
Total income tax expense (benefit)	9,500	(440)
Effective tax rate	34.3%	30.6%
The major components of the income tax expense comprise:		
Amounts recognised in the Statement of Comprehensive Income		
Current income tax charge	7,701	3,880
Adjustments recognised in the current period in relation to current tax of prior periods	19	22
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	1,780	(4,342)
Total income tax expense (benefit) recognised in Statement of Comprehensive Income	9,500	(440)
Attributable to:		
Continuing operations	9,500	(440)
7. CASH AND CASH EQUIVALENTS		
	Audited 30/09/2010 \$000	Audited 30/09/2009 \$000
Cash and short term funds	135,518	27,196
Total cash and cash equivalents	135,518	27,196

The cash and short term funds are held with ANZ National Bank Limited (Parent Company - AA Credit Rating).

The interest is received at wholesale interest rates, 3.00% at 30 September 2010 (30 September 2009 2.50%).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. LOANS AND ADVANCES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. INDIVIDUALLY IMPAIRED, RESTRUCTURED, RENEGOTIATED AND PAST DUE ASSETS	Audited Year to 30/09/2010 \$000	Audited Year to 30/9/2009 \$000
On-balance sheet individually impaired, restructured, renegotiated and past due assets		
Individually impaired assets		
Balance at beginning of the year	59,183	37,421
Transfers to individually impaired assets from past due assets	75,797	89,356
Transfers from individually impaired assets to past due assets	(2,558)	(7,550)
Assets realised or loans repaid	(28,138)	(31,372)
Write offs	(22,488)	(28,672)
Balance at end of the year	81,796	59,183
Restructured assets		
Balance at beginning of the year	-	1,313
Transfers to restructured assets from productive assets	-	-
Transfers from restructured assets to productive assets	-	(1,313)
Balance at end of the year	-	-
Total impaired assets	81,796	59,183
Renegotiated assets (see note 23)	59,330	70,325
Past due assets		
Balance at the beginning of the year	107,818	166,955
Transfers to / from past due assets to productive assets	93,065	22,669
Transfers to past due assets from individually impaired assets	2,558	7,550
Transfers from past due assets to individually impaired assets	(75,797)	(89,356)
Balance at the end of the year	127,644	107,818
Interest foregone on impaired assets		
Gross interest receivable on impaired loans	6,029	5,607
Less Interest recognised	(2,305)	-
Net interest foregone on impaired loans	3,724	5,607

The past due assets for the Company represent 5.55% of gross loans outstanding (30 September 2009 5.00%).

All loan balances deemed collectable, that are classified as past due less than 90 days, are considered to be temporarily overdue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PROVISION FOR CREDIT IMPAIRMENT

	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
Collective provision		
Balance at beginning of the year	36,368	36,996
(Credit) to Statement of Comprehensive Income	(7,647)	(628)
Balance at end of the year	28,721	36,368
Individual provision		
Balance at beginning of the year	22,959	14,253
Charge to Statement of Comprehensive Income	24,990	36,090
Recoveries	1,929	1,288
Discount unwind	(2,305)	-
Bad debts written off	(22,488)	(28,672)
Balance at end of the year	25,085	22,959
Total provision for credit impairment	53,806	59,327
The following provides a reconciliation of the above movements in provisions for credit impairment reported in the Statement of Comprehensive Income.		
Provision movement analysis		
New and increased provisions	32,088	39,623
Provision releases	(5,169)	(2,245)
	26,919	37,378
Recoveries	(1,929)	(1,288)
Individual provision charge	24,990	36,090
Collective provision (credit)	(7,647)	(628)
	17,343	35,462
Charge to Statement of Comprehensive Income		
Corporate exposures	14,469	17,386
Retail exposures	2,874	18,076
Charge to Statement of Comprehensive Income	17,343	35,462

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. OTHER ASSETS	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
Current assets		
Accrued interest	186	64
GST receivable	4,986	2,672
Other assets	1,672	249
Total other assets	6,844	2,985
Accrued interest balances relate to funds that are held with ANZ National Bank Limited (Parent Company).		
12. DEFERRED TAX ASSETS / LIABILITIES		
Non current deferred tax assets / liabilities		
Balance at beginning of the year	16,837	12,495
(Charge)/ Credit to Statement of Comprehensive Income	(1,780)	4,342
Balance at the end of year	15,057	16,837
Deferred tax assets / liabilities comprise the following temporary differences:		
Provision for credit impairment	15,025	17,798
Leasehold improvements, equipment and software	(106)	(198)
Provisions	1,948	1,993
Lease finance	(3,432)	(3,799)
Other	1,622	1,043
Net deferred tax assets	15,057	16,837
The deferred tax (charge) credit in the Statement of Comprehensive Income comprises the following temporary differences:		
Provision for credit impairment	(2,773)	2,397
Leasehold improvements, equipment and software	92	54
Provisions	(45)	340
Lease finance	367	715
Other	579	836
	(1,780)	4,342

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. LEASEHOLD IMPROVEMENTS AND EQUIPMENT, FURNITURE & FITTINGS	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
Non current assets		
Leasehold improvements		
At cost	-	888
Accumulated depreciation	-	(861)
Book value leasehold improvements	-	27
Equipment, furniture and fittings		
At cost	1,395	4,849
Accumulated depreciation	(1,351)	(4,548)
Book value equipment, furniture and fittings	44	301
Total leasehold improvements and equipment, furniture & fittings	44	328
Reconciliation of the carrying amounts for leasehold improvements and equipment, furniture & fittings are set out below:		
Leasehold improvements		
Balance at beginning of the year	27	38
Disposals	(23)	-
Depreciation	(4)	(11)
Balance at end of the year	-	27
Equipment, furniture and fittings		
Balance at beginning of the year	301	472
Additions	11	20
Disposals	(193)	-
Depreciation	(75)	(191)
Balance at end of the year	44	301
Total leasehold improvements and equipment, furniture & fittings	44	328

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. INTANGIBLE ASSETS	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
Non current assets		
Software		
Gross carrying amount		
Balance at beginning of the year	2,297	2,297
Additions from developments	813	-
Balance at end of the year	3,110	2,297
Accumulated amortisation		
Balance at beginning of the year	(1,301)	(842)
Amortisation expense	(612)	(459)
Balance at end of the year	(1,913)	(1,301)
Total intangible assets	1,197	996
No impairment losses have been recognised against the gross carrying amount of intangible assets for the year ended 30 September 2010 (30 September 2009 \$nil).		
15. BORROWINGS		
Current borrowings		
Secured debenture stock	1,058,009	1,328,916
ANZ National Bank Limited facility	-	50,000
	1,058,009	1,378,916
Non current borrowings		
Secured debenture stock	320,301	207,789
ANZ National Bank Limited Facility	450,000	-
Total borrowings - recognised at amortised cost	1,828,310	1,586,705

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PAYABLES AND OTHER LIABILITIES

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

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

17. PROVISIONS

Non current liabilities - provisions

Provision for employee entitlements

Balance at beginning of the year	1,186	1,332
Provision utilised	(160)	(146)
Balance at end of the year	1,026	1,186

Provision for sale of discontinued operations

Balance at beginning of the year	-	3,686
Provision released to Statement of Comprehensive Income	-	(3,686)
Balance at end of the year	-	-
Total provisions	1,026	1,186

Employee entitlements

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

Sale of discontinued operations

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. ORDINARY SHARE CAPITAL

	Audited Year to 30/09/2010 No. of Shares	Audited Year to 30/09/2009 No. of Shares
Ordinary share capital		
Total ordinary shares	52,351,500	52,351,500
Uncalled ordinary shares	(31,600,000)	(31,600,000)
Ordinary shares issued at beginning and end of the year	20,751,500	20,751,500
	Audited 30/09/2010 \$000	Audited 30/09/2009 \$000
Ordinary paid in share capital		
Total share capital	52,352	52,352
Uncalled share capital	(31,600)	(31,600)
Ordinary paid in share capital at beginning and end of the year	20,752	20,752

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company, and rank equally with regard to the Company's residual assets. Shares have no par value.

No dividends were declared for the year to 30 September 2010 (30 September 2009 \$nil)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. COMMITMENTS

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair Value Methodologies

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

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

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

Certain short term financial assets

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

Derivative financial instruments

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

Loans and advances

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

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

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

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

Other financial assets

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

Borrowings

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

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

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

Payables and other financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

The table below summarises the carrying amounts and fair values of each class of financial assets and liabilities. The methods and significant assumptions applied in determining fair values are outlined on the previous page.

	Audited 30/09/2010 Carrying Amount \$000	Audited 30/09/2010 Fair Value \$000	Audited 30/09/08 Carrying Amount \$000	Audited 30/09/08 Fair Value \$000
Financial assets				
Cash and cash equivalents	135,518	135,518	27,196	27,196
Derivative financial instruments	-	-	80	80
Loans and advances	1,968,771	1,982,419	1,829,156	1,843,800
Other assets	1,858	1,858	313	313
Total financial assets	2,106,147	2,119,795	1,856,745	1,871,389
Financial liabilities				
Borrowings	1,828,310	1,834,642	1,586,705	1,593,831
Payables and other liabilities	34,477	34,477	48,428	48,428
Total financial liabilities	1,862,787	1,869,119	1,635,133	1,642,259

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

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

Level 1 : quoted prices in active markets for the same instrument

Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 : valuation techniques for which any significant input is not based on observable market data

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. LIQUIDITY RISK

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. INTEREST RATE SENSITIVITY ANALYSIS AND WEIGHTED AVERAGE INTEREST RATES

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

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

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

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

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

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

A change in interest rates of 1% on floating rate assets would have an impact of \$2.66m (30 September 2009 \$1.84m) on profit and loss and equity. A change in interest rates of 1% on floating rate liabilities would have an impact of \$1.89m (30 September 2009 \$2.68m) on profit and loss and equity.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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 30/09/2010									
Financial assets									
Cash and cash equivalents	3.00%	135,518	135,518	-	-	-	-	-	-
Loans and advances	9.65%	1,968,771	986,100	117,843	214,164	346,158	298,253	6,253	-
Other assets	n/a	1,858	-	-	-	-	-	-	1,858
Total financial assets		2,106,147	1,121,618	117,843	214,164	346,158	298,253	6,253	1,858
Financial liabilities									
Borrowings	4.97%	1,828,310	546,822	220,514	290,673	653,254	117,047	-	-
Other liabilities	n/a	34,477	-	-	-	-	-	-	34,477
Total financial liabilities		1,862,787	546,822	220,514	290,673	653,254	117,047	-	34,477
On-balance sheet interest sensitivity gap		243,360	574,796	(102,671)	(76,509)	(307,096)	181,206	6,253	(32,619)
Interest sensitivity gap managed by Parent Company		(243,360)	(574,796)	102,671	76,509	307,096	(181,206)	(6,253)	32,619
Interest sensitivity		-	-	-	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CREDIT RISK

a. Maximum exposure to credit risk

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

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

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

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

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

b. Credit risk management

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

23. CREDIT RISK (continued)

c. Exposure to credit risk

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

	Corporate Exposures	Retail Exposures	Total
Audited 30 September 2010			
Neither past due nor impaired			
- Cash and cash equivalents and other assets	137,376	-	137,376
- Loans and advances	1,105,254	707,883	1,813,137
	1,242,630	707,883	1,950,513
Past due but not impaired			
Up to 30 days	61,453	27,902	89,355
30 to 60 days	9,488	9,727	19,215
60 to 90 days	655	3,640	4,295
	71,596	41,269	112,865
Past due and impaired			
90 days plus	7,623	7,156	14,779
	79,219	48,425	127,644
less Collective provision for impairment (see note 10)	(17,708)	(11,013)	(28,721)
Individually impaired (see note 9)	68,784	13,012	81,796
less provision for individual impairment (see note 10)	(21,249)	(3,836)	(25,085)
Net individually impaired	47,535	9,176	56,711
Total on-balance sheet financial assets	1,351,676	754,471	2,106,147
Renegotiated loans (see note 9)	53,979	5,351	59,330
Audited 30 September 2009			
Neither past due nor impaired			
- Cash and cash equivalents and other assets	27,589	-	27,589
- Loans and advances	1,000,650	720,832	1,721,482
	1,028,239	720,832	1,749,071
Past due but not impaired			
Up to 30 days	28,840	32,294	61,134
30 to 60 days	6,771	11,247	18,018
60 to 90 days	3,449	6,236	9,685
	39,060	49,777	88,837
Past due and impaired			
90 days plus	10,396	8,585	18,981
	49,456	58,362	107,818
less Collective provision for impairment (see note 10)	(20,837)	(15,531)	(36,368)
Individually impaired (see note 9)	38,112	21,071	59,183
less provision for individual impairment (see note 10)	(11,290)	(11,669)	(22,959)
Individually impaired (see note 9)	26,822	9,402	36,224
Net individually impaired	1,083,680	773,065	1,856,745
Total on-balance sheet financial assets	68,923	1,402	70,325
Renegotiated loans (see note 9)			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CREDIT RISK (continued)

	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
d. Concentrations of credit risk		
The Company monitors concentrations of credit risk by industry and geographic location.		
Concentrations by Geographic region		
Auckland	31.93%	31.68%
Rest of North Island	39.52%	39.56%
Canterbury	13.31%	13.91%
Rest of South Island	15.25%	14.85%
These concentrations exclude any related party exposure		
Concentrations by largest counterparties		
As a % of total on-balance sheet financial assets	4.38%	4.85%
As a % of total equity	36.91%	38.88%
Concentrations of credit risk to individual counterparties or groups of closely related counterparties		
Number of counterparties whose net loans and advances exceeds 10% of total equity		
10%-19%	1	1
20%-25%	1	1
These concentrations exclude any related party exposure		
Concentrations of credit risk by industry		
Analyses of financial assets by industry sector using Australian and New Zealand Standard Industrial Classification (ANZSIC) codes were as follows:		
Agriculture, forestry and fishing	323,180	291,255
Mining	12,220	17,405
Manufacturing	183,810	174,887
Electricity, gas and water	3,685	3,006
Construction	203,812	185,630
Retail and wholesale	216,089	194,209
Accommodation, cafes and restaurants	12,164	8,563
Transport and storage	395,058	355,576
Communications	23,879	15,164
Finance, investment and insurance	144,543	34,085
Property and business services	138,269	156,265
Government administration and defence	8,233	11,011
Education	82,577	74,878
Health and community services	23,280	16,387
Entertainment, leisure and tourism	34,054	36,016
Personal and other services	301,294	282,408
Total on-balance sheet financial assets	2,106,147	1,856,745
e. Concentrations of credit risk by internal risk grading		
Grade 0	74,561	59,508
Grade 1	901	1,303
Grade 2	4,411	6,343
Grade 3	27,500	25,493
Grade 4	134,496	76,760
Grade 5	550,753	496,180
Grade 6	986,880	910,321
Grade 7	71,770	103,004
Grade 8	60,790	114,019
Grade 9	908	2,958
Grade 10	55,801	33,267
No internal risk grading		
– cash and cash equivalents and other assets	137,376	27,589
Total on-balance sheet financial assets	2,106,147	1,856,745

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. CREDIT RISK (continued)

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

Collateral requirements

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

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

Estimated value of collateral

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

	Audited Year to 30/09/2010 \$000	Audited Year to 30/09/2009 \$000
Credit exposure - loans and advances	81,796	59,183
Unsecured portion of credit - loans and advances	(25,085)	(22,959)
Total value of collateral - loans and advances	56,711	36,224
g. Commitments to extend credit		
Undrawn facilities available to customers	193,285	216,935
Conditional commitments to fund at future dates	28,911	25,484

24. CONCENTRATIONS OF FUNDING

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

25. SEGMENTAL ANALYSIS

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. FUNDS MANAGEMENT AND OTHER FIDUCIARY ACTIVITIES

The Company acted as Manager for the unit trust, UDC Investment Funds, under which the following funds are operated - UDC Call Maximiser Fund, UDC Term Maximiser Fund, ANZ Call Fund and ANZ Term Fund. These funds are managed as separate unit trusts. The Trustee of the Funds is Trustees Executors Limited. UDC Call Maximiser Fund and UDC Term Maximiser Fund began taking deposits on 1 May 2008, ANZ Call Fund and ANZ Term Fund began taking deposits on 6 October 2008. The assets and liabilities of the trust are not included in these financial statements as they are not beneficially owned by the Company. No fees were earned in respect of the Company's management activities. The Company paid expenses on behalf of the unit trusts of \$87,000 in the current year for which no consideration was received (30 September 2009 \$176,000).

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

Contingent tax liability

As at 30 September 2010, there were no contingent liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. NOTES TO THE STATEMENT OF CASH FLOWS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. RELATED PARTY TRANSACTIONS

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

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

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

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

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

30. PARENT COMPANY

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

31. SUBSEQUENT EVENTS

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

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



The Directors
UDC Finance Limited
Level 6,
1 Victoria Street
WELLINGTON

22 December 2010

Dear Directors

AUDIT OPINION ON THE FINANCIAL STATEMENTS INCLUDED IN PROSPECTUS NO. 64

As auditor of UDC Finance Limited (the "Company") we have prepared this report pursuant to the requirements of the Securities Act 1978 and clause 22 of the Second Schedule of the Securities Regulations 2009 for inclusion in the Prospectus dated 22 December 2010 and for no other purpose.

REPORT ON THE FINANCIAL STATEMENTS

We have audited accompanying financial statements of UDC Finance Limited included in this Prospectus, set out in pages 32 to 65. The financial statements comprise the statement of financial position as at 30 September 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibilities

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

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

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

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

Opinion

In our opinion the financial statements of UDC Finance Limited included set out on pages 32 to 65 of the Prospectus:

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Our audit was completed on 6 December 2010 and our unqualified opinion was expressed as at that date. We have not undertaken any procedures from the date of completion of our audit.

OTHER MATTER

This report has been prepared for inclusion in the prospectus dated 22 December 2010 for the purpose of meeting the requirements of Clause 22 of the Second Schedule to the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

Yours faithfully

Auckland

STATUTORY INDEX

Corresponding reference to provisions of the Second Schedule to the Securities Regulations 2009

MAIN TERMS OF OFFER	3, 8, 11-14
NAME AND ADDRESS OF OFFEROR	N/A
DETAILS OF INCORPORATION OF ISSUER	3
GUARANTORS	16
NAMES, ADDRESSES, AND OTHER INFORMATION	2-3
RESTRICTIONS ON DIRECTOR'S POWERS	17-18
DESCRIPTION OF ACTIVITIES OF CHARGING GROUP	7, 15
SUMMARY OF FINANCIAL STATEMENTS	30
ACQUISITION OF BUSINESS OR SUBSIDIARY	N/A
MATERIAL CONTRACTS	20
PENDING PROCEEDINGS	21
ISSUE EXPENSES	21
RANKING OF SECURITIES	16
PROVISIONS OF TRUST DEED AND OTHER RESTRICTIONS ON CHARGING GROUP	6, 15 -19
OTHER TERMS OF OFFER AND SECURITIES	8 - 14
FINANCIAL STATEMENTS	32 - 65
PLACES OF INSPECTION OF DOCUMENTS	3
OTHER MATERIAL MATTERS	20
DIRECTOR'S STATEMENT	2
AUDITOR'S REPORT	5





UDCP64 05/11

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