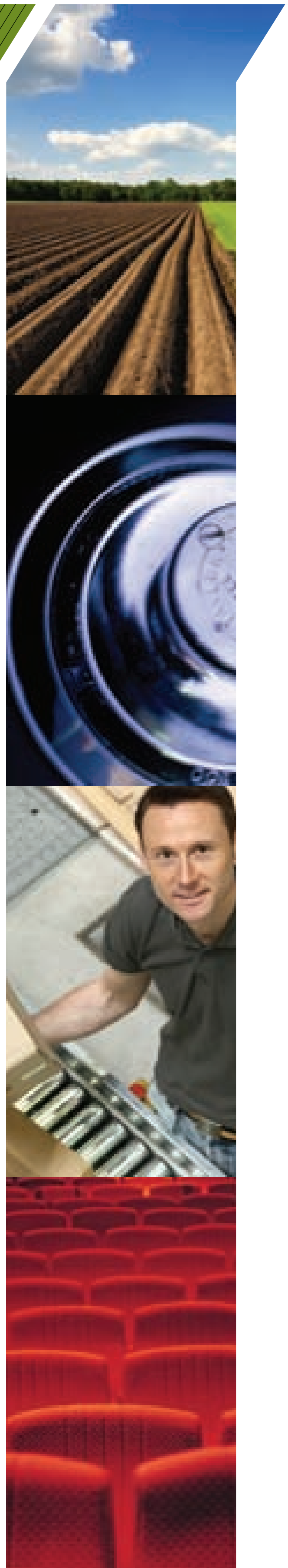
New Zealand's Finance Company

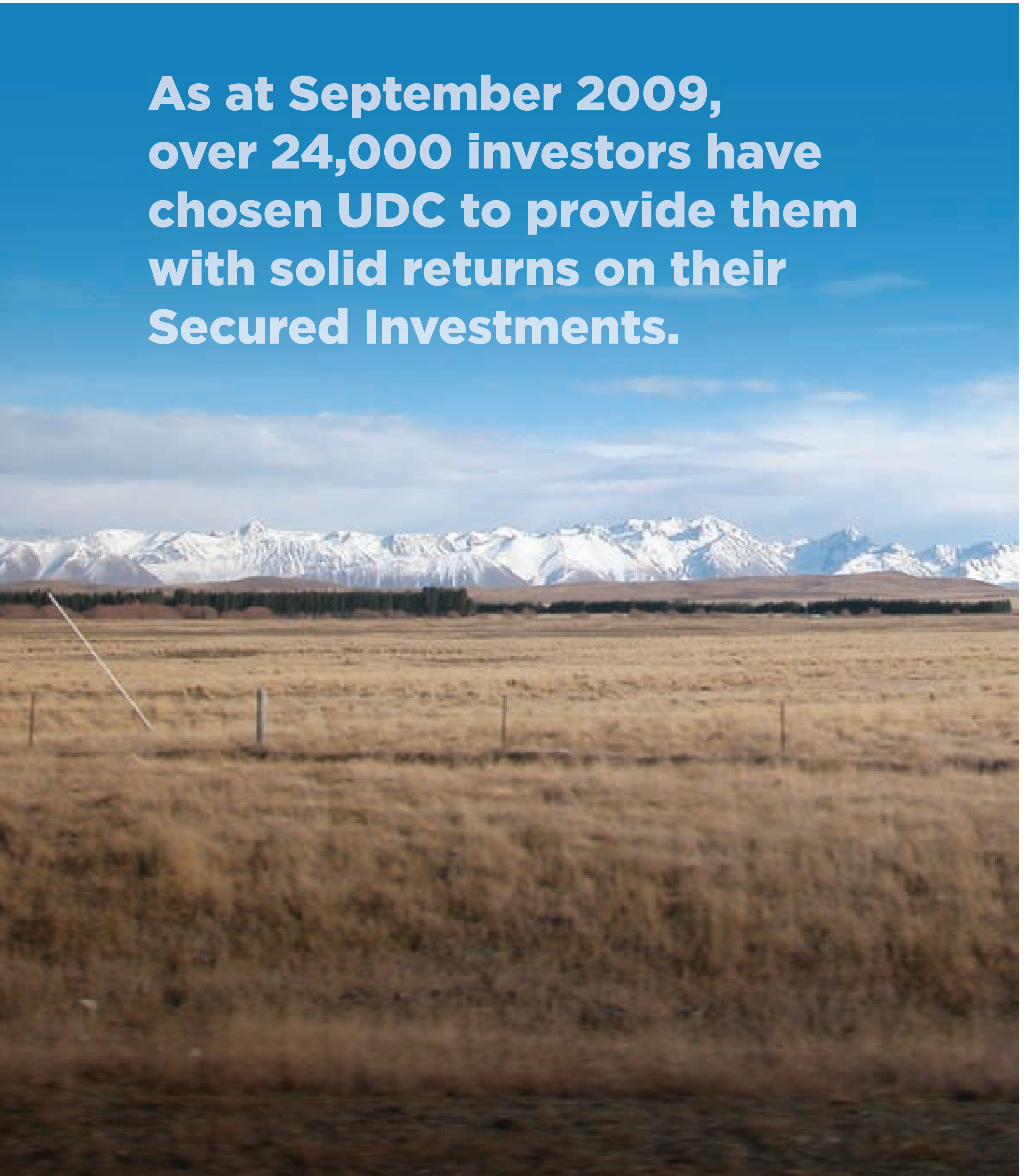
UDC FINANCE LIMITED PROSPECTUS
21 December 2009
(as amended by Memorandum of Amendments dated 19 March 2010 and 30 September 2010)

UDC SECURED INVESTMENTS

NO. 63



NEW ZEALAND'S FINANCE COMPANY



UDC

New Zealand's Finance Company

For over 70 years we have used our investment funds to support backbone New Zealand industries. We do this by providing asset finance for plant, machinery, vehicles, equipment and a range of other diversified assets.

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

Our commitment to our investors is to continue to create and manage solid investment options 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 UDC's Secured Investments please give us a call during business hours on 0800 652 832 or visit www.udc.co.nz. We look forward to hearing from you.

All legislation referred to herein may be viewed online at www.legislation.govt.nz

CONTENTS

A copy of a disclosure statement prepared under the Securities Markets Act 1988 is available on request from UDC, free of charge.

DIRECTORS' STATEMENT

In our opinion, after due inquiry by us in relation to the period between 30 September 2009 and the date of this Prospectus, no circumstances have arisen which materially adversely affect:

(a) the trading or profitability of the Charging Group; or

(b) the value of its assets; or

(c) the ability of the Charging Group 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

Wayne David Besant
Director

Steven Montgomery Fyfe
Director

THE DIRECTORS OF THE ISSUER ARE:

Graham David Turley
BBS (Acc), DipHort (Dist), CA (member of ICANZ), TP (member of INFINZ)
Auckland, New Zealand

Wayne David Besant
MSocSc (Hons), MBA, FFSIA
Auckland, New Zealand
(resigned as a director of the Issuer with effect from 29 January 2010)

Richard Arthur Wilks
BCOM, CA
Auckland, New Zealand
(appointed as a director of the Issuer with effect from 5 January 2010)

Steven Montgomery Fyfe
BCA, CA
Wellington, 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 in the 5 years preceding the date of delivery of this Prospectus for registration.

UDC
New Zealand's Finance Company

DIRECTORY

ISSUER

Name: UDC Finance Limited ('UDC')

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

SECRETARY TO BOARD

Debra Blackett

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

Telephone: (04) 495 0999

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

UDC was incorporated on 1 April 1938 under the Companies Act 1933 and reregistered under the Companies Act 1993 on 23 June 1997. The registered number of UDC is 3580.

INSPECTION OF DOCUMENTS

Investors can view the public file relating to UDC (including UDC's certificate of incorporation, constitution, and the Trust Deed) on the Companies Office website by searching the register for company name "UDC Finance Limited" or company number 3580 at www.companies.govt.nz or may obtain copies of such documents (a fee may apply) by telephoning the Ministry of Economic Development Business Service Centre on **0508 266 726**. Copies of the Trust Deed may be inspected without fee during normal office hours at the Wellington office of the Trustee. Copies of the certificate of incorporation and constitution of UDC and any material contract referred to on page 20 may be inspected without fee during normal office hours at the Auckland office of UDC.

THE OFFER

This Prospectus, relates to the offer by UDC 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 is equal to the amount of your deposit (as determined by you). A minimum deposit of $5,000 is required (except for the UDC Dealer Reserve Account).

There are no material modifications, exceptions or limitations imposed on the powers of the Board of Directors by the constitution of UDC.

The Board of Directors is subject to the usual limitations and restrictions imposed on its powers by the Companies Act 1993, where shareholder approval is required under the Companies Act 1993.

Documents included within this Prospectus for registration with the Registrar of Companies are:

(a) the signed Auditors' Reports, including the Auditors' Consent reproduced on page 6 of this Prospectus; and

(b) the signed statement by the Trustee reproduced on page 7 of this Prospectus.

The Securities Regulations 1983 apply to the offer of securities made under this Prospectus.

New Zealand's Finance Company

CHAIRMAN'S REPORT

UDC PROSPECTUS NUMBER 63 DECEMBER 2009

Thank you for considering a UDC Finance investment. Making any investment choice is an important decision, and one that shouldn't be taken lightly, particularly in the current economic climate.

Over the last year the investment landscape has changed considerably, and while interest rates both here and overseas have stabilised in recent months, economies are still slow. Nevertheless, UDC Finance has continued to perform as expected.

In the 2009 financial year, UDC Finance had an after-tax operational net loss of $998,000, although a "Profit from discontinued operations" resulted in an overall tax-paid net profit of $2.7 million. This is despite a decline in underlying revenue, due to increased competition for deposits, and a significant increase in provisions for credit impairment. It's a satisfying result that vindicates our policy on risk management and our commitment to supporting New Zealand industry.

To help you make an informed decision, this prospectus – our 63rd – contains the key information you need to assess UDC Finance. Here are some of the highlights.

More than 70 years experience for New Zealand's leading finance company

Now in our eighth decade, we've helped New Zealand businesses grow and prosper through many economic cycles and changes over the last 71 years.

Investment grade Standard & Poor's AA credit rating

UDC's long term credit rating from Standard & Poor's remains AA, confirmed on the 27th July 2009. This is as strong as the major New Zealand trading banks. A rating can't offer guarantees, but it can provide an indication of creditworthiness. In the report accompanying the rating review, Standard & Poor's commented on UDC's brand and market profile, the diversification of our loan book and the extent of our distribution network.

Asset investment only – no speculative property development

We have always specialised in providing structured asset finance to help heartland New Zealand industry. We don't finance speculative property developments. These prudent lending policies help us maintain consistent performance, and to minimise UDC's exposure to risk.

Diversified portfolio

For your protection, we spread our lending across a wide range of industries. We are committed to meeting the high standards of risk management, as outlined in the Basel Convention.

Retail Deposit Guarantee Scheme

UDC supports the New Zealand Government's extension of the New Zealand Retail Deposit Guarantee Scheme and the introduction of Non Bank Deposit Taking Regulations.

With economic recovery around the corner, 2010 is set to bring new opportunities for UDC and its investors. We are looking forward to continued profitability and growth that will, in turn, provide a solid investment choice for anyone who wants to help New Zealand businesses prosper in the years ahead.

Graham Turley
Chairman
UDC Finance Limited

Chris Cowell
Chief Executive Officer
UDC Finance Limited

The Directors
UDC Finance Limited
Level 14, ANZ Tower
215-229 Lambton Quay
WELLINGTON

21 December 2009

Dear Directors

AUDIT REPORT FOR INCLUSION IN PROSPECTUS NO. 63

We have prepared this report for inclusion in the Prospectus dated 21 December 2009.

As auditor of UDC Finance Limited ("the Company") we have prepared this report pursuant to the requirements of the Securities Act 1978 and Clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in the Prospectus dated 21 December 2009 and for no other purpose.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of this Prospectus, including:

- the historical summary of financial statements of the Company for the five financial years ended 30 September 2005, 30 September 2006, 30 September 2007, 30 September 2008 and 30 September 2009, as required by Clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983; and
- the details and amounts in respect of the ranking of securities as at 30 September 2009, as required by Clause 12 of the Second Schedule of the Securities Regulations 1983.

AUDITORS' RESPONSIBILITIES

It is our responsibility to report in accordance with Clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983, on whether the amounts stated pursuant to Clauses 7(2), 7(3) and 12 of the Second Schedule have been taken from audited financial statements, and, whether or not the amounts have been correctly taken.

This report has been prepared for inclusion in the Prospectus dated 21 December 2009 for the purpose of meeting the requirements of Clause 36 of the Second Schedule to the Securities Regulations 1983. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the historical summary of financial statements for any other purpose other than that for which they were prepared except that we audited the financial statements included on pages 32 to 65 of this Prospectus. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

BASIS OF OPINION ON THE HISTORICAL SUMMARY OF FINANCIAL STATEMENTS

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the historical summary of financial statements on page 30 pursuant to Clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company for the five financial years ended 30 September 2005, 30 September 2006, 30 September 2007, 30 September 2008 and 30 September 2009.

BASIS OF OPINION ON THE RANKING OF SECURITIES

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the ranking of securities on page 16 pursuant to Clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 30 September 2009.

UNQUALIFIED OPINION ON THE HISTORICAL SUMMARY OF FINANCIAL STATEMENTS

In our opinion the amounts set out in the historical summary of financial statements on page 30 of this Prospectus, as required by Clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the five financial years ended 30 September 2005, 30 September 2006, 30 September 2007, 30 September 2008 and 30 September 2009.

UNQUALIFIED OPINION ON THE RANKING OF SECURITIES

In our opinion the amounts set out in the ranking of securities on page 16 pursuant to Clause 12 of the Second Schedule of the Securities Regulations 1983 have been correctly taken from the audited financial statements of the Company as at 30 September 2009.

In terms of Regulations 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to the inclusion in the above mentioned Prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this Prospectus for registration, withdrawn our consent to the issuer thereof.

Yours faithfully

KPMG

KPMG
Chartered Accountants
Auckland

Trustees Executors

Level 5, 10 Customhouse Quay, PO Box 3222, DX SP20011, Wellington, New Zealand Phone 04 - 495-0999, Fax 04 - 496-2952

21 December 2009

The Directors
UDC Finance Limited
Level 14
ANZ Tower
215-229 Lambton Quay
WELLINGTON

Dear Sirs

Clause 13(3) of the Second Schedule of the Securities Regulations 1983 requires us to confirm that the offer of Debenture Stock ("the Securities") set out in this Prospectus No. 63 complies with any relevant provisions of the Trust Deed dated 22 May 1986 (as amended). 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;

and are described in the summary of the Trust Deed in this Prospectus.

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 Fifth Schedule of the Securities Regulations 1983, 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.

Trustees 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

UDC was established in 1938 as a finance company to provide financial and other services to its customers. UDC's core business is asset finance. During the past 5 years, UDC's principal business activities have been:

- accepting term deposits from the public through its investment products, including its UDC Secured Investments;
- providing asset finance to New Zealanders and New Zealand businesses to enable them to acquire and/or upgrade assets. UDC finances a wide variety of assets including vehicles, machinery, plant, equipment, and IT and communications hardware;
- one of UDC's specialties is providing motor vehicle finance. This is an industry that UDC has been supporting for several decades. UDC provides a range of motor vehicle finance options to individuals and to businesses. UDC provides finance directly to its customers, and also through a network of selected licensed motor vehicle dealers. UDC uses a variety of products to finance vehicles including credit sale agreements and operating and finance leases;
- UDC is an active participant in the asset leasing market. UDC provides specialised and structured asset leasing options to both personal and business customers. UDC also provides finance to other asset leasing companies through a range of structures and products; and
- more recently, UDC has also been involved in facilitating asset insurance through third party insurers.

  For more information about UDC visit **www.udc.co.nz**

The fixed assets that are subject to the Charge granted by UDC to the Trustee comprise office equipment, IT equipment, leasehold improvements and fixtures and fittings which are used by UDC to carry on its business activities. In addition, UDC has also charged to the Trustee its undertaking which includes UDC's net loans and advances and operating lease assets.

CHOOSE THE TYPE OF SECURED INVESTMENT THAT SUITS YOU

UDC
New Zealand's Finance Company

More detailed information relating specifically to the UDC Secured Term Investment, UDC Secured Capital Drawdown Investment and UDC Secured Telephone Call Account products that UDC offers are available in UDC's Options brochure. The UDC Dealer Reserve Account is only available to dealers or vendors (as applicable) who have entered into certain underlying agreements with UDC.

The Options brochure, as well as UDC's investment statement and application forms are available on UDC's website at **www.udc.co.nz** . Also available are our current Standard & Poor's credit rating and this Prospectus.

Alternatively, call toll free on 0800 652 832 to speak directly with one of our Investor Services Officers to obtain a copy of these documents, or drop in to your local branch of ANZ.

We do not charge entry, exit or management fees on our Secured Investments. However, if UDC permits early redemption (which it is not obliged to), UDC may adjust the rate of interest on the Investment downwards. Any such interest adjustment will be deducted from the balance of the Investment as at the day it is repaid.

As at the date of this Prospectus, UDC does not intend to list any Secured Investments offered in this Prospectus on any Stock Exchange.

1

SELECT THE UDC SECURED INVESTMENT OPTION THAT BEST SUITS YOUR NEEDS

Read UDC's Investment Statement and Prospectus for UDC's Secured Investment Products. If you need more information on these options, you can call our Investor Services team on **0800 652 832**. Alternatively, you can contact your financial adviser or an ANZ branch staff member.

2

COMPLETE THE RELEVANT APPLICATION FORM

Applications can be made by completing the relevant application form in our application pack. You can download an application form from our website at **www.udc.co.nz** or call us on **0800 652 832** and we will send one to you by post. You can also pick up an application pack at your local ANZ branch or from your financial adviser.

3

LODGE YOUR APPLICATION AND FUNDS

Applications can be mailed directly to:

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

or placed through your broker or Financial Adviser

- Please sign the direct debit form and forward with your application. UDC will manage the rest.
- You can also lodge funds by direct credit using your on-line banking or over the counter at your own bank.
- Alternatively, you can lodge money over the counter at any ANZ branch, or by sending us a cheque.
- Please make your cheque payable to 'UDC Finance Limited' and cross it 'account payee only'.
- Please ensure that you enclose the relevant identification documents required for your application.

	UDC SECURED TERM INVESTMENT		UDC SECURED TELEPHONE CALL ACCOUNT
	1. Term Investment	2. Capital Drawdown	
Minimum Investment	$5,000	$5,000	$5,000
Investment Terms	Choose between 1 month to 5 years	Choose between 1 to 5 years	Not applicable
Rate Structure	rate fixed for the investment term - tiered structure	rate fixed for the investment term – tiered structure	rate subject to change as per market conditions
Payment Frequency	Interest payments can either be monthly, quarterly, annually or on maturity. Some variations may apply depending on the term chosen.	Calculated and paid or compounded monthly or quarterly with interest/payments direct credited to your nominated bank account. Interest and capital payment frequencies must be the same and the first payment date must be at least one calendar month from the initial investment date.	Calculated on daily balance and compounded or paid monthly
Payment Options	Quarterly and annual interest may be compounded or direct credited to your bank account. Interest is paid only by direct credit to a bank account.	Payments may consist of either: some of your interest, all of your interest, or, all of your interest plus a portion of your principal. No minimum payment amount.	Minimum withdrawal amount or one-off deposit amount is $500 and a balance of $5,000 must be maintained. Telephone or Internet Banking transfers can be arranged from your nominated bank account. Regular automatic payments to deposit funds to the UDC Secured Telephone Call Account may be set up. Repayable on demand subject to clearance of funds.
Payment Dates	Quarterly interest is paid on or by the first working day of January, April, July & October. Monthly interest is paid on or by the first working day of the following month and on the maturity date. On maturity interest is paid on the maturity date.	Interest payment dates will be aligned to the interest frequency.	Interest is compounded on the last day of each month.
Fees	No fees, but an interest rate adjustment will apply where an investment is partially or fully withdrawn prior to maturity.	No fees, but an interest rate adjustment will apply where an investment is partially or fully withdrawn prior to maturity.	No fees.
Tax	Interest earned is taxable. Tax or Levy is deducted on the payment or compounding of interest.	Interest earned is taxable. Tax or Levy is deducted on the payment or compounding of interest.	Interest earned is taxable. Tax or Levy is deducted on the payment or compounding of interest.
Account Conditions and Reinvestment	You may choose to have your investment automatically renewed at maturity for the same term and at the applicable interest rate.	Payments may be increased (subject to sufficient funds) or reduced by any amount, or suspended. There is no minimum payment amount.	Not applicable.

The UDC Dealer Reserve Account has the same terms as the UDC Telephone Call Account as set out in the table above, except in relation to the minimum investment. For the UDC Dealer Reserve Account, the minimum investment is an amount agreed between a dealer or vendor and UDC from time to time. Automatic payments cannot be used to deposit funds into the UDC Dealer Reserve Account.

TERMS OF THE OFFER

All the terms of the offer and the terms of UDC's Secured Investments, except those implied by law, are set out in this Prospectus.

INTEREST RATES

Secured Investments: The interest rate applicable to a Secured Investment varies depending on the term of the investment and the amount invested.

For UDC Secured Term Investments, interest rates are fixed for the term of your Investment. Interest rates are determined by UDC. Indicative interest rates are published on our website at **www.udc.co.nz** or are available on request by calling UDC on **0800 652 832.** The interest rate applicable to your Secured Term Investment will be advised to you at the commencement of your investment.

The rate of interest is fixed by UDC at the commencement of your Secured Term Investment. The rate of interest applicable to your Secured Term Investment will be determined by UDC by reference to the balance of your deposit, whether you elect to have interest compounded and the term of your Investment. Interest is calculated daily on the balance of your Investment and paid monthly, quarterly or at the maturity of your Investment as agreed with UDC at the commencement of your Investment (less any deduction for withholding tax or Approved Issuer Levy if applicable).

For UDC Secured Telephone Call Accounts and UDC Dealer Reserve Accounts, interest is paid from the date we receive your Investment. Interest rates on UDC's Secured Telephone Call Account and Dealer Reserve Account change frequently. For up to date rates, please visit our website **www.udc.co.nz** or call us toll free on **0800 652 832.**

INTEREST AND OTHER STATEMENTS

UDC sends statements of interest showing the balance of your Secured Investment either when interest is paid or compounded, or, if interest is paid or compounded more frequently than once a quarter, interest statements will be sent quarterly.

UDC will, where applicable, send annually a withholding tax deduction certificate in respect of tax (excluding Approved Issuer Levy) deducted from interest payments on your Secured Investment.

For UDC Dealer Reserve Accounts, UDC will send you (as a dealer or vendor) a monthly statement itemising the movements for that month.

In addition, UDC can also provide to you free of charge, on written request from you, an interim statement of your Secured Term Investment, an additional copy of UDC's Secured Term Investment Statement and/or a copy of this Prospectus.

ON MATURITY

UDC Secured Telephone Call Accounts and UDC Dealer Reserve Accounts are repayable on demand subject to clearance of funds. UDC may separately agree with you that it may deduct or set-off amounts from the UDC Dealer Reserve Account to satisfy other obligations you have to UDC.

The maturity date for your Secured Term Investment will be the maturity date selected by you on your application form.

WHEN YOUR TERM INVESTMENT MATURES

Prior to the maturity date of your Secured Term Investment, UDC will advise you in writing of the pending maturity date and offer you the following options (unless you have previously advised us as to how you would like to deal with your Secured Term Investment on its maturity):

- repayment of the principal sum plus any accrued unpaid interest, to your nominated bank account;
- renewal of your Secured Term Investment for another term at the applicable interest rates available at that time for that term;
- renewal of original principal amount of your Secured Term Investment with payment of accrued unpaid interest to your nominated bank account;
- transfer of your Secured Term Investment to another person/investment nominated by you; or
- part reinvestment and part repayment of your Secured Term Investment as instructed by you.

If UDC has not received instructions from you before the maturity date of your investment as to how you would like to deal with your investment on maturity, UDC will roll your investment over, on call, at the "on demand rate" applicable on the day.

If you chose on your application form to automatically renew your Secured Term Investment, we will automatically reinvest it for the same term. We will notify you at the time of reinvestment about the details, including the amount to be reinvested, the new maturity date, the applicable interest rate and any change to auto-renewal conditions for the new term. You have 14 days from the date of reinvestment to alter your renewal advice by calling UDC on **0800 652 832** or by instructing UDC in writing to change the reinvestment details.

UDC retains a residual power under its Trust Deed to, on prior arrangement with you, change the terms of your Secured Term Investment including in relation to the maturity date of your Investment, the applicable rate of interest, the payment of a premium on the redemption of your Investment or any of the other terms and conditions in respect of your Investment, however no such alteration may be inconsistent with any provisions of the Trust Deed.

EARLY REPAYMENT

The pricing of UDC's fixed interest rates assume for the Secured Term Investment that your invested funds will remain with us until their maturity date. You do not have the right to withdraw your invested funds prior to maturity. However, in certain circumstances, such as the death of the investor or financial hardship, UDC may (but is not obliged to) consider written applications for early redemption. Please note that if UDC does permit redemption in these circumstances, it has the right to amend the interest rate on the investment. Any such interest adjustment will be deducted from the balance of the investment as at the day it is repaid.

TRANSFERRING YOUR INVESTMENT

Secured Term Investments with a minimum nominal value of $5,000 may be transferred using the form commonly used for share transfers, with any necessary modifications in accordance with the Securities Transfer Act 1991. The transfer becomes valid once it is registered in accordance with UDC's Trust Deed. UDC cannot register a transfer of any First Ranking Security Stock within five working days before an interest payment date.

In addition, UDC does not believe that there is an established market for the re-sale of such investments.

TAX ON YOUR INTEREST

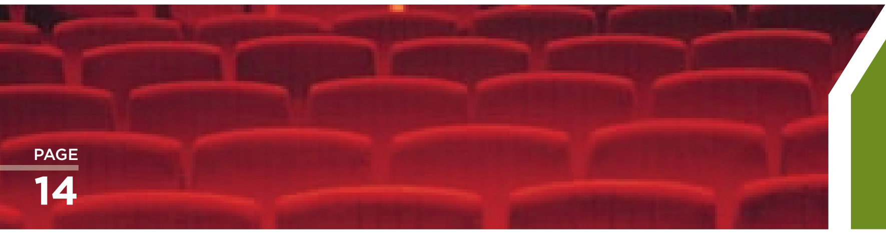
The following is a general summary of the New Zealand tax implications of an investment in a UDC Secured Investment. It does not deal with all relevant considerations and possible situations. You should seek independent professional tax advice pertaining to your circumstances before investing.

The interest earned on all of UDC's Secured Investments is taxable.

Under current tax laws, interest (including compounded interest) paid to all New Zealand tax residents is subject to Resident Withholding Tax ("RWT"), unless you provide UDC with a valid certificate of exemption. In this case UDC will not deduct RWT. Your correct RWT rate also depends on your taxable income. When providing UDC your Inland Revenue Department (IRD) Number you may elect a RWT rate.

Legislation has been enacted to change the available RWT rates with effect from 1 October 2010. This Prospectus reflects the current RWT rates and RWT rates from 1 October 2010. Investors' previously notified RWT rates will automatically be shifted to the appropriate new RWT rates on 1 October 2010.

RWT rates that can be elected by investors		
Type of investor	**RWT rate until 30 Sept 2010**	**RWT rate from 1 Oct 2010**
• 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	12.5%	10.5%
• An individual • A trustee	21%	17.5%
• An individual • A trustee	n/a	30%
• A company	30%	30%
• An individual • A trustee • A company	33%	33%
• An individual • A trustee • A company	38%	n/a
Automatic rate adjustments		
Type of investor	**RWT rate until 30 Sept 2010**	**RWT rate from 1 Oct 2010**
• An individual who elected the 12.5% RWT rate before 1 October 2010 • A trustee who elected the 12.5% RWT rate before 1 October 2010	12.5%	10.5%
• An individual or trustee who elected the 19.5% RWT rate before 1 April 2010	21%	17.5%
• An individual or trustee who elected the 21% RWT rate before 1 October 2010	21%	17.5%
• An individual or trustee who elected the 33% RWT rate before 1 October 2010	33%	30%
• An individual, trustee or company who elected the 38% RWT rate or 39% RWT rate before 1 October 2010	38%	33%



Without your IRD number UDC is obliged to deduct RWT from your interest at the top RWT rate of 38% (33% from 1 October 2010). RWT will be deducted at 38% (33% from 1 October 2010) where you provide your IRD number but do not elect a RWT rate (unless you are a company, in which case RWT will be deducted at 33% before and after 1 October 2010). UDC's Secured Investments are not subject to the Portfolio Investment Entity ("PIE") regime introduced in October 2007.

Where a RWT rate is elected, the elected RWT rate only applies from the time that you notify UDC. Until the RWT rate is notified, a higher RWT rate may be applied. If a lower RWT rate is incorrectly elected, this may result in you having a tax liability at the end of the tax year. If a higher RWT rate is incorrectly elected, you may apply to Inland Revenue to recover any overpaid RWT at the end of the tax year.

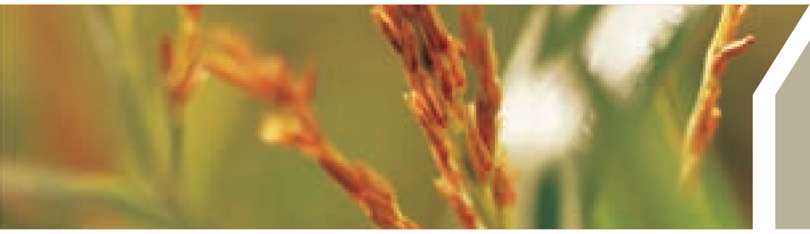
If Inland Revenue considers that you have elected the incorrect RWT rate, Inland Revenue may instruct UDC to use a different RWT rate. UDC must use the RWT rate as notified by Inland Revenue unless you subsequently notify UDC that a different RWT rate is to be used.

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 ("NRWT") will be deducted. The rate of NRWT depends on your country of residence and can be up to 15%. Non-resident investors can agree to have deducted the cost of an Approved Issuer Levy ("AIL"), which is currently equal to 2% of the interest to be paid to the non-resident investor, from the interest payable to the non-resident investor. In this case, we will deduct the AIL from the interest paid or credited to you and New Zealand NRWT will not be deducted. Non-resident investors are required to provide UDC with their overseas address and where applicable to complete the AIL application, available on request from UDC.

WITHHOLDING OF PAYMENTS

UDC may withhold payment of principal and payment of interest on your Secured Investment where UDC is required by law, including by a Court Order, to do so.

SUMMARY OF THE TRUST DEED



Capitalised terms used in this section of the Prospectus and not otherwise defined in the Prospectus have the meaning given to those terms in the Trust Deed. For a summary of the meanings of such words please refer to the Glossary on page 28.

1. SUMMARY OF TRUST DEED

The Trust Deed between UDC, various of its then related companies and Trustees Executors Limited, dated 3 September 1974 (as combined and restated in a deed dated 22 May 1986 (as amended), provides that UDC may issue any of the following types of debt securities:

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

As at the date of this Prospectus, UDC does not offer nor have outstanding any Money Market Secured Deposits or Notes.

2. DUTIES OF THE TRUSTEE

Pursuant to the Trust Deed, the Trustee acts as an independent trustee for the holders of the Stock.

The Trust Deed provides that the Trustee owes the following duties to holders of Stock:

a) to oversee compliance with all the covenants and obligations of members of the Charging Group under the Trust Deed on the basis of the provisions of the Trust Deed;

b) upon the Charge under the Trust Deed becoming enforceable, the Trustee may at its discretion (and must 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; or 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) enforce that security in any of the ways provided in the Trust Deed. This includes taking possession of or selling the Charging Group's assets and appointing a receiver;

c) to receive and consider the regular financial reports provided by the Charging Group and its auditors;

d) to perform a number of functions relating to the operation and administration of the Trust Deed and to perform the statutory duties set out in the Securities Act 1978, Securities Regulations 1983, and Securities Amendment Regulations 2007.

3. SECURITY

To secure repayment of all First Ranking Security Stock and Second Ranking Security Stock issued under the Trust Deed, each member of the Charging Group has granted the Charge over all its assets and undertaking in favour of the Trustee. Currently UDC is the only member of the Charging Group.

4. GUARANTEE

The Trust Deed also provides for the granting of a guarantee from each member of the Charging Group in favour of the Trustee guaranteeing performance of the obligations of each member of the Charging Group under the Trust Deed, including repayment of the First Ranking Security Stock which comprises UDC's Secured Investments. As at the date of this Prospectus, UDC is the only member of the Charging Group.

The liabilities of UDC under the Trust Deed are not guaranteed by the Trustee nor by ANZ National Bank Limited.

UDC has a guarantee under the New Zealand Retail Deposit Guarantee Scheme which expires at 12:01am on 12th October 2010 ("Crown Guarantee"). As part of this scheme, UDC has entered into the Original Crown Deed of Guarantee, which applies to all UDC Secured Investments made before 1 January 2010. In addition, UDC has entered into the Revised Crown

Deed of Guarantee, which applies to all UDC Secured Investments made on or after 1 January 2010.

The Crown Guarantee ends at 12:01am on 12th October 2010. When the Crown Guarantee ends, your UDC Secured Investment will no longer have the benefit of a Crown guarantee. UDC does not intend to participate in the extended New Zealand Retail Deposit Guarantee Scheme which comes into effect on 12th October 2010.

The Crown Guarantee covers:

(a) principal and interest on any UDC Secured Investment which falls due and payable in the Guarantee Period; and

(b) if a Default Event under either the Original or Revised Crown Deed of Guarantee occurs during the Guarantee Period, the principal and interest on all UDC Secured Investments outstanding at the date of that Default Event.

If you are a Related Party of UDC, a person who is neither a New Zealand citizen nor NZ Resident, or a Financial Institution, you will not receive the benefit of the Crown Guarantee (although if you are and hold the UDC Secured Investment as a bare trustee, the beneficiary of that bare trust will be entitled to receive the benefit of the Crown Guarantee as if they would otherwise be eligible for the Crown Guarantee).

The Crown's obligation to pay any amount under the Original or Revised Crown Deed of Guarantee is subject to you giving a notice of claim to the Crown in accordance with that Original or Revised Crown Deed of Guarantee and to the Crown satisfying itself as to the amount of the claim and any other matters the Crown reasonably considers appropriate.

The maximum liability of the Crown to each creditor of UDC covered under the Crown Guarantee is one million New Zealand dollars ($1,000,000). For this purpose amounts owed to you by UDC under any UDC Secured Investment will be aggregated with other amounts owed to you by UDC which are supported by the Crown Guarantee.

Further information about the Crown Guarantee and the most recent audited statement of financial position of the Crown is available, free of charge and at all reasonable times, on the website of the Treasury at **www.treasury.govt.nz**

5. RANKING OF SECURITY STOCK

The Trust Deed provides that 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. As at 30 September 2009, the total amount of First Ranking Security Stock is $1,619,989,000. Second Ranking Security Stock issued under this Prospectus (if any) will rank equally with all Second Ranking Security Stock previously issued and still outstanding. As at 30 September 2009 there was no Second Ranking Security Stock outstanding. In addition, Money Market Secured Deposits will rank ahead of the Security Stock. As at 30 September 2009, there were no Money Market Deposits outstanding.

As discussed under the heading "Prior Charges" below, UDC has entered into a number of vehicle lease agreements which as purchase money security interests under the Personal Property Securities Act 1999 would rank ahead of the First Ranking Security Stock. As at 30 September 2009, the aggregate amount secured by such purchase money security interests was $352,000.

6. PRIOR CHARGES

Each member of the Charging Group agrees not to permit any charge that would rank equally with or ahead of the Charge granted by the Charging Group

to the Trustee, except as permitted by the Trust Deed.

The Trust Deed permits the following prior charges:

- a charge granted for the purpose of financing the cost of acquisition, construction, development or improvement of any property or asset provided that the amount secured does not exceed two thirds of the cost of such acquisition, construction development or improvement, together with interest discounts and other financing charges and ancillary sums;
- charges granted by a member of the Charging Group prior to the date of the Trust Deed;
- renewal or extension of the term or increase in the rate of interest or any other variation to the provisions of any permitted prior charge or replacement of such permitted prior charge, provided that there is no increase in the principal sum secured by the prior charge (or such prior charge given in replacement or renewal thereof);
- charges granted to the Trustee to further secure security stock that ranks equally with the charges created by the Trust Deed;
- a charge over a specifically charged asset to secure Money Market Secured Deposits provided that the book value of the specifically charged asset does not at any time exceed 125% of the value of the moneys secured and provided such a charge is given for the purposes of and in the normal course of business of a money market dealer, merchant bank or other financial intermediary carrying on business in New Zealand of a similar type or nature. Money Market Secured Deposits are deposits or loans accepted by a Charging Group member at any time that are secured by such charges; and
- any charge that is a purchase money security interest created by a Charging Group member in favour of a seller of goods or a lease in favour of a lessor of goods to a Charging Group member that does not in substance secure payment or performance of an obligation, in each case 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 senior executives, as at the date of this Prospectus, there are no such other prior charges, and apart from further purchase money security interests granted in the ordinary course of its business, UDC does not intend to create any such other prior charges during the term of this Prospectus.

In addition, any creditors with claims which 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 the ability of UDC to borrow which result from any undertaking given, or contract or deed entered into by UDC, 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

Each Charging Group Member gives negative covenants, including that it 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 otherwise than in accordance with good commercial practice;
- dispose of any of its assets or provide services to or purchase any assets or accept services from a related party not being a Charging Group Member, other than in the ordinary course of business and for proper value;

- make any alteration to its business as a result of which the principal business of the Charging Group shall cease to be that of a financial intermediary;
- sell or transfer whether by a single transaction or any series of transactions whether related or not the whole or any substantial part of the business of the Charging Group (viewing such business as a single entity) except to a Charging Group Member;
- write up the value of any asset in its books of account to a value in excess of a value acceptable to the auditors without qualification; and
- relocate its principal place of business outside New Zealand or change its place of incorporation.

9. ENFORCEMENT

The Trustee may enforce the Trust Deed if UDC or any other Charging Group Member does not comply with its obligations under the Trust Deed. The Trust Deed provides for various events of default including:

- non payment of any principal amount on the due date or, in respect of the payment of interest, within 14 days of the due date;
- creation of a charge over its assets by a Charging Group Member (except as permitted by the Trust Deed) or default of a Charging Group Member under any permitted charge;
- insolvency, distress or execution, arrangement or composition with creditors, receivership or dissolution;
- sale of a major part of a Charging Group Member's assets without the consent of the Trustee, other than to another Charging Group Member;
- payment of a dividend while principal or interest remains unpaid as a result of a default;
- a Charging Group Member ceases or threatens to cease to carry on business;
- reducing or attempting to reduce a Charging Group Member's share capital without the written consent of the Trustee; and
- any other default by a Charging Group Member which continues for more than 14 days after receipt by UDC of notice of the default from the Trustee.

If any event of default occurs, the Trustee may, amongst other things, appoint a receiver, and realise the assets, of all or any of the Charging Group Members.

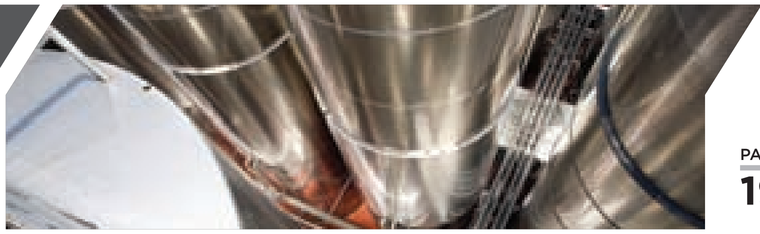
10. FUTURE CHARGING GROUP MEMBERS

The Trust Deed provides in summary that, unless the Trustee otherwise agrees, UDC shall procure that any corporation which becomes a wholly owned subsidiary of UDC becomes a Charging Group Member.

11. MEETINGS OF STOCKHOLDERS

Meetings of stockholders can be called by UDC or the Trustee at any time. The Trustee shall also call a meeting of stockholders at the request of stockholders who hold no less than 10% in nominal amount of all the securities or any class of securities, or any stockholder who holds First Ranking Security Stock of no less than 2.5% in nominal amount of all of the First Ranking Security Stock. Fourteen days notice of each meeting must be given to the stockholders.

No business shall be transacted at a meeting of stockholders without the requisite quorum. A quorum for passing an extraordinary resolution of stockholders of First Ranking Security Stock is stockholders of First Ranking Security Stock present in person or by representative holding or representing a majority in nominal amount of First Ranking Security Stock. A quorum for passing an extraordinary resolution of stockholders of Second Ranking Security Stock is stockholders of Second Ranking Security Stock present in person or by representative holding or representing a majority in nominal amount of Second Ranking Security Stock.



The quorum for the transaction of any business at a meeting of any class of stockholders, other than the passing of an extraordinary resolution of such class, shall be the stockholders present in person or by proxy, or by attorney or by representative of at least 10 percent 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. A person appointed by the Trustee will be chairperson of the meeting. The Chairperson may adjourn the meeting from time to time.

12. REPORTS TO TRUSTEE

Pursuant to the Securities Amendment Regulations 2007, UDC provides monthly management reports to the Trustee. These reports cover the liquidity of UDC, the quality of UDC's assets, reinvestment rates and compliance with financial covenants. These reports must be signed by two Directors on behalf of the Board of Directors.

The Trustee receives quarterly reports which include directors' resolutions that none of the financial covenants of the Trust Deed have been breached and directors' certificates which confirm certain financial information for that financial quarter. The directors also provide information on a quarterly basis regarding whether anything has occurred which will materially and adversely affect the interests of investors.

In addition, under the Securities Amendment Regulations 2007, UDC's Directors also certify to the Trustee quarterly that this Prospectus is up to date and is not misleading in any material particular.

The Trustee receives audited half-yearly financial statements and an annual report which includes the Charging Group's audited financial statements for the year and an Auditors' Report.

The Trustee is also entitled to receive, on written request, special reports where the Trustee considers that special circumstances warrant a request for a special report. These special reports may include copies of financial statements and an Auditors' Report.

The Trustee also receives, on a monthly basis, details of the volume of investments covered under the Crown Guarantee.

13. FINANCIAL COVENANTS

Under the Trust Deed, each member of the Charging Group covenants that:

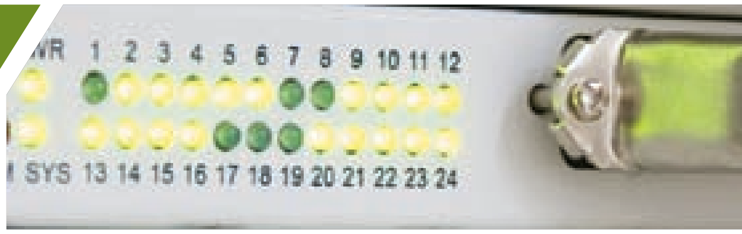
a) the aggregate amount of shareholders' funds and uncalled capital will not be less than $40,000,000 at any time;

b) the total book value of land and shares (other than in members of the Charging Group) held by the Charging Group will not exceed 50% of the aggregate of shareholders' funds and uncalled capital, without the Trustee's consent;

c) the principal monies owing in respect of the Security Stock will not exceed the aggregate amount of total tangible assets of the Charging Group after deducting the book value of all assets specifically charged to secure the payment of Money Market Secured Deposits.

The minimum level of shareholders' funds and uncalled capital is reviewed every two years, and may be increased by agreement between the Trustee and UDC. The Trustee is also entitled to increase the minimum amount of shareholders' funds and uncalled capital if UDC ceases to be a subsidiary of ANZ or any holding company of ANZ. There are also restrictions on dealings between non-charging related companies.

GENERAL INFORMATION



This section contains information required under the Second Schedule of the Securities Regulations 1983 that is not elsewhere in this Prospectus.

SHAREHOLDERS AND SHAREHOLDERS' GUARANTEES

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

RESERVED UDC SECURITIES

There are no securities reserved for any applicant, nor is there any class of applicant to whom any preference in allotment is given.

MATERIAL CONTRACTS

At the date of this Prospectus, the following material contracts have been entered into by members of the Charging Group in the previous two years:

- Crown Deed of Guarantee between Her Majesty the Queen in right of New Zealand and UDC Finance Limited dated 26 November 2008 (see page 15 of this Prospectus for a description of the general nature of the Original Crown Deed of Guarantee).
- Crown Deed of Guarantee between Her Majesty the Queen in right of New Zealand and UDC Finance Limited dated 11 December 2009 (see page 15 of this Prospectus for a description of the general nature of the Revised Crown Deed of Guarantee).
- The Amended and Restated Standby Liquidity Facility dated 23 April 2008 between ANZ National Bank Limited and UDC Finance Limited was amended by the Deeds of Amendment relating to the Amended and Restated Standby Liquidity Facility dated 30 September 2008 and 25 September 2009

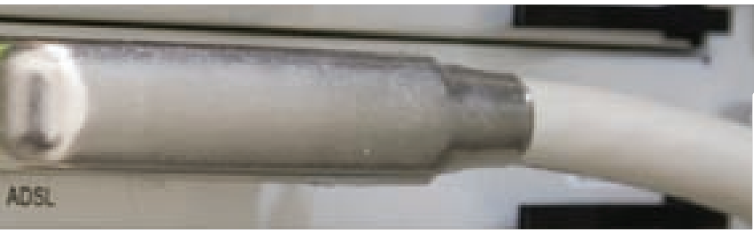
A copy of each of these contracts was delivered to the Registrar of Companies (together with this Prospectus and the written authority of any agent signing this Prospectus) pursuant to section 41 of the Securities Act.

OTHER MATERIAL MATTERS

The Securities Act (Continuous Debt Issues) Exemption Notice 2002, the Securities Act (Financial Institutions) Exemption Notice 2007 and Securities Act (New Zealand Deposit Guarantee Scheme) Exemption Notice 2008 apply to this Prospectus.

INVESTMENT ADVISERS

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



BROKERAGE

No brokerage is payable by investors. UDC pays brokerage to its investment advisers on terms agreed between UDC and an investment adviser from time to time. The standard rate of brokerage that UDC pays to investment advisers is calculated on the nominal value of accepted investments or reinvestments at an annualised rate of 0.25% per annum up to a maximum of 0.50% per annum. This brokerage is paid to investment advisers by UDC on applications bearing the stamp of a UDC registered investment adviser on terms set by UDC from time to time. On some occasions, a broker may decide to pass on all or part of its brokerage fee to the client. Such arrangements are a matter between the investment adviser and the client.

ISSUE EXPENSES

The estimated amount of the issue expenses arising in respect of the securities issued pursuant to this Prospectus is $3,428,716, including all legal, accounting, marketing and printing costs, brokerage paid to UDC's investment advisers and applicable trustee overhead expenses. This amount includes brokerage paid to UDC's investment advisers (being people who have entered into an investment adviser agreement with UDC). The rate of brokerage that UDC pays to its investment advisers is calculated on the nominal value of accepted investments or reinvestments at an annualised rate of 0.25% per annum up to a maximum of 0.50% per annum.

STATEMENT AS TO SUBSTANTIAL SECURITY HOLDERS

UDC has not issued a request for information pursuant to sections 28 and 29 of the Securities Markets Act 1988 because UDC is a wholly owned subsidiary of ANZ. ANZ is the only substantial security holder.

FINANCIAL STATEMENT

Clauses 13 and 14 of the Securities Act (Financial Institutions) Exemption Notice 2007 have been applied to this Prospectus. As required by Clause 8(2)(a) of Part 2 to the Schedule of the Securities Act (Financial Institutions) Exemption Notice 2007, the financial statements comply with and are registered under the Financial Reporting Act 1993.

PENDING PROCEEDINGS

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

CORPORATE GOVERNANCE & RISK MANAGEMENT

CORPORATE GOVERNANCE

UDC is a wholly-owned subsidiary of ANZ National Bank Limited. UDC has a board of directors which meets six times a year.

The board of directors delegates authorities to the Chief Executive Officer who further delegates certain authorities to his senior staff, as set out in the UDC delegations manual.

CREDIT RATING

UDC's 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.

The current long term credit rating of UDC 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.*" Standard & Poor's Ratings Services provides that an outlook of "stable" indicates that UDC's credit rating is not likely to change. UDC's credit rating has not changed in the past two years, having held it 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 that is not short-term.

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

Standard & Poor's Ratings Services' ratings range from AAA (extremely strong) to D (in default). This scale is set out in the table below together with the details of where UDC sits on that scale.

STANDARD & POOR'S RATINGS SCALE

Investment Grade Ratings	AAA	Extremely Strong
	AA+	Very Strong
UDC FINANCE	AA	
	AA-	
	A+	Strong
	A	
	A-	
	BBB+	Adequate
	BBB	
	BBB-	
Speculative Grade Ratings	BB+	Less Vulnerable
	BB	
	BB-	
	B+	More Vulnerable
	B	
	B-	
	CCC+	Currently Vulnerable
	CCC	
	CCC-	
	CC	Currently Highly Vulnerable
	D	In Default

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 UDC does business. UDC maintains 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. The Board and management team of UDC are committed to ensuring that the highest levels of corporate governance are maintained. This section is a summary of the key corporate governance and risk management strategies of UDC.

The UDC Finance Risk Management Programme is the over-arching document that sets out the framework for UDC's risk management. The UDC Risk Committee is charged with managing credit and operational risk for UDC. The Committee meets monthly and comprises the Chief Executive Officer, Heads of Risk, Technology, Credit, Operations, the Finance Manager, the Group Credit Manager, the Operational Risk and Compliance Manager, the Head of Lending Support, the Head of Wholesale Risk, the ANZ Head of Corporate and Commercial Credit and ANZ Legal Counsel. The terms of reference for the Risk Committee state that the committee is to act as a forum to ensure adequate awareness, monitoring and debate of all significant risk issues faced by UDC in relation to credit risk, operational risk, technology risk, and compliance risk while providing oversight and executive level support to UDC management. Changes to policy or process that have a material impact on credit or operational risk require approval of the committee.

As an investor the principal risks you could face are insolvency and liquidity risk.

Insolvency risk is the risk that UDC becomes insolvent and UDC has insufficient assets to meet all of its liabilities, which may 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). There is no risk of you being liable to pay any additional money to UDC in relation to your Secured Investment as a result of UDC becoming insolvent. Liquidity risk is the risk that UDC does not have, or have access to, or the ability to raise at short notice, sufficient cash to meet its debts as they fall due including repayment of Secured Investments as they mature.

The principal risks faced by UDC which could lead to the insolvency of UDC broadly fall into four categories – financial risk, operational risk, economic and regulatory risk and related party risk. These are discussed in more detail in the following pages.

(A) FINANCIAL RISK

(i) Credit Risk:

UDC's core business is asset financing. UDC uses your Secured Investments to lend to its borrowing customers, primarily to finance assets such as vehicles, plant, machinery, IT & telecommunications equipment, agricultural equipment, forestry equipment, light and heavy industrial equipment, printing equipment, aircraft and boats, and other plant and equipment. UDC is therefore exposed to the credit risks that:

- its borrowing customers default in their repayment and other obligations to UDC;
- the realisable value of security that UDC has taken to secure such obligations is not sufficient to repay amounts owing to UDC; and
- the inability of any guarantor or the insufficiency of their assets to meet the obligations of the principal debtor to UDC.

UDC mitigates these credit risks by following established credit methodology and policies. UDC requires all applications for credit to be applied for in writing using approved application forms with an assessment for the credit based on internal credit policy with the aid of statistical risk rating tools.

At the heart of UDC's credit policy are "the 5 Cs of credit" – Capacity (whether a borrower has the capacity to repay the finance), Character (whether a borrower has the willingness to repay the finance sought), 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), Collateral (if a borrower is unable to repay the finance provided, what recourse does UDC have by security or guarantees). This enables UDC to determine the value of assets, creditworthiness of a borrower and extent of appropriate financing.

UDC uses credit risk rating tools as an integral part of the credit assessment process. These tools use sophisticated statistical techniques to help determine credit worthiness and are designed to comply with the rigorous standards prescribed under the Basel II banking accords.

UDC requires that the assets it provides finance on are fully insured and that UDC's interest is noted on the insurance certificate. UDC also requires that it is notified when insurance policies lapse.

For each borrower, UDC will make a determination (based on its credit assessment of the borrower) as to whether a guarantor is required. UDC does not require guarantees for all credit applications.

UDC has systems in place to monitor changing credit risk, with the Risk Committee being provided monthly reports covering portfolio credit risk rating, high risk accounts and delinquencies.

UDC also has a robust framework for dealing with delinquent, high risk or impaired loans. UDC's collections team actively manages delinquent loans under $250,000, while high risk or impaired loans over $250,000 are managed by UDC's specialist Asset Management and Recoveries teams. The Asset Management and Recoveries teams work with customers to manage UDC's risk and maximise returns. External solicitors, accountants, insolvency firms and collections agencies are used to provide specialist advice and services where required.

UDC also is exposed to credit risk on its deposits from time to time. These are made by ANZ Bank (as UDC's agent) with participants in the financial markets.

UDC currently has a guarantee under the Crown Guarantee in respect of its Secured Investments, which mitigates credit risk for some of you. Investor eligibility criteria apply – refer page 15 for further details. Note that from 12.01am on 12th October 2010, your UDC Secured Investment will no longer have the benefit of a Crown guarantee.

(ii) Liquidity Risk:

Liquidity risk is the risk that UDC does not have, or have access to, or the ability to raise at short notice, sufficient cash to meet its debts as they fall due including repayment of Secured Investments as they mature.

UDC closely monitors and forecasts its liquidity risk. UDC also maintains a number of banking facilities with ANZ including a $800,000,000 (as at 30 September 2010) committed facility to assist in managing its liquidity profile.

(iii) Interest Rate Risk:

Interest rate risk is the risk associated with fluctuations in interest rates. For example, UDC may be exposed to an interest rate risk where there is a mismatch in the fixed interest rates it offers investors as against the interest rates it applies to its borrowing customers in respect of their financing.

UDC closely monitors and forecasts changes in interest rates. UDC receives frequent and regular information from ANZ in relation to current and forecast changes to interest rates in the market. For more details refer to page 56, note 23.

(B) OPERATIONAL RISK

Operational risks are risks that UDC is exposed to as part of conducting its business. Operational risk include risks associated with a failure of internal processes and procedures, fraud, litigation, disruption to business caused by industrial disputes, competition, systems failures, pandemics, natural disasters and other unforeseen external events which might affect the operation of UDC's business.

UDC has sound risk management policies and procedures which are consistent with applicable ANZ National Bank Limited policies and are designed to be compliant with the requirements laid out in the Basel II banking accords. These policies include a comprehensive Business Continuity Plan to minimise the effect of any interruption to business affecting personnel, premises and technology. This includes maintaining redundancy in key elements of the IT infrastructure and having an alternate operating site available.

UDC's Risk Committee also monitors and manages UDC's exposure to operational risk.

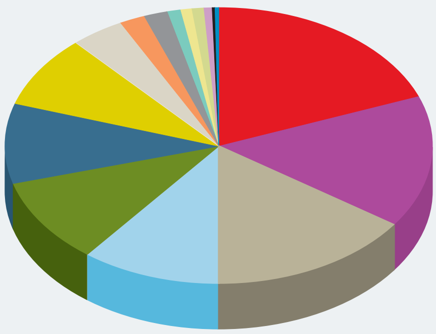
(C) ECONOMIC AND REGULATORY RISK

(i) Economic Risk:

UDC may be exposed to risk caused by economic downturn, particularly if such economic downturn has a negative impact on industries to which UDC has a concentrated credit exposure. For this reason, UDC maintains a diverse lending portfolio in terms of assets financed and the geography and industries in which our customers are active in.

As at 30 September 2009, UDC's diversified lending portfolio is split between the following industries in which its borrowing customers operate:

UDC INDUSTRY DIVERSIFICATION



Transport and storage	19.15%
Agriculture, forestry and fishing	15.69%
Personal and other services	15.21%
Retail and wholesale	10.46%
Construction	10.00%
Manufacturing	9.42%
Property and business services	8.42%
Education	4.03%
Entertainment, leisure and tourism	1.94%
Finance, investment and insurance	1.84%
Mining	0.94%
Health and community services	0.88%
Communications	0.82%
Government administration and defence	0.59%
Accommodation, cafes and restaurants	0.46%
Electricity, gas and water supply	0.16%

UDC monitors the performance of these industries, and UDC's Risk Committee monitors the concentration of risk in particular industries. UDC actively manages accounts in sectors suffering economic downturn.

(ii) Regulatory Risk:

UDC may be exposed to risk and/or increased compliance costs in the event of a change in the regulatory environment in which it operates. As a market leader, UDC closely monitors the regulatory environment in which it operates, is in contact with its regulators and participates in industry groups.

UDC is a deposit taker for the purposes of the Non Bank Deposit Taker regime implemented under the Reserve Bank of New Zealand Amendment Act 2008 ("NBDT Regime").

UDC is required to comply with certain requirements under the NBDT Regime as they come into effect. 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 requirements to have a risk management programme and to have an independent credit rating are already in effect and UDC complies with these requirements.

The requirements relating to minimum capital related party exposures, governance and liquidity are expected to come into force on 1 December 2010.

UDC applied to the Reserve Bank on 17 August 2010, seeking an exemption from the minimum

capital, related party exposures and governance requirements on the basis that it is already subject to certain regulation as a consequence of it being owned by ANZ, a registered bank regulated by the Reserve Bank. There is no certainty that the Reserve Bank will grant the exemption or on what conditions any exemption may be granted.

UDC is also working to implement changes introduced under the Financial Advisers Act 2008 (“Financial Advisers Act”) and the Financial Service Providers (Registration and Dispute Resolution) Act 2008 (“Financial Service Providers Act”). UDC is advised by external legal counsel and accounting firms.

As a wholly-owned subsidiary of ANZ National Bank Limited, UDC is well placed to comply with these new regulatory requirements.

(D) RELATED PARTY RISK

ANZ Treasury holds cash deposits from UDC from time to time as UDC’s agent pursuant to an agency agreement dated 23 September 2000 (as subsequently amended). As at 30 September 2009, the aggregate amount of such deposits was $27,196,000. UDC remains the legal owner of such cash deposits but is exposed to credit risk on ANZ (and other participants in the financial markets). If ANZ or someone with whom a deposit is made became insolvent, these amounts may not be repaid. Also, as ANZ is UDC’s sole shareholder, UDC itself could also be at risk if ANZ were to become insolvent. The risk that ANZ would become insolvent is remote. ANZ is a registered bank and as such is regulated by The Reserve Bank of New Zealand. It 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 which are taken from the more detailed definitions used in the Trust Deed.

"ANZ" means ANZ National Bank Limited.

"Charging Group" means, as at the date of this Prospectus, UDC. The Trust Deed contemplates that any new subsidiary acquired by UDC may accede to the Trust Deed and become a member of the Charging Group.

"Crown" means Her Majesty the Queen in right of New Zealand acting by and through the Minster of Finance.

"Financial Institution" has the meaning defined in the Crown Deed of Guarantee. This definition includes persons such as custodians and other intermediaries.

"First Ranking Security Stock" means all first ranking Stock issued as such pursuant to the Trust Deed and includes the Stock issued in respect of UDC's Secured Investments.

"Guarantee Period" means the period commencing at 12.01 am on 12 October 2008 and expiring at 12.01 am on 12 October 2010.

"Investment" means your investment in a UDC Secured Investment.

"Money Market Secured Deposits" means the money market secured deposits that may be accepted by UDC 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.

"Original Crown Deed of Guarantee" means deed of guarantee entered into between the Crown and UDC Finance Limited dated 26 November 2008, a copy of which can be found at **www.treasury.govt.nz.**

"Previous GAAP" means generally accepted accounting practice prior to the adoption of the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

"Revised Crown Deed of Guarantee" means deed of guarantee entered into between the Crown and UDC Finance Limited dated 11 December 2009, a copy of which can be found at **www.treasury.govt.nz.**

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

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

"Secured Term Investment" means a UDC Secured Term Investment and the UDC Secured Capital Drawdown Investment.

"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 UDC's Secured Investments.

"Trust Deed" means:

(a) the trust deed entered into between UDC, various of its then related companies and the Trustee dated 3 September 1974, as amended from time to time, which governed secured registered debenture stock; and a further trust deed entered into between the same parties dated 5 February 1979, as amended from time to time, which governed unsecured notes, which were together combined and restated as of 1 April 1998 in a document entitled Debenture Stock and Unsecured Notes Trust Deed dated 22 May 1986, as amended on 17 March 2006 and as further amended from time to time.

"Trustee" means Trustees Executors Limited.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2009

CONTENTS

SUMMARY OF FINANCIAL STATEMENTS

	NZ IFRS Year to 30/09/2009 $000	NZ IFRS Year to 30/09/2008 $000	NZ IFRS Year to 30/09/2007 $000	NZ IFRS[1] Year to 30/09/2006 $000	NZ IFRS[1] Year to 30/09/2005 $000	GAAP Year to 30/09/2005 $000
Interest income	198,921	232,681	222,620	221,899	218,995	218,995
Interest expense	130,187	147,146	143,600	148,525	136,070	136,070
Net interest income	68,734	85,535	79,020	73,374	82,925	82,925
Other operating income	279	423	2,881	2,301	11,467	11,467
Net operating income	69,013	85,958	81,901	75,675	94,392	94,392
Operating expenses	34,989	34,910	33,738	36,062	32,817	32,817
Profit before provision for credit impairment and income tax	34,024	51,048	48,163	39,613	61,575	61,575
Provision for credit impairment	35,462	21,981	(945)	1,086	10,952	10,952
(Loss) Profit before income tax	(1,438)	29,067	49,108	38,527	50,623	50,623
Income tax (benefit) expense	(440)	9,528	17,710	12,808	15,187	15,187
(Loss) Profit after income tax from continuing operations	(998)	19,539	31,398	25,719	35,436	35,436
Gain on sale of discontinued operations	–	–	112,115	–	–	-
Release of provision for sale of discontinued operations	3,686	8,696	–	–	–	-
Profit after income tax	2,688	28,235	143,513	25,719	35,436	35,436
This consists of:						
(Losses) Profits from continuing operations (net of income tax)	(998)	19,539	31,398	25,719	35,436	35,436
Profits from sale of discontinued operations (net of income tax) (Note 18)	3,686	8,696	112,115	–	–	-
Profit after income tax	2,688	28,235	143,513	25,719	35,436	35,436
Retained profits at beginning of the period	208,434	180,199	136,686	169,956	174,520	195,271
Adjustment on adoption of NZ IAS 39 on 1 October 2005	–	–	–	(28,989)	–	-
Total available for appropriation	211,122	208,434	280,199	166,686	209,956	230,707
Appropriation						
Interim dividends	–	–	(100,000)	(30,000)	(40,000)	(40,000)
Retained profits at end of the period	211,122	208,434	180,199	136,686	169,956	190,707
Dividend rate – cents per paid up ordinary share	–	–	481.88	144.56	192.75	192.75

	NZ IFRS 30/09/2009 $000	NZ IFRS 30/09/2008 $000	NZ IFRS 30/09/2007 $000	NZ IFRS 30/09/2006 $000	NZ IFRS 30/09/2005 $000	GAAP 30/09/2005 $000
Total tangible assets	1,859,745	2,019,309	2,053,518	2,294,770	2,395,113	2,395,113
Total assets	1,877,578	2,033,259	2,066,557	2,314,958	2,401,283	2,401,283
Total liabilities	1,645,704	1,804,073	1,865,606	2,157,520	2,210,575	2,210,575
Total equity	231,874	229,186	200,951	157,438	190,708	190,708

The amounts included in this summary have been taken from the audited financial statements of UDC Finance Limited.

[1] Refer to the Company's audited 30 September 2006 consolidated financial statements for a comprehensive explanation of the transition to New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS').

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 14, ANZ Tower, 215-229 Lambton Quay, 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 2009.

For and on behalf of the Board of Directors

Graham Turley
11 December 2009

Wayne Besant
11 December 2009

INCOME STATEMENT for the year ended 30 September 2009

	Note	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Continuing operations			
Interest income	4	198,921	232,681
Interest expense	5	130,187	147,146
Net interest income		68,734	85,535
Other operating income	4	279	423
Operating income		69,013	85,958
Operating expenses	5	34,989	34,910
Profit before provision for credit impairment and income tax		34,024	51,048
Provision for credit impairment	10	35,462	21,981
(Loss) Profit before income tax		(1,438)	29,067
Income tax (benefit) expense	6	(440)	9,528
(Loss) Profit after income tax from continuing operations		(998)	19,539
Release of provision for sale of discontinued operations	18	3,686	8,696
Profit after income tax		2,688	28,235

STATEMENT OF CHANGES IN EQUITY for the year ended 30 September 2009

	Note	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Profit after income tax		2,688	28,235
Total recognised income and expense for the year		2,688	28,235
Retained profits at beginning of the year		208,434	180,199
Retained profits at end of the year		211,122	208,434
Ordinary share capital at beginning and end of the year	19	20,752	20,752
Equity at end of the year		231,874	229,186

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

BALANCE SHEET as at 30 September 2009

	Note	Audited 30/09/2009 $000	Audited 30/09/2008 $000
Assets			
Cash and cash equivalents	7	27,196	22,733
Derivative financial instruments		80	–
Loans and advances	8	1,829,156	1,990,456
Other assets	11	2,985	5,610
Deferred tax assets	12	16,837	12,495
Leasehold improvements and equipment	13	328	510
Intangible assets	14	996	1,455
Total assets		1,877,578	2,033,259
Liabilities			
Borrowings	15	1,586,705	1,733,723
Derivative financial instruments		–	13
Payables and other liabilities	16	54,159	53,801
Current income tax liabilities		3,654	11,518
Provisions	18	1,186	5,018
Total liabilities		1,645,704	1,804,073
Net assets		231,874	229,186
Equity			
Ordinary share capital	19	20,752	20,752
Retained profits		211,122	208,434
Total equity		231,874	229,186

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

CASH FLOW STATEMENT for the year ended 30 September 2009

	Note	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Cash flows from operating activities			
Interest received		198,899	232,295
Other income		279	423
Interest paid		(131,547)	(142,465)
Operating expenses paid		(33,366)	(33,719)
Income taxes paid		(11,767)	(17,750)
		22,498	38,784
Changes in operating assets and liabilities			
Net decrease (increase) in loans and advances		126,073	(190,079)
Net decrease in other assets		2,412	7,497
Net increase in payables and other liabilities		518	1,583
Net cash flows provided by (used in) operating activities	29	151,501	(142,215)
Cash flow from investing activities			
Proceeds from sale of assets		–	6
Purchase of leasehold improvements and equipment		(20)	(42)
Net cash flows used in investing activities		(20)	(36)
Cash flows from financing activities			
Net decrease in borrowings		(147,018)	(52,545)
Net cash flows used in financing activities		(147,018)	(52,545)
Net cash flows provided by (used in) operating activities		151,501	(142,215)
Net cash flows used in investing activities		(20)	(36)
Net cash flows used in financing activities		(147,018)	(52,545)
Net increase (decrease) in cash and cash equivalents		4,463	(194,796)
Cash and cash equivalents at beginning of the year		22,733	217,529
Cash and cash equivalents at end of the year	7	27,196	22,733

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

(i) Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993, the Securities Act 1993, 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 Principles. 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').

(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 in 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 these 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 policy and early adoptions

There have been no material changes in accounting policies or early adoption of accounting standards in the preparation or 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 conform with current period financial statement presentations.

(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 entity 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 income statement 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

(i) Interest income

Interest income is recognised as it accrues using the effective interest method.

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

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

(ii) Fee and commission income

Fees and commissions received that are integral to the effective interest rate of a financial asset are recognised using the effective interest method as summarised in Note 1(B)(i). 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 in the year in which the significant risks and rewards of ownership are transferred to the buyer. This normally occurs at the date of the contract for the sale of the asset.

(C) EXPENSE RECOGNITION

(i) Interest expense

Interest expense on financial liabilities measured at amortised cost is recognised in the income statement as it accrues using the effective interest method as described in Note 1(B)(i).

(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

The Company's employees participate in various equity 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 income statement 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 temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax base.

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

Deferred tax liabilities are recognised for all taxable temporary differences, other than those in relation 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 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 income statement. 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 (refer Note 1(B)(i)), 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.

Credit assessment

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

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

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

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

The provision for impairment loss (individual and collective) is deducted from loans and advances in the balance sheet and the movement in the provision for the reporting period is reflected in the income statement.

When a loan is uncollectible, either partially or in full, it is written off against the related provision for loan impairment.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairment losses are reversed in the income statement.

(iii) Finance lease receivables

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

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

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

Non-financial Assets

(iv) Other intangible assets

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

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

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

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

(v) Leasehold improvements and equipment

Leasehold improvements and equipment 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 are reviewed for indications of impairment. If any such indication exists the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the asset's existing carrying value exceeds its recoverable amount the difference is charged to the income statement. If it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 liabilities. 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 as explained in Note 1(B)(i).

(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 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 income statement 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 income earned by the assets of the schemes. Members' contributions are at varying rates. Actuarial valuations are carried out at a minimum of every three years. The Company does not operate a defined benefit superannuation scheme.

(iv) Provisions

The Company recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation at 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(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. Geographical segments provide products or services within a particular economic environment that is subject to risks and rewards that are different to those components operating in other economic environments.

The Company is organised as one business segment and this is the primary reporting format. The Company operates primarily in one geographic segment, New Zealand (see Note 26).

(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 28 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 a superannuation scheme. The assets and liabilities of the scheme were not included in these financial statements, as the Company does not have direct or indirect control of the scheme. This scheme stopped taking deposits from the public from the close of business on 22 December 2004. The members' investments were repaid in full by 25 March 2008 (see Note 27).

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 and liabilities of these trusts were not included in these financial statements as the Company does not have direct or indirect control of the trusts. 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 does not intend to apply any of these pronouncements until their application date which is 1 October 2009 in all instances.

The following standards/amendments are concerned with disclosure only and will have no impact on the financial results of the Company:

NZ IFRS 8 Operating Segments – requires the 'management approach' to identifying and disclosing information about reportable segments.

NZ IAS 1 Presentation of Financial Statements (revised) – requires the presentation of a Statement of Comprehensive Income and a Statement of Changes in Equity.

NZ IFRS 7 Financial Instruments: Disclosures (revised) – requires expanded fair value measurement disclosures and enhanced disclosures about the nature and extent of liquidity risk arising from financial instruments.

The following amendments to accounting standards are not expected to have a material impact on the financial results of the Company:

NZ IAS 23 Borrowing Costs – requires all borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset.

NZ IAS 32 Financial Instruments: Presentation – defines puttable instruments and requires puttable instruments with certain characteristics to be classified as equity.

NZ IAS 39 Financial Instruments: Recognition and Measurement – clarifies the effect of using options as hedging instruments and the circumstances in which inflation risks can be hedged.

NZ IFRS 2 Share-based Payments – clarifies that vesting conditions only include service and performance conditions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NZ IFRS 3 Business Combinations – changes certain aspects of accounting for business combinations occurring after the application date including the treatment of transaction costs and contingent consideration. These amendments apply prospectively so the initial application is expected to have no impact on the financial results of the Company.

2. CRITICAL ESTIMATES AND JUDGEMENTS USED IN APPLYING ACCOUNTING POLICIES

These financial statements are prepared in accordance with New Zealand equivalents to the International Financial Reporting Standards and other authoritative accounting pronouncements. Notwithstanding the existence of relevant accounting standards, 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 income statement.

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 2009, the Company total provision for credit impairment was $59,327,000 representing 3.24% of total net loans and advances (30 September 2008 $51,249,000 or 2.57%). Of the total provision for 30 September 2009, $36,368,000 (30 September 2008 $36,996,000) represented collective provisions; and $22,959,000 (30 September 2008 $14,253,000) 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, restructuring costs, and potential obligations following the sale of Truck Leasing Limited. 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. Provisions from the sale of discontinued operations primarily relate to warranty claims on taxation liabilities.

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 2009 the Company held provisions of $1,186,000 (30 September 2008 $5,018,000).

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 standby 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 30/09/2009 $000	Audited Year to 30/09/2008 $000
Interest income		
Interest received or receivable from		
– Lending	191,344	217,260
– Related parties – ANZ National Bank Limited	7,577	15,421
Total interest income	198,921	232,681
Other operating income	279	423
Total income	199,200	233,104

5. EXPENSES

Interest expense		
– Borrowings	111,226	147,081
– Related parties – ANZ National Bank Limited	18,961	65
Total interest expense	130,187	147,146
Operating expenses		
Personnel costs	16,095	17,066
Employee entitlements	1,401	1,465
Pension costs – defined contribution schemes	403	433
Share based compensation – ANZ National Bank Limited	393	327
Auditors' remuneration		
– In respect of auditing the accounts	282	227
– In respect of assurance and audit related services	11	10
Depreciation of leasehold improvements and equipment	202	289
Amortisation of software	459	460
Fees paid to related parties – ANZ National Bank Limited[1]	8,829	6,560
Technology	1,458	1,651
Advertising and public relations	1,090	1,024
Trustees fees	430	152
Motor Vehicle – lease expenses	528	510
Motor Vehicle – other expenses	223	325
Entertainment	333	525
Travel	359	620
Other costs	2,493	3,266
Total operating expenses	34,989	34,910

[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 30/09/2009 $000	Audited Year to 30/09/2008 $000
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the Income statement		
(Loss) Profit before income tax	(1,438)	29,067
Prima facie income tax (benefit) expense at 30% (2008 33%)	(431)	9,592
Entertainment expenses	68	87
Legal expenses	1	–
Other	(100)	–
	(462)	9,679
Income tax under provided in prior years	22	29
Tax effect of change in domestic tax rate[1]	–	(180)
Total income tax (benefit) expense	(440)	9,528
Effective tax rate	30.6%	32.8%
The major components of the income tax expense comprise:		
Amounts recognised in the income statement		
Current income tax charge	3,880	10,880
Adjustments recognised in the current period in relation to current tax of prior periods	22	29
Deferred tax (income) relating to the origination and reversal of temporary differences	(4,342)	(1,381)
Total income tax (benefit) expense recognised in income statement	(440)	9,528
Attributable to:		
Continuing operations	(440)	9,528

7. CASH AND CASH EQUIVALENTS

	Audited 30/09/2009 $000	Audited 30/09/2008 $000
Cash and short term funds	27,196	22,733
Total cash and cash equivalents	27,196	22,733

The cash and short term funds are held with ANZ National Bank Limited (Parent Company). The interest is received at wholesale interest rates.

[1] In May 2007, legislation was passed to reduce the New Zealand corporate tax rate from 33% to 30%, effective for the 2009 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 2008.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. LOANS AND ADVANCES

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Term loans	1,332,372	1,429,977
Current accounts	168,344	219,943
Hire purchase contracts	459,016	529,272
Finance leases	194,660	212,430
Gross loans and advances	2,154,392	2,391,622
Deferred fee revenue and expenses	(3,606)	(4,196)
Provision for credit impairment (Note 10)	(59,327)	(51,249)
Unearned income	(262,303)	(345,721)
Total net loans and advances	1,829,156	1,990,456
Hire purchase contract receivables		
Gross investment in hire purchase contract receivables		
– Not later than one year	204,832	229,525
– Later than one year but not later than five years	254,184	299,743
– Later than five years	–	4
Total gross hire purchase contract receivables	459,016	529,272
Unearned income on hire purchase contracts	72,061	88,049
Present value of minimum hire purchase contract receivables	386,955	441,223
Present value of minimum hire purchase contract receivables		
– Not later than one year	192,620	215,973
– Later than one year but not later than five years	194,335	225,248
– Later than five years	–	2
Present value of minimum hire purchase contract receivables	386,955	441,223
Provision for credit impairment on hire purchase receivables	(7,815)	(8,360)
Finance leases receivables		
Gross investment in finance lease receivables		
– Not later than one year	79,693	93,674
– Later than one year but not later than five years	110,904	112,614
– Later than five years	4,063	6,142
Total gross finance lease receivables	194,660	212,430
Unearned income on finance leases	29,606	31,253
Present value of minimum finance lease receivables	165,054	181,177
Present value of minimum finance lease receivables		
– Not later than one year	75,684	89,144
– Later than one year but not later than five years	86,891	88,290
– Later than five years	2,479	3,743
Present value of minimum finance lease receivables	165,054	181,177
Included in the above gross finance lease receivables are:		
Residual value on finance leases	40,893	43,079
Provision for credit impairment on finance lease receivables	(3,286)	(3,286)
Included within loans and advances is the following related party balance:		
ANZ National Bank Limited	–	278
Transactions with related parties are at wholesale interest rates.		

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. IMPAIRED, RESTRUCTURED, RENEGOTIATED AND PAST DUE ASSETS	Audited Year to 30/09/2009 $000	Audited Year to 30/9/2008 $000
On-balance sheet individually impaired, restructured, renegotiated and past due assets		
Individually impaired assets		
Balance at beginning of the year	37,421	22,585
Transfers to individually impaired assets from past due assets	89,356	51,171
Transfers from individually impaired assets to past due assets	(7,550)	(2,893)
Assets realised or loans repaid	(31,372)	(22,303)
Write offs	(28,672)	(11,139)
Balance at end of the year	59,183	37,421
Restructured assets		
Balance at beginning of the year	1,313	–
Transfers to restructured assets from productive assets	–	1,313
Transfers from restructured assets to productive assets	(1,313)	–
Balance at end of the year	–	1,313
Renegotiated assets	70,325	5,535
Past due assets		
Balance at the beginning of the year	166,955	96,409
Transfers to / from past due assets to productive assets	22,669	118,824
Transfers to past due assets from individually impaired assets	7,550	2,893
Transfers from past due assets to individually impaired assets	(89,356)	(51,171)
Balance at the end of the year	107,818	166,955
Total on-balance sheet individually impaired, restructured, renegotiated and past due assets	237,326	211,224
Interest foregone on impaired assets		
Gross interest receivable on impaired loans	5,607	3,205
Net interest foregone on impaired loans	5,607	3,205

The past due assets for the Company represent 5.00% of gross loans outstanding (30 September 2008 6.98%). Loans classed as past due less than 90 days are considered to be temporarily past due and all balances are deemed collectable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. PROVISION FOR CREDIT IMPAIRMENT

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Collective provision		
Balance at beginning of the year	36,996	29,262
(Credit) charge to income statement	(628)	7,734
Balance at end of the year	36,368	36,996
Individual provision		
Balance at beginning of the year	14,253	9,963
Charge to income statement	36,090	14,247
Recoveries	1,288	1,182
Bad debts written off	(28,672)	(11,139)
Balance at end of the year	22,959	14,253
Total provision for credit impairment	59,327	51,249
The following provides a reconciliation of the above movements in provisions for credit impairment reported in the income statement.		
Provision movement analysis		
New and increased provisions	39,623	17,229
Provision releases	(2,245)	(1,800)
	37,378	15,429
Recoveries	(1,288)	(1,182)
Individual provision charge	36,090	14,247
Collective provision (credit) charge	(628)	7,734
	35,462	21,981
Charge to income statement		
Corporate exposures	17,386	11,275
Retail exposures	18,076	10,706
Charge to income statement	35,462	21,981

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 30/09/2009 $000	Audited Year to 30/09/2008 $000
Current assets		
Accrued interest	64	277
GST receivable	2,672	4,493
Other assets	249	840
Total other assets	2,985	5,610

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

12. DEFERRED TAX ASSETS

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Non current deferred tax assets		
Balance at beginning of the year	12,495	11,114
Credit (charge) to income statement[1]	3,527	(835)
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17)	815	2,216
Balance at the end of year	16,837	12,495
Deferred tax assets comprise the following temporary differences:		
Provision for credit impairment	17,798	15,401
Leasehold improvements, equipment and software	(198)	(252)
Provisions	1,993	1,653
Other	1,043	307
	20,636	17,109
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 17)	(3,799)	(4,614)
Net deferred tax assets	16,837	12,495
The deferred tax credit in the income statement comprises the following temporary differences:		
Provision for credit impairment	2,397	3,768
Leasehold improvements, equipment and software	54	(761)
Provisions	340	(3,604)
Other	736	(238)
	3,527	(835)

[1] The reduction in the corporate tax rate from 33% to 30% from the 2009 tax year has been taken into account in calculating the value of deferred tax assets as at 30 September 2008.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Non current assets		
Leasehold improvements		
At cost	888	888
Accumulated depreciation	(861)	(850)
Book value leasehold improvements	27	38
Equipment, furniture and fittings		
At cost	4,849	4,829
Accumulated depreciation	(4,548)	(4,357)
Book value equipment, furniture and fittings	301	472
Total leasehold improvements and equipment	328	510
Reconciliation of the carrying amounts for leasehold improvements and equipment are set out below:		
Leasehold improvements		
Balance at beginning of the year	38	78
Depreciation	(11)	(40)
Balance at end of the year	27	38
Equipment, furniture and fittings		
Balance at beginning of the year	472	685
Additions	20	42
Disposals	–	(6)
Depreciation	(191)	(249)
Balance at end of the year	301	472
Total leasehold improvements and equipment	328	510

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. INTANGIBLE ASSETS

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Non current assets		
Software		
Gross carrying amount		
Balance at beginning of the year	2,297	2,297
Balance at end of the year	2,297	2,297
Accumulated amortisation		
Balance at beginning of the year	(842)	(382)
Amortisation expense	(459)	(460)
Balance at end of the year	(1,301)	(842)
Total software	996	1,455
Total Intangible assets	996	1,455

No impairment losses have been recognised against the gross carrying amount of intangible assets for the year ended 30 September 2009 (30 September 2008 $nil).

15. BORROWINGS

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Current borrowings		
Secured debenture stock	1,328,916	1,493,339
ANZ National Bank Limited facility	50,000	50,000
	1,378,916	1,543,339
Non Current borrowings		
Secured debenture stock	207,789	190,384
Total borrowings – recognised at amortised cost	1,586,705	1,733,723

The Company has a committed facility available on demand with ANZ National Bank Limited of $500 million (30 September 2008 $500 million), of which $50 million was utilised as at 30 September 2009 (30 September 2008 $50 million). The interest rate on the committed facility is a daily floating rate, at 30 September 2009 the rate was 3.81% (30 September 2008 8.67%).

Registered secured debenture stock is constituted and secured by trust deeds between certain companies within the UDC Group (the "Charging Group") and independent trustees. The trust deeds create floating charges 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.

Priority of claims over the assets would be on a pro-rata basis between secured debenture stock and secured bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PAYABLES AND OTHER LIABILITIES

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Current payables and other liabilities		
Accrued interest secured debenture stock	33,284	34,644
Other accrued interest and charges	5,468	4,268
Creditors	3,301	1,180
GST payable	3,820	5,562
Withholding taxes payable	1,911	3,445
Other liabilities	6,375	4,702
Total payables and other liabilities	54,159	53,801

Included in other liabilities, are intercompany settlement balances between the Company and other members of the ANZ Holdings (New Zealand) Limited Group of $6,275,000 at 30 September 2009 (30 September 2008 $4,586,000).

17. DEFERRED TAX LIABILITIES

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Non current deferred tax liabilities		
Provision for deferred income tax		
Balance at beginning of the year	–	–
Credit to income statement[1]	(815)	(2,216)
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 12)	815	2,216
Balance at end of the year	–	–
Provision for deferred income tax comprises the following temporary differences:		
Lease finance	3,799	4,514
Other	–	100
	3,799	4,614
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 12)	(3,799)	(4,614)
Net deferred tax liabilities	–	–
The deferred tax credit in the income statement comprises the following temporary differences:		
Lease finance	(715)	(2,216)
Other	(100)	–
	(815)	(2,216)

[1] The reduction in the corporate tax rate from 33% to 30% from the 2009 tax year has been taken into account in calculating the value of deferred tax assets as at 30 September 2008.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROVISIONS

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Non current liabilities – provisions		
Provision for employee entitlements		
Balance at beginning of the year	1,332	1,208
Provision utilised	(146)	–
New provisions	–	124
Balance at end of the year	1,186	1,332
Provision for sale of discontinued operations		
Balance at beginning of the year	3,686	12,382
Provision released to income statement	(3,686)	(8,696)
Balance at end of the year	–	3,686
Total Provisions	1,186	5,018

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. There is no longer any expectation of future payments being required and therefore the provision has been fully released.

19. ORDINARY SHARE CAPITAL

	Audited Year to 30/09/2009 No. of Shares	Audited Year to 30/09/2008 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 30/09/2009 $000	Audited 30/09/2008 $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 2009 (30 September 2008 $nil)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. COMMITMENTS

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Lease rentals		
Future minimum lease payments under non-cancellable operating leases:		
Vehicles		
Not later than 1 year	348	477
Later than 1 year but not later than 5 years	4	332
Total vehicle lease commitments	352	809
Premises		
Not later than 1 year	362	1,086
Later than 1 year but not later than 5 years	–	362
Total lease rental commitments	362	1,448
Total commitments	714	2,257

In October 2009 UDC Finance Limited moved from leased premises to ANZ National Bank Limited owned premises, consequently no direct lease costs will be payable from the end of the lease expiry date in January 2010.

21. 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:

Where the Company has established fair value using a market interest rate, the rate used for loans and advances is 9.78% (30 September 2008 10.78%), and the rate used for debenture borrowings is 5.20% (30 September 2008 8.59%)

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.

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.

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)

21. 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 30/09/2009 Carrying Amount $000	Audited 30/09/2009 Fair Value $000	Audited 30/09/08 Carrying Amount $000	Audited 30/09/08 Fair Value $000
Financial assets				
Cash and cash equivalents	27,196	27,196	22,733	22,733
Derivative financial instruments	80	80	–	–
Loans and advances	1,829,156	1,843,800	1,990,456	2,009,970
Other assets	313	313	1,117	1,117
Total financial assets	1,856,745	1,871,389	2,014,306	2,033,820
Financial liabilities				
Borrowings	1,586,705	1,593,831	1,733,723	1,739,556
Derivative financial instruments	–	–	13	13
Payables and other liabilities	48,428	48,428	44,794	44,794
Total financial liabilities	1,635,133	1,642,259	1,778,530	1,784,363

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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 Non Bank Deposit Takers (NBDT) risk management programme, the Company manages liquidity risk through its daily cash forecast. This forecast takes into consideration contractual maturities from financial liabilities and assets. A key factor in the management of liquidity risk by the Company is the existence of a $500 million committed standby facility available on demand with ANZ National Bank Limited.

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 balance date on an undiscounted basis.

The analysis, by remaining contractual maturities at balance date, of financial assets and liabilities represents the estimated obligation date expected for the asset and liability to be recovered or settled within one year, and greater than one year.

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 30/09/2009							
Assets							
Cash and cash equivalents	27,196	27,196	–	–	–	–	–
Derivative financial instruments	80	48	32	–	–	–	–
Loans and advances	1,829,156	378,755	154,896	277,048	457,170	536,038	25,249
Other assets	313	313	–	–	–	–	–
Interest	262,473	37,644	33,249	56,685	75,889	56,379	2,627
Total financial assets (inclusive of interest)	2,119,218	443,956	188,177	333,733	533,059	592,417	27,876
Liabilities							
Borrowings	1,586,705	765,199	227,405	386,312	129,723	77,754	312
Other liabilities	48,428	48,428	–	–	–	–	–
Interest	43,448	10,330	3,070	10,430	7,005	12,596	17
Total financial liabilities (inclusive of interest)	1,678,581	823,957	230,475	396,742	136,728	90,350	329
Audited 30/09/2008							
Assets							
Cash and cash equivalents	22,733	22,733	–	–	–	–	–
Loans and advances	1,990,456	420,655	152,780	287,471	478,429	620,001	31,120
Other assets	1,117	1,117	–	–	–	–	–
Interest	346,147	46,257	40,967	70,982	98,638	84,040	5,263
Total financial assets (inclusive of interest)	2,360,453	490,762	193,747	358,453	577,067	704,041	36,383
Liabilities							
Borrowings	1,733,723	755,772	306,453	481,114	115,013	75,356	15
Derivative financial instruments	13	13	–	–	–	–	–
Other liabilities	44,794	44,794	–	–	–	–	–
Interest	71,927	16,041	6,504	20,423	9,765	19,193	1
Total financial liabilities (inclusive of interest)	1,850,457	816,620	312,957	501,537	124,778	94,549	16

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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 and is therefore not provided for at a level necessary for the Company reporting and disclosure purposes.

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 $1.84m (30 September 2008 $1.47m) on profit and loss and equity.

A change in interest rates of 1% on floating rate liabilities would have an impact of $2.68m (30 September 2008 $2.65m) 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.

23. 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 30/09/2009									
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	815,199	227,405	336,312	129,723	77,754	312	–
Other liabilities	n/a	48,428	–	–	–	–	–	–	48,428
Total financial liabilities		1,635,133	815,199	227,405	336,312	129,723	77,754	312	48,428
On-balance sheet interest sensitivity gap		221,612	14,359	(107,781)	(114,153)	219,933	247,065	10,224	(48,035)
Interest sensitivity gap managed by Parent Company		(221,612)	(14,359)	107,781	114,153	(219,933)	(247,065)	(10,224)	48,035
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 30/09/2008									
Financial assets									
Cash and cash equivalents	7.50%	22,733	22,733	–	–	–	–	–	–
Loans and advances	11.18%	1,990,456	700,244	143,652	264,644	421,039	444,177	16,700	–
Other assets	n/a	1,117	–	–	–	–	–	–	1,117
Total financial assets		2,014,306	722,977	143,652	264,644	421,039	444,177	16,700	1,117
Financial liabilities									
Borrowings	8.49%	1,733,723	805,772	306,453	431,113	115,014	75,356	15	–
Derivative financial instruments	n/a	13	–	–	–	–	–	–	13
Other liabilities	n/a	44,794	–	–	–	–	–	–	44,794
Total financial liabilities		1,778,530	805,772	306,453	431,113	115,014	75,356	15	44,807
On-balance sheet interest sensitivity gap		235,776	(82,795)	(162,801)	(166,469)	306,025	368,821	16,685	(43,690)
Interest sensitivity gap managed by Parent Company		(235,776)	82,795	162,801	166,469	(306,025)	(368,821)	(16,685)	43,690
Interest sensitivity		–	–	–	–	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. CREDIT RISK

a. Maximum exposure to credit risk

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

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

On-balance sheet credit exposures

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Cash and cash equivalents	27,196	22,733
Derivative financial instruments	80	–
Loans and advances	1,829,156	1,990,456
Other assets	313	1,117
Total on-balance sheet financial assets	1,856,745	2,014,306

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	1,083,680	1,198,020
Retail exposures	773,065	816,286
Total on-balance sheet financial assets	1,856,745	2,014,306

b. Credit risk management

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

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

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

Impaired exposures where there is doubt as to whether the full contractual amount will be received. All past due but not impaired 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 of 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 in 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)

24. 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 2009			
Neither past due nor impaired			
– Cash and cash equivalents and other assets	27,589	–	27,589
– Loans and advances	931,727	719,430	1,651,157
	959,316	719,430	1,678,746
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
Restructured loans (see note 9)	–	–	–
Renegotiated loans (see note 9)	68,923	1,402	70,325
less provision for collective impairment (see note 10)	(20,837)	(15,531)	(36,368)
Individually impaired (see note 9)	38,112	21,071	59,183
less provision for individual impairment (see note 10)	(11,290)	(11,669)	(22,959)
Net individually impaired	26,822	9,402	36,224
Total on-balance sheet financial assets	1,083,680	773,065	1,856,745
Audited 30 September 2008			
Neither past due nor impaired			
– Cash and cash equivalents and other assets	23,850	–	23,850
– Loans and advances	1,069,697	760,784	1,830,481
	1,093,547	760,784	1,854,331
Past due but not impaired			
Up to 30 days	83,202	43,459	126,661
30 to 60 days	5,232	10,327	15,559
60 to 90 days	6,685	4,849	11,534
	95,119	58,635	153,754
Past due and impaired			
90 days plus	7,273	5,928	13,201
	102,392	64,563	166,955
Restructured loans (see note 9)	1,313	–	1,313
Renegotiated loans (see note 9)	5,535	–	5,535
less provision for collective impairment (see note 10)	(21,884)	(15,112)	(36,996)
Individually impaired (see note 9)	23,817	13,604	37,421
less provision for individual impairment (see note 10)	(6,700)	(7,553)	(14,253)
Net individually impaired	17,117	6,051	23,168
Total on-balance sheet financial assets	1,198,020	816,286	2,014,306

24. CREDIT RISK (continued)

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
d. Concentrations of credit risk		
The Company monitors concentrations of credit risk by industry and geographic location.		
Concentrations by Geographic region		
Auckland	31.68%	29.99%
Rest of North Island	39.56%	40.16%
Canterbury	13.91%	14.50%
Rest of South Island	14.85%	14.50%
Concentrations by largest counterparties		
As a % of total on-balance sheet financial assets	4.85%	6.52%
As a % of total equity	38.88%	57.45%
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	3
20%-25%	1	1
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	291,255	288,372
Mining	17,405	23,601
Manufacturing	174,887	180,252
Electricity, gas and water	3,006	3,215
Construction	185,630	227,464
Retail and wholesale	194,209	247,787
Accommodation, cafes and restaurants	8,563	6,086
Transport and storage	355,576	378,128
Communications	15,164	11,530
Finance, investment and insurance	34,085	59,320
Property and business services	156,265	159,272
Government administration and defence	11,011	14,664
Education	74,878	34,938
Health and community services	16,387	11,039
Entertainment, leisure and tourism	36,016	25,182
Personal and other services	282,408	343,456
Total on-balance sheet financial assets	1,856,745	2,014,306
e. Concentrations of credit risk by internal risk grading		
Grade 0	59,508	42,724
Grade 1	1,303	2,113
Grade 2	6,343	4,793
Grade 3	25,493	20,827
Grade 4	76,760	112,456
Grade 5	496,180	590,585
Grade 6	910,321	992,526
Grade 7	103,004	98,037
Grade 8	114,019	103,220
Grade 9	2,958	9,071
Grade 10	33,267	14,104
No internal risk grading		
– cash and cash equivalents and other assets	27,589	23,850
Total on-balance sheet financial assets	1,856,745	2,014,306

Exposures to credit risk are graded by an internal risk grade mechanism. Grade 0 is the strongest grade for undoubted 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)

24. 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, where security held is valued at more than the corresponding credit exposure, coverage is capped at the value of the credit exposure.

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Credit exposure – loans and advances	59,183	37,421
Unsecured portion of credit – loans and advances	(22,959)	(14,253)
Total value of collateral – loans and advances	36,224	23,168
g. Commitments to extend credit		
Undrawn facilities available to customers	216,935	179,094
Conditional commitments to fund at future dates	25,484	30,446

25. 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.

26. SEGMENTAL ANALYSIS

For management purposes the Company is organised as one business segment.

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

Geographic segment analysis

The Company operates predominantly in New Zealand.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. FUNDS MANAGEMENT AND OTHER FIDUCIARY ACTIVITIES

The Company acted as Manager of the UDC SuperBonds Superannuation Scheme, the assets of which were not included in these financial statements. This scheme stopped taking deposits from the public from the close of business on 22 December 2004. On the 16th November 2007 the decision was made to terminate the Scheme at 31 December 2007, with the Scheme to be fully wound up by 29 February 2008 or thereabouts. All investors were repaid by 25 March 2008.

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. No fees were earned in respect of the Company's management activities. The Company paid expenses on behalf of the unit trusts of $176,000 in the current year for which no consideration was received (30 September 2008 $6,000).

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

	Unaudited 30/09/2009 $000	Unaudited 30/09/2008 $000
UDC Call Maximiser Fund and UDC Term Maximiser Fund	93,432	86,710
ANZ Call Fund and ANZ Term Fund	44,581	-
Total funds under management	138,013	86,710

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. 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 have 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 30/09/2009		Audited 30/09/2008	
	Face or Contract Value $000	Credit Equivalent Exposure $000	Face or Contract Value $000	Credit Equivalent Exposure $000
Contingent liabilities				
Standby letters of credit	3,277	655	3,254	651
Credit related commitments				
Commitments to extend credit	242,419	–	209,540	-
Foreign exchange contracts				
Foreign exchange forward rate contracts	2,615	523	–	-
Total contingent liabilities and credit related commitments	248,311	1,178	212,794	651

Contingent tax liability

The New Zealand Inland Revenue Department ("IRD") is reviewing a number of structured finance transactions carried out by the ANZ Holdings (New Zealand) Limited Group ("ANZ Holdings Group") as part of an audit of the 2000 to 2005 tax years which could give rise to a potential tax liability for the Company. A number of cases are before the courts and two decisions have been issued in the High Court, on 16 July 2009 and 7 October 2009, in favour of the IRD in respect of proceedings taken against other banks.

A subsidiary of the ANZ Holdings Group, ANZ National Bank Limited, has fully provided for the ANZ Holding Group's total exposure to primary tax and interest (tax–effected), net of an amount receivable from Lloyds Banking Group plc ("Lloyds") reflecting an indemnity given by Lloyds under the agreement by which the Bank acquired the NBNZ Holdings Limited group.

The liability (if any) borne directly by UDC Finance Limited will be determined at such time that the group exposure to primary and indirect tax is finalised.

All of these transactions have either matured or been terminated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. NOTES TO THE CASH FLOW STATEMENT

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Reconciliation of profit after income tax to net cash flows provided by operating activities		
Profit after income tax	2,688	28,235
Non cash items		
Revaluation of derivative financial instruments	(93)	160
Depreciation leasehold improvements and equipment	202	289
Provision for credit impairment	35,462	21,981
Deferred fee revenue and expenses	(590)	335
Amortisation of intangible assets	459	460
Write-off of software	–	10
Capitalised interest	355	(1,128)
Deferrals or accruals of past or future operating cash receipts or payments:		
Net decrease (increase) in loans and advances	126,073	(190,079)
Net decrease in accrued interest income	213	407
Net (decrease) increase in accrued interest expense	(1,360)	4,681
Net increase in accrued charges	1,200	148
Net (increase) in income tax assets	(4,342)	(1,381)
Net (decrease) in income tax liabilities	(7,864)	(6,841)
Net decrease in other assets	2,412	7,497
Net increase in payables and other liabilities	518	1,583
Net (decrease) increase in provisions	(146)	124
Items classified as investing/financing:		
Release of provision for sale of discontinued operations	(3,686)	(8,696)
Net cash flows provided by (used in) operating activities	151,501	(142,215)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30. RELATED PARTY TRANSACTIONS

	Audited Year to 30/09/2009 $000	Audited Year to 30/09/2008 $000
Compensation of Key Management Personnel		
Key management personnel compensation		
Salaries and short-term employee benefits	2,250	2,711
Post-employment benefits	129	69
Other long-term benefits	13	55
Termination benefits	108	-
Share-based payment	39	62
Total compensation of key management personnel	2,539	2,897
Loans to key management personnel	34	205
Deposits from key management personnel	62	281

Loans made to and borrowings 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 2009 (30 September 2008 $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 UDC Leadership team (whether executive or otherwise).

Transactions with the Parent Company, Ultimate Parent Company and subsidiaries

Details of amounts provided by/to the Parent Company, Ultimate Parent Company and subsidiaries of the Ultimate Parent Company during the ordinary course of business are set out in Notes 4–5, 7, 8, 11, 15–16, 20, 23 and 27 to these financial statements.

No provision for credit impairment on related party balances has been recognised for the year ended 30 September 2009 (30 September 2008 $nil).

31. 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.

32. SUBSEQUENT EVENTS

Subsequent to 30 September 2009 an additional $150 million has been drawn down by the Company under the $500 million committed facility with ANZ National Bank Limited, increasing the total amount borrowed to $200 million as at the issue date of these financial statements.

The financial statements were authorised for issue by the Directors on 11 December 2009.

The Directors
UDC Finance Limited
Level 14, ANZ Tower
215-229 Lambton Quay
WELLINGTON

21 December 2009

Dear Directors

AUDIT OPINION ON THE FINANCIAL STATEMENTS INCLUDED IN PROSPECTUS NO. 63

As auditor of UDC Finance Limited ("the Company") we have prepared this report pursuant to the requirements of the Securities Act 1978 and Clause 36 of the Second Schedule of the Securities Regulations 1983 as amended by Clause 11 of Part 2 of the Schedule of the Securities Act (Financial Institutions) Exemption Notice 2007 for inclusion in the Prospectus dated 21 December 2009 and for no other purpose.

AUDITED FINANCIAL STATEMENTS OF UDC FINANCE LIMITED

We have audited the financial statements included in this Prospectus, set out on pages 32 to 65. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 30 September 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 35 to 41 of the financial statements included in this Prospectus.

DIRECTORS' RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 30 September 2009 and its financial performance and cash flows for the year ended on that date, as required by Clause 8(1) of Part 2 of the Schedule of the Securities Act (Financial Institutions) Exemption Notice 2007.

AUDITORS' RESPONSIBILITIES

It was our responsibility to express an independent opinion on the financial statements as at 30 September 2009 presented by the Directors and report our opinion in accordance with Clause 36(1) of the Second Schedule of the Securities Regulations 1983.

This report has been prepared for inclusion in the Prospectus dated 21 December 2009 for the purpose of meeting the requirements of Clause 36 of the Second Schedule to the Securities Regulations 1983 as amended by Clause 11 of Part 2 of the Schedule of the Securities Act (Financial Institutions) Exemption Notice 2007. 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.

Our firm has also provided other audit related 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 business 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.

BASIS OF OPINION ON THE FINANCIAL STATEMENTS

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

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

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

UNQUALIFIED OPINION ON THE FINANCIAL STATEMENTS

We obtained all the information and explanations we required.

In our opinion:

- proper accounting records were kept by the Company as far as appeared from our examination of those records; and
- the financial statements on pages 32 to 65 included in this Prospectus, that are required by the Securities Regulations 1983 as amended by Clause 8(1) of Part 2 of the Schedule of the Securities Act (Financial Institutions) Exemption Notice 2007 ("the Notice") and that are required to be audited:
  - comply with these regulations; and
  - subject to these regulations, comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the Company as at 30 September 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 11 December 2009 and our unqualified opinion was expressed as at that date. We have not undertaken any procedures from the date of completion of our audit.

In terms of Regulations 7(1)(b)(ii) of the Securities Regulations 1983 we hereby give our consent to the inclusion in the above mentioned Prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this Prospectus for registration, withdrawn our consent to the issuer thereof.

Yours faithfully

KPMG

KPMG
Chartered Accountants
Auckland

STATUTORY INDEX

Corresponding Reference to Provisions of the Second Schedule to the Securities Regulations 1983

UDC
New Zealand's Finance Company

UDCP63 09-10

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