

UDC FINANCE LIMITED
INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 MARCH 2016

STATEMENT OF COMPREHENSIVE INCOME

\$ thousands	Note	Unaudited 6 months to 31/03/2016	Unaudited 6 months to 31/03/2015	Audited Year to 30/09/2015
Interest income		100,798	105,134	211,014
Interest expense		44,414	47,361	94,770
Net interest income		56,384	57,773	116,244
Other operating income		3,075	2,808	5,784
Operating income		59,459	60,581	122,028
Operating expenses		15,829	16,238	32,278
Profit before credit impairment and income tax		43,630	44,343	89,750
Credit impairment charge	3	5,729	4,885	10,427
Profit before income tax		37,901	39,458	79,323
Income tax expense		10,649	11,074	22,273
Profit after income tax		27,252	28,384	57,050

There are no items of other comprehensive income.

STATEMENT OF CHANGES IN EQUITY

\$ thousands	Share capital	Retained earnings	Total equity
As at 1 October 2014	20,752	320,660	341,412
Profit after income tax	-	28,384	28,384
As at 31 March 2015 (Unaudited)	20,752	349,044	369,796
As at 1 October 2014	20,752	320,660	341,412
Profit after income tax	-	57,050	57,050
Ordinary dividend paid	-	(33,000)	(33,000)
As at 30 September 2015 (Audited)	20,752	344,710	365,462
Profit after income tax	-	27,252	27,252
As at 31 March 2016 (Unaudited)	20,752	371,962	392,714

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



BALANCE SHEET

\$ thousands	Note	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
Assets				
Short-term deposits		75,618	89,145	81,692
Net loans and advances	2	2,484,451	2,323,864	2,347,163
Other assets		1,210	1,033	2,142
Deferred tax assets		9,845	9,430	9,616
Total assets		2,571,124	2,423,472	2,440,613
Liabilities				
Borrowings	5	2,117,098	1,993,608	2,016,026
Current tax liabilities		33,184	29,994	22,310
Payables and other liabilities		27,146	29,313	35,734
Provisions		982	761	1,081
Total liabilities		2,178,410	2,053,676	2,075,151
Net assets		392,714	369,796	365,462
Equity				
Share capital		20,752	20,752	20,752
Retained earnings		371,962	349,044	344,710
Total equity		392,714	369,796	365,462


For and on behalf of the Board of Directors



Director



Director



Date of issue

CONDENSED CASH FLOW STATEMENT

\$ thousands	Unaudited 6 months to 31/03/2016	Unaudited 6 months to 31/03/2015	Audited Year to 30/09/2015
Cash flows from operating activities			
Interest received	100,526	104,530	211,740
Interest paid	(46,668)	(50,564)	(93,397)
Other cash inflows provided by operating activities	3,075	2,808	5,784
Other cash outflows used in operating activities	(17,364)	(16,926)	(50,714)
Cash flows from operating profits before changes in operating assets and liabilities	39,569	39,848	73,413
Net changes in operating assets and liabilities	(145,642)	8,128	85,111
Net cash flows (used in) / provided by operating activities	(106,073)	47,976	158,524
Cash flows from investing activities			
Cash outflows used in investing activities	(1)	-	(1)
Net cash flows used in investing activities	(1)	-	(1)
Cash flows from financing activities			
Cash inflows provided by financing activities	245,000	125,000	250,000
Cash outflows used in financing activities	(145,000)	(155,000)	(398,000)
Net cash flows provided by financing activities	100,000	(30,000)	(148,000)
Net increase / (decrease) in cash and cash equivalents	(6,074)	17,976	10,523
Cash and cash equivalents at beginning of the period	81,692	71,169	71,169
Cash and cash equivalents at end of the period	75,618	89,145	81,692

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



NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice as appropriate for profit oriented entities, the requirements of NZ IAS 34 *Interim Financial Reporting* and IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the financial statements for the year ended 30 September 2015.

(ii) Basis of measurement

The financial statements have been prepared on a going concern basis in accordance with historical cost concepts.

(iii) Changes in accounting policies

The accounting policies applied by the Company are consistent with those applied and disclosed in the previous full year financial statements.

(iv) Presentation currency and rounding

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

2. NET LOANS AND ADVANCES

\$ thousands	Note	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
Revolving credit facilities		255,651	223,479	225,783
Term loans		1,299,557	1,287,708	1,246,581
Hire purchase contracts		999,209	878,292	946,245
Finance leases		103,098	93,857	98,518
Gross loans and advances		2,657,515	2,483,336	2,517,127
Provision for credit impairment	3	(32,443)	(29,725)	(31,529)
Unearned income		(132,043)	(120,867)	(129,586)
Deferred fee revenue and expenses		(8,578)	(8,880)	(8,849)
Total net loans and advances		2,484,451	2,323,864	2,347,163

3. PROVISION FOR CREDIT IMPAIRMENT

\$ thousands	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
Collective provision	22,046	21,957	21,855
Individual provision	10,397	7,768	9,674
Total provision for credit impairment	32,443	29,725	31,529

\$ thousands	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
Credit impairment charge			
New and increased provisions	9,365	6,374	15,841
Write-backs	(2,917)	(1,302)	(3,808)
Recoveries of amounts written off previously	(909)	(948)	(2,265)
Individual credit impairment charge	5,539	4,124	9,768
Collective credit impairment charge	190	761	659
Credit impairment charge	5,729	4,885	10,427

NOTES TO THE FINANCIAL STATEMENTS

4. INDIVIDUALLY IMPAIRED LOANS AND ADVANCES

\$ thousands	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
Individually impaired loans and advances			
Balance at beginning of the period	18,919	19,436	19,436
Transfers from productive	21,645	15,829	34,446
Transfers to productive	(2,327)	(479)	(4,052)
Assets realised or loans repaid	(10,321)	(11,492)	(18,749)
Write offs	(5,411)	(7,421)	(12,162)
Balance at end of the period	22,505	15,873	18,919
Loans that are at least 90 days past due but not impaired	2,635	8,055	6,369

5. BORROWINGS

\$ thousands	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
UDC secured investments	1,737,098	1,628,608	1,736,026
Committed credit facility utilised	380,000	365,000	280,000
Total borrowings	2,117,098	1,993,608	2,016,026

The Company has a committed credit facility available on demand with its parent, ANZ Bank New Zealand Limited (ANZ Bank), of \$800 million (31/03/2015: \$800 million; 30/09/2015: \$800 million), of which \$380 million was utilised as at 31 March 2016 (31/03/2015: \$365 million; 30/09/2015: \$280 million). The current credit facility expires on 29 September 2017. The Company can extend the term of the credit facility subject to agreement with ANZ Bank.

The ANZ Bank committed credit facility and UDC secured investments would rank equally in the event of priority claims over the assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS

6. FAIR VALUE MEASUREMENTS

Financial assets and financial liabilities not measured at fair value

No assets or liabilities are carried at fair value. Below is a comparison of the carrying amounts as reported on the balance sheet and fair value of financial asset and liability categories other than those categories where the carrying amount is considered a reasonable approximation of fair value:

	Unaudited 31/03/2016		Unaudited 31/03/2015		Audited 30/09/2015	
\$thousands	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Loans and advances	2,484,451	2,507,576	2,323,864	2,337,380	2,347,163	2,364,348
Financial Liabilities						
Borrowings	2,117,098	2,129,425	1,993,608	1,999,775	2,016,026	2,028,140

7. MINIMUM CAPITAL REQUIREMENTS

The Company is required to comply with certain minimum capital requirements under Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 as introduced by the Reserve Bank of New Zealand (RBNZ). At 31 March 2016 the Company's capital ratio was 15.6% (31/03/2015: 16.6%; 30/09/2015: 16.2%).

The RBNZ requires the Company's capital ratio to be at least 8% at all times.

8. CONTINGENT LIABILITIES AND CREDIT RELATED COMMITMENTS

The contractual values of contingent liabilities and commitments to extend credit are as follows:

\$ thousands	Unaudited 31/03/2016	Unaudited 31/03/2015	Audited 30/09/2015
Contingent liabilities			
Standby letters of credit	1,595	724	883
Commitments to extend credit			
Undrawn facilities available to customers	248,914	224,320	237,440
Conditional commitments to fund at future dates	116,201	88,568	71,388
Total contingent liabilities and commitments to extend credit	366,710	313,612	309,711



Independent review report

To the shareholder of UDC Finance Limited

We have completed a review of the interim financial statements of UDC Finance Limited (the “Company”) on pages 2 to 7 which comprise the balance sheet as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and condensed cash flow statement for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the shareholder as a body. Our review work has been undertaken so that we might state to the Company’s shareholder those matters we are required to state to them in the independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company’s shareholder as a body, for our review work, this report or any of the conclusions we have formed.

Directors’ responsibilities

The Directors of the Company are responsible for the preparation and fair presentation of interim financial statements in accordance with NZ IAS 34 *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 *Interim Financial Reporting*. As the auditor of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Our firm has also provided other services to the Company in relation to trustee and prospectus reporting. Subject to certain restrictions, 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. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these interim financial statements of UDC Finance Limited do not present fairly, in all material respects, the financial position of the Company as at 31 March 2016, and of its financial performance and its cash flows for the period ended on that date, in accordance with NZ IAS 34 *Interim Financial Reporting*.

KPMG

20 May 2016
Auckland