



Wayne Percival
CEO, UDC Finance Limited

A great half-year result

This past financial year has been both challenging and rewarding. Our mid-year results are a great reflection of a strong performing business. We know how to manage risk, and stay committed to providing finance to our core industries of vehicles, plants and machinery. As a result we continue to deliver the best outcome for both investors and borrowers.

Over the next few months we will be launching our new and improved UDC website which will be mobile friendly, as well as providing a clean and fresh look. Visitors to the new site can look forward to easier navigation and usability when using mobile devices. Connecting to UDC Live will become easier, which will help us connect with you, our investors, faster. We have committed to creating a website that is more accessible, informative and easy to use.

Another development that we are currently working towards is transitioning to the new Financial Markets Conduct Act 2013 (FMCA). The FMCA overhauls existing securities and financial markets laws. For UDC this means a change to the offer documents that are produced and instead of a Prospectus and an Investment Statement there will be single product disclosure statement. In addition, all UDC's material information will be available on a public register known as the Disclose Register where all similar offers will be available to view. We hope to be in a position to transition in the next few months but will keep you posted. Please be assured, your investment is not affected by this change.

Thank you again for your continued support.

Financial Overview

Mid-year – our lending is up 7% compared with the first half of last year

Our profit was \$27.3 m

Key numbers:

- Gross lending assets up by 7%
- Expenses decreased 3%
- Cost to Income Ratio 26.6%

These results reflect our growth in lending, lower provisions and continued focus on our core business of asset finance. UDC holds a diverse portfolio with motor vehicle lending up 7% and commercial lending up 5% over the half year. A wide range of industries contributed, including forestry, transport and construction. With our ongoing support for New Zealand businesses, our accomplishments this half of the year are due to our committed staff and their expertise in key sectors, which help us build strong business connections across the nation.

"We're well placed for further growth in the second half of the year."

- Wayne Percival, UDC's CEO

Economic Update

What is the Official Cash Rate and how does it impact your interest rate?

The Official Cash Rate or OCR as it is referred to, is set by the Reserve Bank and helps determine the wholesale price of borrowed money. The Reserve Bank reviews the OCR seven times a year.

The OCR (and expectations of where it will go in the future) directly affects the interest rates banks charge for you to borrow money for mortgages, loans or credit cards and also what they'll pay on savings accounts or term deposits.

A low OCR, as we have now, although good for borrowers as the interest rates charged for borrowing are low, also means deposit interest rates are low. Conversely, a high OCR is good for depositors as their returns increase but bad for borrowers as their repayments increase due to higher interest rates being charged.

The Reserve Bank is responsible for maintaining price stability in New Zealand by keeping inflation within a set range (1% to 3% on average over the medium-term). Simply put, by increasing or decreasing the OCR, the Reserve Bank can encourage people to either spend or save. This is the Reserve Bank's way of influencing inflation – either up or down.

However, the OCR is not the only factor influencing interest rates. Most banks have to borrow money off-shore to fund their lending, as their depositor funds are insufficient to cover all of their lending requirements. The price paid by the banks for that money is another influencing factor on interest rates. International events, for example, the Global Financial Crisis, also impact the cost of the funds sourced off-shore.

For a more in-depth explanation, the Reserve Bank website, rbnz.govt.nz is an excellent source of information.



Case Study: SkyBus

SkyBus – flying high with a little help from UDC

Getting to and from Auckland International Airport is not always easy or enjoyable – unless you go by SkyBus.

Since SkyBus took over the Airport to CBD bus route in October last year, they've focused on building a fast, convenient, comfortable and cost-effective option for travellers – and they're just getting started.

The focus for SkyBus is about more than just getting passengers from A to B. It's about creating a great customer experience from start to finish – and that takes investment. The purchase of six new buses, with help from UDC, has allowed SkyBus to offer a 24/7 service with departures every 10 minutes at peak times.

They've also refurbished existing buses, installed free Wi-Fi throughout the fleet and introduced concierges – customer service staff who meet and greet passengers, and provide them with directions and information about attractions in Auckland.

Other innovations include a new smartphone ticketing app and a SkyBus CBD Hub at 396 Queen Street, now open. The store will act

as an airport gateway for passengers, and SkyBus are working with airlines to provide boarding passes and bag tag ticketing kiosks.

"UDC was a natural partner for us," say SkyBus co-Chief Executives Michael Sowards and Adam Begg. "UDC understood the industry and the market but more importantly, they understood us. We are interested in growing and they had a plan for us. They could see the bigger picture and they've helped us plan every step towards the expansion of SkyBus in Auckland".

"The feedback from customers has been amazing and it's been an exciting opportunity for both SkyBus and UDC – one that we're looking forward to building on in the future."

Finance Offers

As part of UDC's growing dealer network we are the chosen partner for leading manufacturers such as Mazda, Ford, Honda, Isuzu, Hyundai and Suzuki. As a result, we can bring you these two fantastic finance offers.



UDC Finance and **Hyundai** have partnered up to provide you with affordable and flexible finance options on a stylish new Hyundai i20. For further information including Hyundai's terms and conditions please visit <http://bit.ly/246Nkpf>



UDC Finance and **Suzuki** have partnered up to provide you with affordable and flexible finance options. For further information including Suzuki's terms and conditions please visit <http://bit.ly/27ROLwk>

Investment Spotlight

Rewarding your loyalty to UDC

To say thank you for being a loyal UDC investor, we're offering a special rate of 3.55% p.a. for 12 months.

This rate is for new secured term investments with interest to be paid either at maturity or quarterly only. The rate is available from 1 June to 30 June 2016. For reinvestments to qualify for the 'Loyalty Special', \$5,000 must be added to your existing investment.

Call us on **0800 652 832** to take advantage of this great rate.

UDC Secured Investments are secured by First Ranking Security Stock (subject to prior permitted charges, if any). A \$5,000 minimum investment applies. Rates of return are subject to change. UDC's Secured Investment Prospectus and Investment Statement are available free of charge at www.udc.co.nz. If we allow you to withdraw money before the end of your investment term, your returns may be reduced.

