future

New Zealand Finance Holdings Annual Report 2006 Out of black comes prosperity

thinking

NEW ZEALAND
FINANCE HOLDINGS

Returning results

Group net surplus $3.8 million

An Increase of 36% in net surplus after taxation

An increase in shareholder equity of 42.2%

A new strategic investment in Mike Pero Mortgages

through stable growth...

	2006 $'000	2005 $'000	% change
Renenue	24,205	12,458	94.3%
Net surplus after tax	4,009	2,786	43.9%
Total assets	129,100	65,162	98.1%
Shareholders equity	15,563	10,944	42.2%

	2006	2005	
Shares on issue	76,666,668	74,000,001	3.6%
Earnings per share (cents)	4.96	3.76	31.9%
Net assets per share (cents)	168.39	14.79	1038.5%

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Chairman's & Managing Director's Report

Being both a New Zealand company and a finance organisation, it's not surprising we feel positive about calling our year black—especially when this colour is used in context with performance, achievement and 'bottom line' results.

On behalf of the Board, Management Group and Team, we are pleased to share the results achieved for the past year and our vision going forward.

Financial Results
Forward Thinking and Sound Management

Building from last year's platform, we have continued our strong growth across a number of key financial indicators.

Our total operating revenue has continued to grow through the mix, and strengths, of our various businesses.

The Group's net profit has increased by 36.5% - rising from $2,785,989 last year to $3,803,828.

Our total shareholder's equity (excluding minority interests) has increased by 42.4% from $10,943,717 (31.3.05) to $15,563,010.

Operational Performance Indicators
Solid and Sustainable

In terms of operational results New Zealand Finance's (NZF) results are positive.

NZF continues to have an agency agreement with Australian Mortgage Securities Limited (AMS). Through this arrangement we have access to a wholesale funding line which allows NZF to facilitate, and manage, housing loans for AMS in competition with the major trading banks.

Combined with the strategic advantages this relationship gives us, there is no impact on NZF's balance sheet ratios (nor any associated credit risk) since AMS is the funder under these facilities. Similarly AMS has no recourse against NZF for credit defaults made under those loans. We derive income from loan fees and trail income.

The housing loans under management have grown from $39.5 million as at 31 March 2004 to $70.34 million as at 31 March 2006, representing 449 loans for an average loan size of $157,721. Our lending policy of focusing primarily on first mortgages, secured over quality residential property in prime regions throughout New Zealand, remains sound.

During the course of the year and encouraged by our success of our AMS association, we launched our own mortgage securitization operation NZF Mortgages Limited. Again, this activity is a means to secure funding to develop new product offerings as well as remain competitive in the mortgage arena. From a $nil starting base we have secured $24,194 million in funds up to the end of March 2006.

Across these businesses, our policy of maintaining tight credit controls continues to pay dividends. Write-offs for the 2006 financial year stand at $nil. In what is potentially a volatile area of business our standards and systems continue to protect shareholder value.

Overall, the lending side of our operation will continue to be a significant contributor and profit provider. We have the capability to deliver a more diversified product offering plus the distribution channels to take advantage of new initiatives.

In that regard, the growth of our mortgage origination business—through New Zealand Mortgage Finance Limited (NZMF) and Approved Mortgage Brokers Limited (AMB) — continues to impress.

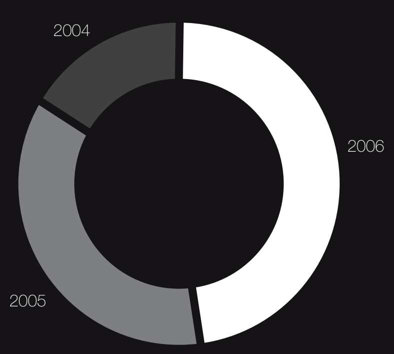
Share Value
Continued Performance

New Zealand Finance Holdings first listed on the NZSX on October 6th, 2004 at an issue price of 30 cents. At the time of last year's Annual Report the share price grew to 92 cents. As at May 24th, 2006 the share price stood at $1.50 representing a 400% increase in price in less than two years.

We are pleased to offer investors the opportunity to invest in the finance sector and take pride that the group continues to represent one of the top performing shares on the country's stock exchange.

From Left

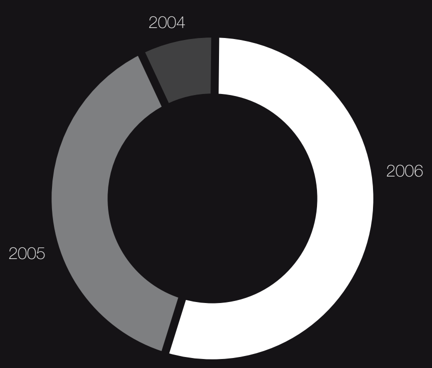
Richard Waddel - Chairman of Directors. John Callaghan - Managing Director



Loans Under Management [$]

37,324,392 63,885,789 94,746,893

Our policy of maintaining tight credit controls continues to pay dividends



Shareholders Equity [$]

3,324,392 10,943,717 15,563,014

Dividend
Payment without Compromising Our Reinvestment Policy

The Board of Directors has resolved to pay a fully imputed final dividend of 0.75 cents per share. This takes the total dividends paid for the year to 1.25 cents per share, fully imputed. We have made these dividend payments while maintaining the integrity of our policy of delivering growth based on profit retention in order to invest in on-going business and brand development.

Strategic Acquisition

A 'Flagship' Brand Now Part of Our Portfolio

Following on from the purchase of the business operations of Approved Mortgage Brokers Limited on 5 April 2005, during the course of this financial year we continued to pursue similar strategic acquisitions. As with any purchase the aim was to assist in our business diversification and distribution growth strategies.

Above and Right. Mike Pero

The opportunity to acquire shareholding in one of the country's leading financial services brands, Mike Pero Mortgages Limited [MPM], presented itself in the course of these investigations.

Given what we knew of the business, and the strength of the brand, taking a stake in MPM became a possibility that we naturally pursued—albeit it with cautious optimism. We were aware that there might be some residual issues—stemming from media commentary around the time of their public stock offering-that we wanted to make sure would not undermine any involvement being considered.

After a period of due diligence and on-going discussion, in December 2005 we acquired our initial 55.02% shareholding at $.82 per share. This triggered, as per the requirements under the Takeovers Panel, the Board of MPM to commission an independent share value report. This was done by Crighton Anderson which placed the value at between $.96 and $1.09.

Through a second takeover offer we increased our shareholding to 74.7%. Concurrently, Liberty Financial Limited—the New Zealand operation of an Australian-based company we have a positive relationship with—acquired a 19.9% shareholding.

Like us they see the opportunity to take a stake in an amazing and dynamic company that has created the country's most powerful mortgage providing brand. We will both work together in order to broaden, and diversify, its offer from an exceedingly strong base.

Overall, we believe that our involvement is seen positively in the market and that our joint expertise will help MPM realise its true potential as well as continue to increase the value of the business.

The results from a just-completed Colmar Brunton survey [Telephone Omnibus, 3-8 May 2006, from representative sample of all people 18 years plus] are another factor in our optimism.

MPM is New Zealand's most well-known mortgage broker—with an overall 97% of respondents having heard of the company and 60% being aware of the nature of the business and brand. This is close to a 10% increase from 51% recall achieved in a June 2005 survey.

Significantly, 61% of potential customers would now consider using a broker when taking out a mortgage—this is up from 53% in the June 2005 survey. This result is not just encouraging for MPM but for all mortgage activities that New Zealand Finance Holdings is involved in.

MPM is also seen as the most trusted mortgage broker with the ability to provide independent home loan advice.

The opportunity now is for the brand to evolve into a broader base financial services company offering more than just mortgages. It is our belief that the starting point of this development could not be stronger. This perspective is based on the evidence of the power of the brand combined with now having in place a majority shareholder that is active in the same 'market space'.

We have a very clear commitment to helping in the on-going development of MPM by applying entrepreneurial insights and new product offerings through this trusted and established network.

Through a second takeover offer we increased our shareholding to 74.7%

The Way Forward

Unique Opportunities and Circumstances

At present, the evidence is that the economy is slowing.

Despite the prospect of entering into a period of some uncertainty and fluidity, we're optimistic about the coming year. We're fortunate that the nature of our business provides a built-in hedging mechanism. In a growing market people are looking for new funding while, in a flattening economy, people are looking at refinance options.

In that regard we see one phenomenon as providing us with great opportunities to further solidify our market share and increase the value of our operation.

Estimates are that within the coming 12 months, $36.5 billion of fixed-rate loans are due to come up for renewal this year. This figure represents close to 40% of the total value of the New Zealand mortgage market. The refinancing process will see mortgages rolled into new fixed loans or a combination of fixed and floating options.

Our experience is that people are looking for more flexible financial options

Currently approximately 28% of mortgages are being written by mortgage brokers. Based on the Colmar Brunton results, and the upcoming requirement for new funding, we anticipate this figure will increase for a number of reasons.

More and more consumers are discovering the benefits of dealing with an independent mortgage broker. The broking model is based on long-term relationships—in a sense the building of 'financial friendships'. This is in contrast to the traditional bank model which is largely price driven and where generally there is no long-term consistency in those responsible for client servicing.

Our experience is that people are looking for more flexible financial options. They like the continuity of service and the personalized approach offered through the broking model. The increased capabilities shown by independent advisers means there is no compromise on the principles of sound and responsible financial management.

People are also conscious of cost—in the context of a falling market people's mortgages are by far the largest component so any savings or efficiencies have to be attractive in order to secure the business.

Given the position we hold in the market we are well placed to benefit from the combined, and current, conditions.

In Mike Pero Mortgages we have the dominant mortgage distribution brand in New Zealand which can only continue to enhance our standing. Approved Mortgage Brokers is another premier brand poised to attract new opportunities—both in the mortgage finance area and any expanded service offering.

New Zealand Mortgage Finance attracts a different segment of the market and has been purposely geared to what is one of the fastest growing sectors over the last 5 years—the 'non conforming' or 'low document' industry. More and more people's financial structures are not fitting into the conventional lending criteria banks tend to use but nevertheless have enough security and cash flow to be able to meet their obligations.

When you factor in the contribution our securitisation business will make to our plans, the situation is even more positive. We clearly have the ownership and distribution channels in place to provide us with a competitive edge in that the cost of distribution—and therefore ability to compete on price and service—is enhanced.

Should the market become more buoyant we are equally well positioned to react and seize opportunities.

Managing the Challenges

Factors Outside Our Direct Control

The Government is currently conducting a review of the financial sector with a particular focus on how a number of non-bank financial products, and providers of them, are regulated.

The review's center of attention is on assessing the current regulation of superannuation, insurance, managed fund products and securities offerings. It is also looking at the legislation governing non-bank providers such as insurance companies, credit unions, friendly societies, building societies, finance companies and industrial and provident societies.

Its main aim is to identify areas where existing arrangements could be improved.

We anticipate that toward the end of 2006 possible policy changes stemming from this initiative should become evident. It may be that, out of this process, may come the requirement for some redirection on our part. Again, we have the utmost confidence in our people, systems and structures so would anticipate that changes, if any, would be minimal.

> Our overall emphasis will be on strengthening all our brands

We are also aware that some in our sector will suffer from the lack of vigorous management capabilities and other inadequacies. We have already seen some failures and expect that more will come. As a result we may be affected by some general fall-out but, again, perceive that this will be slight.

In summary, as a group we will continue to solidify our various entities while also looking at new opportunity streams.

Our overall emphasis will be on strengthening all our brands, and businesses, with the expectation that profitability will exceed that achieved this year.

We will continue to put a premium on open and honest disclosure. As a group we will continue to be accessible, confident, team-focused and achievement-oriented with the hope that the coming year will be as 'black' as the one we just had.

On behalf of the Group we thank you for your continued support, effort and encouragement and look forward to delivering an equally positive report next year and in the years to come.

Richard Waddel
Chairman of Directors
26 May 2006

John Callaghan
Managing Director
26 May 2006

team players

The Board and Senior Management | The Executive and Management Team

Board and Senior Management

Board of Directors

The Board of Directors consists of six directors, four of whom are non-executive directors. Richard Waddel and Jeff Barkwill are both independent directors [as that term is defined in the NZX Listing Rules].

R.A. [Richard] Waddel BCom FCA, AM InstD

Chairman of Directors

Richard brings with him a wealth of business experience and knowledge to the Company. His background is in accountancy, business advisory and consulting and has held a large number of directorships in private and public companies and Government organisations. Richard was a partner for 34 years in Ernst Young and held the position of Chief Executive for a period of 11 years with responsibility for the overall direction, strategic planning and marketing of services for the firm. His current appointments include amongst others, Chairman of both Pharmaceutical Management Agency and Kidicorp Group Limited, a Director of Auckland Regional Transport Authority, Mike Pero Mortgages Limited and a Board Member of the Aotea Centre Board of Management. Richard is a fellow of the Institute of Chartered Accountants and a member of the Institute of Directors.

J.A. [John] Callaghan BBS

Managing Director

John has over 15 years experience in the New Zealand banking and finance industry, initially with the Bank of New Zealand, Business Banking in Auckland and then in the marketing division in Wellington. John then moved to ASB Bank Limited where he undertook a credit assessment then residential and commercial lending roles. He also has a high level of experience in property development. He is the founding managing director and was responsible for the formation of New Zealand Finance in 1997 and its very successful progress to date. His current responsibilities include the Group's strategic development, marketing initiatives and the credit approval process.

P.R. [Pat] O'Connor

Non-executive Director

Pat is well known and respected in the local business community. He has had a very broad background primarily focused on wholesaling and retailing and up until recently he owned and operated a very successful chain of stores, importing and retailing furniture. He recently sold the business to concentrate on his diverse property interests. Pat is a founding director of New Zealand Finance Limited and he is a non-executive Director of Mike Pero Mortgages Limited, his involvement includes an advisory capacity offering a diversity of business skills and experience.

M.H. [Mark] Thornton

Executive Director

Mark has over 30 years experience in the banking and finance industry in New Zealand. He initially joined Bank of New Zealand and gained experience in areas of retail banking then moving to managerial roles in commercial and corporate banking for 18 years up until 1992. He then moved to ASB Bank Limited taking up a management role in ASB's commercial division up until 2000 when he left to take up full-time employment with New Zealand Finance Limited. During his banking career he focused on all facets of lending assessment to a wide range of businesses from the major corporates to medium-to small-sized companies. He is a founding director and his current responsibilities include business development activities and lending evaluation and assessment and the credit approval process.

J. [Jeff] Barkwill FCA, DipCM

Non-executive Director

Jeff brings strong financial, non-executive director and consultancy experience to the Company. He has held several medium to large company Chief Financial officer positions across New Zealand/Australia in a variety of industries, more recently being Chief Financial Officer Asia Pacific for TMP Worldwide, based in Sydney. He is now a consulting Chartered Accountant, specialising in corporate financial management, with a wide variety of clients. He is a Councillor and Fellow of the Institute of Chartered Accountants and a member of the Institute of Directors.

P.K.C. [Peter] Huljich BCom, [Int. Bus/Mgmt], Dip. NZX, SA Fin.

Non-executive Director

Peter has an extensive and varied background within the securities industry. With sound specialist knowledge and over 10 years of practical experience, his roles have predominantly focused on the procurement of investments in foreign markets, namely Australia, Europe and the Americas. His understanding and familiarity of the financial markets compliment the strengths of the current Board. In addition to varied Directorships he is a non-executive Director of Mike Pero Mortgages Limited.

From Left: Mark Thornton, Richard Waddel, John Callaghan, Peter Huljich, Jeff Barkwill, Pat O'Connor (absent)

The Executive Team

Executive and Management Teams

The Executive and Senior Management support the executive directors in achieving and delivering on the challenges set by the Board of Directors.

Malcolm Lindeque B Com, CA [SA], PCA

Chief Financial Officer

Malcolm qualified as an accountant in South Africa working initially for Ernst & Young. He has also held various positions over the ensuing period as group accountant and financial controller in the private sector with one such position as financial controller for an entity which employed over 1,000 staff and annual turnover in excess of $75,000,000.

Malcolm joined NZF in October 2003 and his experience has proven valuable to the NZF Group. He is a member of the New Zealand Institute of Chartered Accountants.

Tony Milicich

Senior Manager Business Development

Tony has over 30 years experience in Banking and Finance having worked for Bank of New Zealand, AGC, Treasury Group and ASB Bank.

Prior to joining New Zealand Finance Limited, Tony worked for ASB for 12 years in the Northland Regional Office where he was initially Regional Credit Manager being responsible for all approvals across all three divisions [Personal, Business banking and Rural] and had an operational discretion of $1.5 million.

Following each division of the Bank taking over its own credit operation Tony was promoted to Commercial Manager Northland and continued in this role for 7 years. For the financial year ended June 2005, Tony was “The Best Overall Commercial Manager for 2005” in the ASB. His client portfolio was in excess of $100m when leaving to join NZF.

Kim Lyons

Director of New Zealand Mortgage Finance Limited

Kim is an accredited full member of the New Zealand Mortgage Brokers Association.

Kim spent 23 years with ANZ Bank where he spent a considerable time dealing with residential and commercial lending. Then after completing three years as one of the initial ANZ mobile lending managers he was approached to join an expanding mortgage broking business.

Now nearly 6 years on, he continues to look after a broad range of clients, their requirements varying from residential and business deals, right through to multi-million dollar construction projects. Kim heads up the broking division under NZMF.

Dave Shatford Dip PFP

General Manager Operations Distribution Channels

Dave was previously the CEO of Approved Mortgage Brokers prior to the acquisition of Approved by New Zealand Mortgage Finance. Dave has over 27 years experience in the financial services industry. Dave joined Approved from Aon Risk Services [NZ] where he was General Manager of the financial services division.

Before that he was with AMP Financial Services for more than three years, most recently as National Manager Key Accounts for their broker division. Dave started his career with the ANZ Banking Group in 1977, where he held a number of senior and managerial roles over the 23 years he worked there, including residential and commercial lending, credit control, marketing, administration, investment and insurance.

From Left: Malcolm Lindeque, Clare Burch, Mark Thornton, Scot Bailey, Susan Gin, Tony Milicich

The Management Team

Scot Bailey

Product and Business Development Manager

Scot joined NZF with operational experience from an international market in the niche non-conforming lending industry. He was the New Zealand Operations Manager with non-conforming lender Liberty Financial and has an extensive introducer network across New Zealand. As Operations Manager with Baycorp Advantage, Scot assisted in the administration set-up of non-conforming lender Pepper Homeloans. Scot has nine years of banking experience with Westpac and Westpac Trust in various lending roles.

Clare Burch BMS

Lending Manager

Clare joined the Company in 2003 after returning from London where she spent time with Bank of New York. Prior to that she gained her experience with ASB Bank Limited with various lending roles after completing her business degree with Waikato University.

Neil de Wit B.Com

Group Accountant

Neil has extensive financial experience across a broad range of industries which includes several years in the banking sector. He has held a number of financial management positions during this time. The focus of his role in previous positions has been the successful development and implementation of various financial IT systems.

Susan Gin

Investment Manager

Susan joined NZF in 2001 leaving ASB Bank Limited where she worked in several roles, the most recent being a settlement clerk in ASB's foreign exchange department. Susan's role with the Group involves all aspects of process and maintaining NZF's investment business. Susan deals directly with depositors and brokers/planners who direct deposit business to the Company.

revealing results

Directors' Report | Shareholder Information | Corporate Governance

Directors' Report

The Directors of New Zealand Finance Holdings Limited resolved to submit the following report with respect to the financial position of the Company and Group as at 31 March 2006 and their financial performance and cash flows for the year ended on that date.

Directors

The names of the Directors of the Company in office at the date of this report are:

Richard Alan Waddel
Chairman B Com FCA [NZ], AM InstD

John Alan Callaghan
Managing Director BBS

Jeffrey Albert Barkwill
FCA [NZ], DipCM

***Pat Redpath O'Connor**

Peter Karl Christopher Huljich
BCom, [Int. Bus/Mgmt], Dip. NZX, SA Fin

***Mark Hume Thornton**

*In accordance with the Company's Constitution, Pat O'Connor and Mark Thornton will retire, and, being eligible, offer themselves for re-election.

Nature of Business

The business of the Group is the provision of financial accommodation and services. The nature of the Group's business has not changed during the year under review.

Consolidated Result For The Year

	2006 $	2005 $
Total Income	**24,205,100**	**12,457,524**
Net Surplus before Taxation	**6,118,582**	**4,305,223**
Taxation	2,109,192	1,519,234
Net Surplus after Taxation	**4,009,390**	**2,785,989**
Surplus attributable to Minority Shareholders Interest	206,097	0
Net Surplus attributable to parent shareholders	**3,803,293**	**2,785,989**

Remuneration of Directors

During the year the following remuneration was paid or payable to directors:

	2006 $	2005 $
Executive Directors		
Mr. J A Callaghan	176,923	159,993
Mr. M H Thornton	176,923	159,993
Non - Executive Directors		
Mr. R A Waddel	40,000	30,000
Mr. J Barkwill	31,600	18,000
Mr. P O'Connor	20,000	20,000
Mr. P K C Huljich	8,000	[appointed 27.06.05]
Subsidiary Companies	58,031	-
	521,477	**387,986**

Employees

The number of employees, other than Directors, within the Group receiving remuneration and benefits above $100,000, as is required to be disclosed in accordance with Section 211 [g] of the Companies Act 1993, is indicated in the following table.

Group & Parent	2006	2005
$100,000 - $109,999	1	
$110,000 - $119,999	1	-
$120,000 - $129,999	1	-
$130,000 - $139,999	-	-
$130,000 - $139,999	-	-
$140,000 - $149,999	-	-
$150,000 - $159,999	-	-
$160,000 - $169,999	-	-
$170,000 - $179,999	-	-
$180,000 - $189,999	-	-
$190,000 - $199,999	-	-
$200,000 - $210,999	1	-

Directors' Shareholding

Director	Holder	# of Shares
Mr. J A Callaghan	Bluewater Corporation Limited	18,410,002
Mr. M H Thornton	Colsam Trust	16,930,002
Mr. P O'Connor	Hillview Trust	16,910,002
Mr. R A Waddel	Mr. R A Waddel	36,000
Mr. J Barkwill	Mr. J Barkwill	26,000
Mr. P K C Huljich	Mr. P K C Huljich	3,066,667
Mr. P K C Huljich	Best Investments Limited	3,677,963
Mr. P K C Huljich	E A Huljich Family Trust	766,667

Interested Transactions

The Directors have disclosed the following transactions with the Company:

Interested transactions

There have been no transactions during the year with interested or related parties.

Directors' Remuneration

Remuneration details of Directors are provided on page 18.

Indemnification and insurance of officers and directors

The Company indemnifies directors and executive officers of the Group against all liabilities which arise out of the performance of their normal duties as directors or executive officers, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance. The total cost of this insurance expense during the financial year was $20,375 [2005: $21,467].

Share Transactions

Mr. P K C Huljich purchased the following number of shares during the year ended 31 March 2006; 270,104 through Best Investments Limited and 300 through Christopher Peter Huljich & Colin Gordon Powell <E.A. Huljich Family Trust>.
No other Directors acquired or disposed of any shares in the Company during the year.

Directors' Loans

There were no loans by the Company to Directors.
The Board received no notices during the year from Directors requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

Changes in accounting policy

There have been no changes in accounting policies during the period. All policies have been applied consistently during the period.

Auditors

In accordance with Section 200 of the Companies Act 1993, the auditors, Grant Thornton, continue in office.

Donations

There were no donations paid during the year [2005: $nil].

For and on behalf of the Board this 26th day of May 2006.

Richard Waddel | Chairman of Directors
26 May 2006

John Callaghan | Managing Director
26 May 2006

Shareholder Information

Shareholders

As at 31 March 2006 there were 420 shareholders.

Share Issues

On 1 April 2005 the Company issued 2,666,667 new fully-subscribed shares at 45 cents per share. The issue raised $1,200,000 and was used as full payment of the purchase of Approved Mortgage Brokers.

Shareholder Details

The ordinary shares of New Zealand Finance Holdings Limited are listed on the New Zealand Stock Exchange. The information in the disclosures below has been taken from the Company's registers at 31 March 2006:

Twenty largest shareholders

As at 31 March 2006:

Name	Fully Paid Number	Ordinary Shares %
Bluewater Corporation Ltd	18,410,002	24.01
Lynton Ross Campbell & Dennis Michael Graham & Mark Hume Thornton	16,930,002	22.08
Robert Norman Burnes & Pat Redpath O'Connor & Kay O'Connor	16,910,002	22.06
Best Investments Limited	3,677,963	4.80
Peter Karl Christopher Huljich	3,066,667	4.00
Kim Nigel Lyons & Fiona Patricia Lyons & Christopher John Davis	3,063,217	4.00
Wellington Investment Network Ltd	2,444,445	3.19
Ted Burak	1,890,000	2.47
Christopher Peter Huljich & Colin Gordon Powell	766,667	1.00
Macleay Investments Limited	733,750	0.96
Legend Investments Limited	643,760	0.84
Elizabeth Huljich	530,123	0.69
PKB Trustees Limited	513,346	0.67
NZF Trustee Limited	500,000	0.65
Christine Ruth Lockie & Rosemary Ann Dodd	465,346	0.61
Timothy Joel Sundberg	411,699	0.54
Christine Nillson	235,700	0.31
Custodian Nominee Company Limited	222,222	0.29
Terence Robert Ward & Joan Elsie Ward	204,000	0.27
Suzanne Janice Sundberg	201,087	0.26
Total	**71,819,998**	**93.68**

Distribution of Equity Securities

Size of Holdings [At 31 March 2006]	Shareholders Number	%	Fully Paid Number	Ordinary Shares %
1 - 2,999	38	9.05	53,128	0.06
3,000 - 9,999	188	44.76	887,557	1.16
10,000 - 49,999	160	38.10	2,798,563	3.65
50,000 - 99,999	10	2.38	595,982	0.78
100,000 - 199,999	4	0.95	511,440	0.67
200,000 - 499,000	6	1.43	1,740,054	2.27
500,000 - 999,999	6	1.43	3,687,646	4.81
over 1,000,000	8	1.90	66,392,298	86.60
	420	**100.00**	**76,666,668**	**100.00**

Substantial Security Holders

Pursuant to Section 26 of the Securities Markets Act 1988, details of substantial security holders and their total relevant interests as per their most recent notices are:

Name	Number of shares	Date of notice
Bluewater Corporation Limited	18,410,002	6 October 2004
Lynton Ross Campbell & Dennis Michael Graham & Mark Hume Thornton	16,930,002	6 October 2004
Robert Norman Burnes & Pat Redpath O'Connor & Kay O'Connor	16,910,002	6 October 2004
Peter Karl Christopher Huljich	7,221,300	25 February 2005
Peter Karl Christopher Huljich	3,066,667	17 March 2005

Shareholder Enquiries

Shareholders should send changes of address to Link Market Services Limited at the address noted in the Directory on page 48. Notification must be in writing. Questions relating to shareholdings should also be addressed to Link Market Services Limited. For information about the Group please contact the Company at the registered office by sending an email to info@nzf.co.nz or visit website www.nzf.co.nz

Announcement to Shareholders

The Company has established an email list of shareholders that want to receive announcements made by New Zealand Finance Holdings Limited to the NZSX. Announcements are emailed to shareholders who wish to receive them shortly after they are released. This will include the Annual Meeting addresses. If you want to be added to this listing please email registry@nzf.co.nz and advise us of your preferred email address. Your email details will be kept confidential.

Announcements are also posted on our website **www.nzf.co.nz** normally a day after they are released.

Corporate Governance

The Board of New Zealand Finance Holdings Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all its officers and staff.

The Board recognises the need to continue to enhance its Governance Standards in line with developing best practice. In so doing, the Board has considered standards, guidelines and principles published by a range of interested parties in New Zealand and internationally. The governance principles adopted by the Board are designed to meet best practice. Generally New Zealand Finance Holdings Limited follows the NZX Corporate Governance Best Practice Code, except that there is no nominations committee. The Board has reviewed those Rules, Principles and Guidelines and is taking progressive steps to improve the governance systems and processes by reference to them.

Role of the Board

The Board's primary objective is the enhancement of shareholder value by following appropriate strategies, and ensuring effective and innovative use of available Company resources. The Board is responsible for the management, supervision and direction of the Group. Day-to-day management of the Group is delegated to the Managing Director.

Board Meetings

The Board normally meets eleven times each year for scheduled meetings. Additional meetings are held where specific matters require attention between scheduled meetings. Board meetings are used to monitor, challenge, develop and fully understand business and operational issues.

Composition of the Board

The Constitution provides that there will be no less than two and not more than six directors. NZX requirements are that at least two directors, or one-third, are independent directors. The Board currently consists of two independent directors including the Chair.

Criteria for Board Membership

When a vacancy arises, the Board will identify candidates with a mix of capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively. A Director appointed by the Board must stand for election at the next Annual Meeting. At each Annual Meeting one-third of directors [excluding the Managing Director] must retire by rotation. Retiring directors are eligible for re-election.

Board Committees

The Board has established an Audit Committee and a Remuneration Committee.

The Audit Committee operates under a charter approved by the Board and is accountable to the Board for: the business's relationship with, and the independence of, external auditors; the reliability and appropriateness of the disclosure of the financial statements and external financial communication; and the maintenance of an effective business risk management framework including compliance and internal controls. The Committee is composed of two non-executive directors.

The Remuneration Committee operates under a charter approved by the Board and is accountable to the Board for: obtaining assurance that the Company's human resources policies and practices support achievement of the Company's goals; overseeing appointments of the Managing Director, roles reporting to the Managing Director, and key professional advisors in the area of Legal, Tax and Public Relations; and overseeing the development of key employees.

The Remuneration Committee recommends to the Board the level of the Managing Director's remuneration package.

The Remuneration Committee is comprised of two non-executive directors; the Chairman of the Committee is Peter Huljich.

Trading in Shares

New Zealand Finance Holdings Limited has a detailed insider trading policy applying to all Directors and employees. A procedure must be followed to obtain consent to trade in the Company's shares at all times. Generally trading is permitted from the release of interim results until 31 January and from the release of the final results until 31 August. Directors and employees are not able to trade in Company shares, if they are in possession of unpublished price sensitive information.

Company announcements are factual and presented in a clear and balanced way

The Company reinforces these measures by requiring that anyone designated as having the opportunity to access price sensitive information can transact in the Company's securities only with the prior approval of the Company Secretary and Chairman.

Make timely and balanced disclosure

The Company has in place procedures designed to ensure compliance with the NZX Listing Rules such that:

- all investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance.
- company announcements are factual and presented in a clear and balanced way.

Accountability for compliance with disclosure obligations is with the Company Secretary. Significant market announcements, including the preliminary announcement of the half year and full year results, and the accounts for those periods, require review by either the audit Committee or the Board.

creating prosperity

Auditors Report | Financial Results | Notes to the Financial Statements

Auditors Report

To The Shareholders Of New Zealand Finance Holdings Limited

We have audited the financial statements on pages 27 to 47. The financial statements provide information about the past financial performance and cash flows of the company and group for the year ended 31 March 2006 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 32 to 34.

Directors' Responsibilities

The company's Directors 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 and group as at 31 March 2006 and of the financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

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 judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies used are appropriate to the company's and group'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.

A financial planning entity associated with Grant Thornton received brokerage on normal commercial terms for the placement of funds with a subsidiary of the company. This has not impaired our independence as auditors of the company and group. The firm has no other interest in the company or any of its subsidiaries.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the company and group as far as appears from our examination of those records; and
- the financial statements on pages 27 to 47:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the financial position of the company and group as at 31 March 2006 and the financial performance and cash flows for the year ended on that date.

Our audit was completed on 26 May 2006 and our unqualified opinion is expressed as at that date.

Grant Thornton

Grant Thornton
Auckland, New Zealand

Grant Thornton

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Statement of Financial Performance

For the Year Ended 31 March 2006

	Note	Group Year to 31/3/2006 $	Group Year to 31/3/2005 $	Parent Year to 31/3/2006 $	Parent Year to 31/3/2005 $
Revenue					
Dividend Income		0	0	2,000,000	334,310
Interest Income		9,154,520	6,313,492	93,374	45,277
Loan & Brokerage Fee Income		14,476,048	6,144,032	0	0
Other Income		574,532	0	0	0
Total Income		**24,205,100**	**12,457,524**	**2,093,374**	**379,587**
Expenditure					
Amortisation of Goodwill		192,167	0	0	0
Auditors' Fees and Expenses Payable for:					
Statutory Audit		96,709	50,625	31,196	22,500
Other Services provided by entities related to the auditor's		12,920	17,909	0	180
Brokerage		7,640,636	2,151,547	0	0
Depreciation					
Computers and Software		34,378	26,788	0	0
Leasehold Improvements		7,013	0	0	0
Motor Vehicles		9,901	0	0	0
Office Furniture & Equipment		51,227	19,120	0	0
Directors' Fees		167,631	68,000	109,600	68,000
Dividend on Preference Shares		34,500	34,405	34,500	34,405
Executive Directors' Remuneration		353,846	319,986	0	0
Increase in Provision for Doubtful Debts		66,602	264,111	0	0
Interest Paid		5,749,537	3,704,303	354,861	41,869
Loss on Sale of Property, Plant & Equipment		15,689	0	0	0
Rental Expenses		552,721	238,325	0	0
Other Expenses		3,101,041	1,257,182	88,997	59,986
Total Expenditure		**18,086,518**	**8,152,301**	**619,154**	**226,940**
Surplus before Taxation		**6,118,582**	**4,305,223**	**1,474,220**	**152,647**
Less Taxation	2	2,109,192	1,519,234	[162,128]	0
Surplus after Taxation		**4,009,390**	**2,785,989**	**1,636,348**	**152,647**
Surplus Attributable to Minority Shareholders		206,097	0	0	0
Surplus for the Year		**3,803,293**	**2,785,989**	**1,636,348**	**152,647**
		Cents	Cents		
Earnings Per Share	4	4.96	4.19		
Diluted Earnings Per Share	4	4.96	4.19		

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

Statements of Movements In Equity

For The Year Ended 31 March 2006

	Group Year to 31/3/2006 $	**Group Year to 31/3/2005 $**	**Parent Year to 31/3/2006 $**	**Parent Year to 31/3/2005 $**
Net Surplus for the Year	4,009,390	2,785,989	1,636,348	152,647
Total Recognised Revenues & Expenses	4,009,390	2,785,989	1,636,348	152,647
Net Surplus Attributable to Minority Shareholders	[206,097]	0	0	0
Contributions from Owners	1,200,000	4,450,000	1,200,000	4,450,000
Minority Shareholders	2,997,331	0	0	0
Distribution to Owners	[382,111]	0	[382,111]	0
Share Issue Expenses	[1,885]	[218,755]	[1,885]	[218,755]
Movements in Equity for the Year	7,616,628	7,017,234	2,452,352	4,383,892
Equity At Start of Year	10,943,717	3,926,483	6,457,003	2,073,111
Equity At End Of Year	18,560,345	10,943,717	8,909,355	6,457,003

Statement of Financial Position

As At 31 March 2006

	Note	Group 31/3/2006 $	Group 31/3/2005 $	Parent 31/3/2006 $	Parent 31/3/2005 $
Equity					
Share Capital	6.1	7,503,180	6,305,065	7,503,180	6,305,065
Reserves	6.2	8,059,834	4,638,652	1,406,175	151,938
Total Shareholders Funds		15,563,014	10,943,717	8,909,355	6,457,003
Minority Shareholders Interest		2,997,331	0	0	0
Total Equity		**18,560,345**	**10,943,717**	**8,909,355**	**6,457,003**
Represented By:					
Current Assets					
Cash at Bank		7,440,511	1,493,169	74,685	1,667,203
Accounts Receivable		1,341,383	0	0	0
Loans and Advances	7,10	69,464,696	62,500,684	0	0
Less Provision for Doubtful Debts	11	[705,460]	[638,858]	0	0
Amounts due from Subsidiaries		0	0	3,223,710	0
Other Current Assets		2,351,571	296,855	411,003	140,023
Taxation		294,799	0	201,261	28,796
Total Current Assets		**80,187,500**	**63,651,850**	**3,910,659**	**1,836,022**
Non-Current Assets					
Property, Plant & Equipment	5	800,647	124,872	0	0
Intangible Assets	13	22,829,961	0	0	0
Loans and Advances	7,10	25,282,197	1,385,105	0	0
Investments in Subsidiaries	12	0	0	21,715,634	5,473,820
Total Non-Current Assets		**48,912,805**	**1,509,977**	**21,715,634**	**5,473,820**
Total Assets		**129,100,305**	**65,161,827**	**25,626,293**	**7,309,842**
Current Liabilities					
Accounts Payable		1,966,846	402,074	90,621	38,269
Bank Overdraft	20	388,466	2,222,610	0	0
Taxation Provision		244,904	106,474	0	0
Deferred Taxation	2	136,429	0	0	0
Amounts due to Subsidiaries		0	0	0	90,520
Other Current Liabilities		262,460	138,869	0	0
Preference Shares	8	500,000	0	500,000	0
Secured Debenture Stock	7,10	34,155,606	26,316,306	0	0
Subordinated Notes	7,10	574,735	624,226	0	0
Term Loans	7,21	39,464,635	98,166	16,101,858	98,166
Total Current Liabilities		**77,694,081**	**29,908,725**	**16,692,479**	**226,955**
Non-Current Liabilities					
Preference Shares	8	0	500,000	0	500,000
Secured Debenture Stock	7,10	28,085,539	22,539,653	0	0
Subordinated Notes	7,10	1,735,881	1,143,848	0	0
Term Loans	7,21	3,024,459	125,884	24,459	125,884
Total Non-Current Liabilities		**32,845,879**	**24,309,385**	**24,459**	**625,884**
Total Liabilities		**110,539,960**	**54,218,110**	**16,716,938**	**852,839**
Net Assets		**18,560,345**	**10,943,717**	**8,909,355**	**6,457,003**

Richard Waddel | Chairman of Directors
26 May 2006

John Callaghan | Managing Director
26 May 2006

Statement of Cash Flows

For The Year Ended 31 March 2006

	Group Year to 31/3/2006 $	Group Year to 31/3/2005 $	Parent Year to 31/3/2006 $	Parent Year to 31/3/2005 $
Cash Flows From Operating Activities				
Cash was provided from:				
Interest Income Received	9,154,520	6,313,492	93,374	45,277
Dividend Income	0	0	2,000,000	334,310
Loan & Brokerage Fees Received	14,476,048	6,144,032	0	0
Other Income	574,532	0	0	0
Cash was applied to:				
Interest Paid	5,749,537	3,704,303	354,861	41,869
Payments to Employees	1,632,842	747,587	0	0
Income Taxes Paid	2,480,883	1,592,777	10,337	28,796
Payments to Suppliers and Others	11,870,433	3,568,421	448,421	252,420
Net Cash Flow from Operating Activities	**2,471,405**	**2,844,436**	**1,279,755**	**56,502**
Cash Flows from Investing Activities				
Cash was provided from:				
Sale of Investments	0	0	0	500,000
Cash was applied to:				
Net Increase in Loans and Advances	30,861,104	26,561,397	0	0
Increase in Intangible Assets	23,022,128	0	0	0
Purchase of Investments	0	0	16,241,814	2,500,000
Purchase of Property, Plant & Equipment	778,294	16,586	0	0
Net Cash Flow from Investing Activities	**[54,661,526]**	**[26,577,983]**	**[16,241,814]**	**[2,000,000]**
Cash Flows from Financing Activities				
Cash was provided from:				
Issue of Shares	1,198,115	4,231,245	1,198,115	4,231,245
Net Increase in Minority Shareholders	2,997,331	0	0	0
Net Increase in Debenture Stock	13,385,186	16,857,982	0	0
Net Increase in Subordinated Notes	542,542	913,469	0	0
Loan from Subsidiaries	0	0	0	0
Term Loans	42,340,994	0	15,978,217	0
Cash was applied to:				
Payment of Dividends	416,611	34,405	416,611	34,405
Loan to Subsidiaries	0	0	3,314,230	510,634
Term Loans	75,950	75,950	75,950	75,950
Net Cash Flow from Financing Activities	**59,971,607**	**21,892,341**	**13,369,541**	**3,610,256**
Net Increase / [Decrease] in Cash Held	**7,781,486**	**[1,841,206]**	**[1,592,518]**	**1,666,758**
Opening Bank Balance	**[729,441]**	**1,111,765**	**1,667,203**	**445**
Closing Bank Balance	**7,052,045**	**[729,441]**	**74,685**	**1,667,203**
Made up as follows:				
Cash at Bank	**7,440,511**	**1,493,169**	**74,685**	**1,667,203**
Bank Overdraft	**[388,466]**	**[2,222,610]**	**0**	**0**

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

Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

For The Year Ended 31 March 2006

	Group Year to 31/3/2006 $	Group Year to 31/3/2005 $	Parent Year to 31/3/2006 $	Parent Year to 31/3/2005 $
Net Surplus After Tax	**3,803,293**	**2,785,989**	**1,636,348**	**152,647**
Add / [Less]				
Amortisation of Goodwill	192,167	0	0	0
Depreciation	102,519	45,908	0	0
Dividend on Preference Shares	34,500	34,405	34,500	34,405
Increase in Provision for Doubtful Debts	66,602	264,111	0	0
Movements in Working Capital				
Increase in Accounts Receivable	[3,396,099]	[178,697]	[270,980]	[140,023]
Increase / [Decrease] in Accounts Payable	1,688,363	[184,291]	52,352	38,269
[Decrease] / Increase in Taxation Provision	[19,940]	77,011	[172,465]	[28,796]
Net Cash flows from Operating Activities	**2,471,405**	**2,844,436**	**1,279,755**	**56,502**

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

Notes To The Financial Statements

For The Year Ended 31 March 2006

1. Statement of Accounting Policies

1.1 The reporting entity is New Zealand Finance Holdings Limited. The financial statements for the parent are for New Zealand Finance Holdings Limited as a separate legal entity. The consolidated financial statements for the Group are for the economic entity comprising New Zealand Finance Holdings Limited and its subsidiaries.

1.2 These financial statements are presented and prepared in accordance with the Financial Reporting Act 1993, The Securities Act 1978 and the Securities Regulations 1983. New Zealand Finance Holdings Limited is a company registered under the Companies Act 1993.

General Accounting Policies

1.3 The general accounting policies recognised as appropriate for the measurement and reporting of financial performance, cash flows and financial position under the historical cost method have been followed in the preparation of these financial statements.

Particular Accounting Policies

1.4 The following particular accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows have been applied:

[a] Loans and Advances

Loans and Advances are stated at their estimated realisable value after providing against debts where collection is doubtful.

[b] Taxation

Income tax has been calculated using the liability method. Tax effect accounting has been applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

[c] Statement of Cash Flows

Basis of Preparation:

[i] The statement of cash flows has been prepared using the direct approach modified by netting off certain items as disclosed below.

Cash and Cash Equivalents:

[ii] Cash and cash equivalents reflect the balance of cash and liquid assets used in the day-to-day cash management of the entity, which are unconditionally convertible at the investors' options within less than two working days.

[iii] 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 customer rather than those of the entity. These include customer loans and advances, customer deposits, certificates of deposit, parent company funding and trading securities.

[iv] Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

[v] Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.

[vi] Financing activities are those activities that result in changes in the size and composition of the capital structure of the Company and Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

[vii] Operating activities include all transactions and other events that are not investing or financing activities.

[d] Revenue

Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business. Revenue is brought to account in the year in which the goods or services are provided. Interest and rental income is accounted for on an accrual basis.

[e] Dividend income

Dividends are recognised when received.

[f] Property, Plant & Equipment and Depreciation

Property, Plant & Equipment assets are stated at cost less aggregate depreciation. Depreciation is calculated to write off the asset, less any residual value, over its expected useful life, at the following rate:

Computers & Software	48%	Diminishing Value
Leasehold Improvements	7.5% to 31.2%	Diminishing Value
Motor Vehicles	26%	Diminishing Value
Office Furniture & Equipment	11% to 27%	Diminishing Value

The depreciation expense calculated on a straight line basis would not be materially different from the expense as calculated using the rates as allowed by the Income Tax Act 1994.

[g] Identifiable Intangible Assets

Purchased identifiable intangible assets, are recorded at cost. If the identifiable intangible assets are considered to have an indefinite life, no amortisation is provided for. Intangible assets with an indefinite life are subject to an impairment test annually at the end of each accounting year and more frequently whenever there is an indication that the intangible asset may be impaired. Other intangible assets are amortised over 20 years.

[h] Investments in Subsidiaries

The investments in subsidiaries are stated at the lower of cost or current market value in the Statement of Financial Position of the Parent.

[i] Goods and Services Tax [GST]

The Group has a combination of GST and exempt activities through its subsidiaries. All expenses incurred in earning exempt income are shown as GST inclusive in the financial statements while non exempt activities have been shown as GST exclusive.

[j] Financial Instruments

Financial instruments carried on the Statement of Financial Position includes, cash and bank balances, loans and advances, trade creditors and borrowings. Financial instruments are stated at market value and any resultant gain or loss is recognised in the Statement of Financial Performance. The Company and Group have not entered into any financial instruments with off Statement of Financial Position risk.

Finance receivables are stated at their net estimated realisable value after providing for doubtful debts. All known losses are written off to the Statement of Financial Performance in the period in which it becomes apparent that the debts are not collectable.

Expenses are recognised in the Statement of Financial Performance and comprise interest paid and payable by the Company and Group on the Debenture Stock, audit fees, rental expenses, director salaries and fees, doubtful and written off debts and other general expenses.

[k] Group Financial Statements

The Group financial statements consolidate the financial statements of the subsidiaries as stated in note 12, using the purchase method.

Subsidiaries are entities controlled, either directly or indirectly, by the parent. All material transactions between the subsidiaries and parent are eliminated on consolidation.

The results of the subsidiaries acquired during the year are included in the consolidated statement of financial performance from the date of acquisition.

[l] Intra – group reconstruction

New Zealand Finance Holdings Limited was created in January 2004, by a share exchange with the shareholders of New Zealand Finance Limited. This resulted in New Zealand Finance Holdings Limited becoming the parent and New Zealand Finance Limited the subsidiary. Where an intra-group reconstruction occurs through the complete replacement of a parent within the group with a newly formed company, the purchase method of accounting has not been applied. The investments are transferred at their book value and the assets and liabilities of the subsidiary are recognised in the financial statements of the group at their previously recorded carrying amounts.

[m] Leases

The Company leases motor vehicles and office premises.

Operating lease payments, where the lessors effectively retain substantially all the risks and rewards of ownership of the leased items, are recognised in the determination of the operating surplus in equal instalments over the lease term.

[n] Accounts Receivable
Accounts receivable are recognised at estimated realisable value.

[o] Past Due Assets
Past due assets are those loans and advances on which payment of principal or interest are contractually past due for 90 days or more.

[p] Impaired Assets
An impaired asset is a non-accrual asset, reconstructed asset, a real estate asset acquired through the enforcement of security, or any other asset acquired through the enforcement of security.

[q] Restructured Assets
A restructured asset is any asset which is not a non-accrual asset and for which:

a. the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with the original terms; and

b. the revised terms of the facility are not comparable with the terms of new facilities with comparable risks; and

c. the yield on the asset following restructuring is equal to or greater than, the Group's average cost of funds, or that a loss is not otherwise expected to be incurred.

Changes in Accounting Policies

1.5 There have been no changes in accounting policies during the period. All policies have been applied consistently during the period.

Comparatives

1.6 Comparative amounts have been restated where necessary to provide more meaningful presentation.

2. Taxation

	Group Year to 31/3/2006 $	Group Year to 31/3/2005 $	Parent Year to 31/3/2006 $	Parent Year to 31/3/2005 $
Operating Surplus Before Taxation	6,118,582	4,339,628	1,474,220	152,647
Taxation at 33%	2,019,132	1,432,077	486,493	50,374
Add taxation effect of:				
Tax losses not recognised	0	0	0	48,626
Non-deductible expenses	96,779	87,157	11,379	0
Less taxation effect of:				
Non-taxable income	[6,719]	0	[660,000]	[99,000]
Taxation Expense	**2,109,192**	**1,519,234**	**[162,128]**	**0**
The Taxation Charge is Represented by:				
Current Taxation	2,074,416	1,519,234	[162,128]	0
Deferred Taxation	34,776	0	0	0

Income tax effect of accumulated timing differences not recognised in the Group Financial Statements is $232,802 [2005: $210,823]. The Parent has tax losses available to carry forward of $nil [2005:$ 147,352]. The losses are subject to confirmation by Inland Revenue. The parent and its 100% owned subsidiaries have formed a consolidated group for income tax purposes from the 2006 year.

Deferred taxation	**Group Year to 31/3/2006 $**	**Group Year to 31/3/2005 $**	**Parent Year to 31/3/2006 $**	**Parent Year to 31/3/2005 $**
Opening Balance	0	0	0	0
Taxation Expense	34,776	0	0	0
Arising on acquisition of subsidiaries	101,653	0	0	0
Closing Balance	**136,429**	**0**	**0**	**0**

Imputation Credit Account	**Group Year to 31/3/2006 $**	**Group Year to 31/3/2005 $**	**Parent Year to 31/3/2006 $**	**Parent Year to 31/3/2005 $**
Opening Balance	2,700,887	1,258,673	176,557	0
Income Tax payments during the year	1,970,883	1,442,214	10,337	28,796
Imputation credits attached to dividends received during the year	0	0	1,188,468	147,761
Imputation credits attached to dividends paid during the year	[257,204]	0	[188,204]	0
Closing Balance	**4,414,566**	**2,700,887**	**1,187,158**	**176,557**

3. Nature of Business

The business of the Company and Group is the provision of a broad range of financial products and services. The nature of the Company and Group's business has not changed during the year under review.

4. Earnings Per Share

	Group Year to 31/3/2006 $	**Group Year to 31/3/2005 $**
Net Surplus for the year attributable to ordinary shareholders	3,803,293	2,785,989
Weighted average number of shares:		
Shares at beginning of the year	74,000,001	63,000,001
Shares issued during the year	2,666,667	3,424,657
Basic Earnings Per Share	4.96	4.19
Diluted Earnings Per Share	4.96	4.19

All ordinary shares are issued and fully paid, and carry equal rights in respect of voting, dividend payments and distribution upon winding up.

5. Property, Plant & Equipment

	Cost $	**Accumulated Depreciation $**	**As at 31/3/2006 Net Book Value $**	**As at 31/3/2005 Net Book Value $**
Group				
Computers & Software	294,594	128,406	166,188	35,691
Leasehold Improvements	190,904	7,013	183,891	0
Motor Vehicles	34,115	8,869	25,246	0
Office Furniture & Equipment	511,123	85,801	425,322	89,181
Total	**1,030,736**	**230,089**	**800,647**	**124,872**

6.1 Share Capital

	As at 31/3/2006 $	As at 31/3/2005 $
Issued and Paid Up Capital		
Reported capital at the beginning of the year	6,305,065	2,073,820
Issue of shares	1,200,000	4,450,000
Cost of share issue	[1,885]	[218,755]
Total Share Capital	**7,503,180**	**6,305,065**

All ordinary shares are issued and fully paid, and carry equal rights in respect of voting, dividend payments and distribution upon winding up.

On 5 April 2005, the Company issued 2,666,667 ordinary shares at 45 cents each fully paid, to fund the satisfaction of the purchase price payable by the Group to Approved Mortgage Brokers Limited in respect of the acquisition by the Group of the mortgage broking business assets from Approved Mortgage Brokers Limited, the effective date being 1 April 2005. See note 12.

On 19 August 2004, the Company issued 500,000 shares for $150,000 pursuant to an employee share purchase scheme complying with section DF7 of the Income Tax Act 1994. As required by the Income Tax Act the consideration for the shares was funded by an interest free loan to each employee, which will be repaid over a five year restricted period. At 31 March 2006 the total receivable owing from the employees is $113,399. The shares allocated to employees are held on their behalf by the Trustee, which is NZF Trustee Limited. Employees are entitled to receive the dividend on the shares, with any such amounts received, applied to reducing their respective loans. Voting rights on the shares are exercised by the Trustee on behalf of the employees. John Callaghan and Mark Thornton have been appointed by the Company as directors of NZF Trustee Limited.

	As at 31/3/2006 $	As at 31/3/2005 $
Number of ordinary shares:		
Number of shares at the beginning of the year	74,000,001	63,000,001
Issue of shares	2,666,667	11,000,000
Total number of ordinary shares:	**76,666,668**	**74,000,001**

6.2 Reserves

Retained Earnings	Group Year to 31/3/2006	Group Year to 31/3/2005	Parent Year to 31/3/2006	Parent Year to 31/3/2005
Balance at beginning of year	4,638,652	1,852,663	151,938	[709]
Net Surplus for the year	3,803,293	2,785,989	1,636,348	152,647
Distribution to Owners	[382,111]	0	[382,111]	0
Balance at end of year	**8,059,834**	**4,638,652**	**1,406,175**	**151,938**

7. Maturity Analysis

7.1 The following schedule is in accordance with Clause 31 [a] of the Second Schedule of the Securities Regulations 1983.

Group

Monetary Assets	Weighted Average Int %	0-6 Months $	7-12 Months $	1-2 Years $	3-5 Years $	5 + Years $	Total $
Secured Loans & Advances	11.89	60,175,256	9,289,440	97,117	407,283	24,777,797	94,746,893
Less Provision for Doubtful Debts	-	[601,753]	[92,894]	[971]	[4,073]	[5,769]	[705,460]
Cash at Bank	6.25	7,440,511	0	0	0	0	7,440,511
Taxation	-	294,799	0	0	0	0	294,799
Other Current Assets	-	3,692,954	0	0	0	0	3,692,954
Total as at 31/3/2006		**71,001,767**	**9,196,546**	**96,146**	**403,210**	**24,772,028**	**105,469,697**
Total as at 31/3/2005		59,131,921	4,519,929	101,725	696,372	587,008	65,036,955

Parent

Monetary Assets	Weighted Average Int %	0-6 Months $	7-12 Months $	1-2 Years $	3-5 Years $	5 + Years $	Total $
Cash at Bank	6.25	74,685	0	0	0	0	74,685
Taxation	-	201,261	0	0	0	0	201,261
Other Current Assets	-	3,634,713	0	0	0	0	3,634,713
Total as at 31/3/2006		**3,910,659**	**0**	**0**	**0**	**0**	**3,910,659**
Total as at 31/3/2005		1,836,022	0	0	0	0	1,836,022

Group

Monetary Assets	Weighted Average Int %	0-6 Months $	7-12 Months $	1-2 Years $	3-5 Years $	5 + Years $	Total $
Secured Debenture Stock	9.08	16,231,028	17,924,578	26,985,481	1,100,058	0	62,241,145
Subordinated Notes	11.19	311,436	263,299	739,341	996,540	0	2,310,616
Term Loans	8.79	39,412,705	51,930	3,024,459	0	0	42,489,094
Bank overdraft	9.25	388,466	0	0	0	0	388,466
Taxation Provision	-	381,333	0	0	0	0	381,333
Preference Shares	6.90	0	500,000	0	0	0	500,000
Other Liabilities	-	2,229,306	0	0	0	0	2,229,306
Total as at 31/3/2006		**58,954,274**	**18,739,807**	**30,749,281**	**2,096,598**	**0**	**110,539,960**
Total as at 31/3/2005		13,545,095	16,363,630	22,579,430	1,729,955	0	54,218,110

Parent

Monetary Assets	Weighted Average Int %	0-6 Months $	7-12 Months $	1-2 Years $	3-5 Years $	5 + Years $	Total $
Term Loans	8.79	16,049,928	51,930	24,459	0	0	16,126,317
Preference Shares	6.90	0	500,000	0	0	0	500,000
Other Liabilities	-	90,621	0	0	0	0	90,621
Total as at 31/3/2006		**16,140,549**	**551,930**	**24,459**	**0**	**0**	**16,716,938**
Total as at 31/3/2005		176,739	50,216	107,151	518,733	0	852,839

The Company and Group maintain cash at call at ASB Bank Limited for liquidity management purposes. Of the Secured Loans receivable 0.001% [2005: 0.35%] have repayments in excess of three months in arrears.

The proportion in aggregate owed by the Group's debtors who owe the six largest amounts is 27.40% [2005: 37.85%] of the gross loans receivables.

Concentration of Credit Exposure to Individual Counterparties

7.2 The following disclosures show the number of individual counterparties other than banks and groups of closely related counterparties, which the Group has, an aggregate credit exposure that equalled or exceeded 10% of the Group's equity as at balance date. The following exposures are actual credit exposures. All exposures are deemed current. There are no specific provisions.

Percentage of total equity	2006 Number of Counterparties	2005 Number of Counterparties
10% - 20%	6	6
21% - 30%	2	5
31% - 40%	1	3
41% - 50%	1	0
51% - 60%	0	1

8. Preference Shares

	As at 31/3/2006 $	As at 31/3/2005 $
Reported at the beginning of the year	500,000	500,000
Total Preference Shares	**500,000**	**500,000**

There were 500,000 redeemable preference shares issued and fully paid. These redeemable preference shares receive a cumulative preferential dividend right over the ordinary shares dividend rights. Redemption of the preference shares may occur at the expiry of three years from the date of issue [the issue date being 31 March 2004] and subject to the Board being satisfied that no financial covenants of the Company are breached.

9. Segment Reporting

Industry

9.1 The Company and Group operate in one industry as a financial institution. All operations are carried out within New Zealand.

Concentration of Credit Exposure

9.2 At 31 March 2006, $58,938,837 [2005:$50,596,591] of funding was provided by the Group in the Auckland region. Remaining funding of $35,808,056 [2005:$13,289,198] was provided by the Group in provincial areas in the North and South Islands. See note 18.

Concentration of Funding

9.3 The principal sources of funding for the Group are from the issue of Secured Debenture Stock under the Debenture Trust Deed to Stockholders in New Zealand and from a Westpac Banking Corporation funding line for the provision of mortgages.

As at 31 March 2006 there were 3,410 [2005:2,917] Secured Debenture Stock Certificates issued, and Secured Debenture Stock issued amounted to a total of $62,241,145 [2005:$48,855,959]. There is no material concentration of funding within New Zealand. See note 19.

As at 31 March 2006 the total amount due to Westpac Banking Corporation was $26,362,777 [2005: $nil]. See note 21.

10. Financial Instruments

Credit Risk

10.1 In the normal course of business the Group incurs credit risk from loans and advance debtors along with transactions with other financial institutions. The Group performs credit evaluations on all clients and where possible security or a guarantor is sought for the clients borrowing obligations.

As at 31 March 2006, $24,200,890 [2005: $nil] of the reported loans and advances were mortgages. These mortgages are fully reinsured, the amounts covered are the full principal loan amount including 12 months cash flow cover.

The maximum amount of credit risk facing the Company and Group is the total monetary assets disclosed on note 7.

Interest Rate Risk

10.2 The Secured Debenture Stock is at a fixed rate of interest and is secured by a first ranking floating debenture charge over the assets of New Zealand Finance Limited.

The Subordinated Notes are at a fixed rate of interest and are unsecured.

Interest rate risk is the risk of loss to the Company and Group arising from adverse changes in interest rates. The Group is not exposed to interest rate risk in respect to borrowings from lenders as all interest bearing debt has been fixed.

The weighted average interest rate on the Group's Secured Debenture Stock is 9.08% as at 31 March 2006 [2005: 8.63%] and is secured by a floating charge over the assets and undertakings of the Group.

The weighted average interest rate on the Group's Subordinated Notes is 11.19% as at 31 March 2006 [2005: 10.73%] and is unsecured.

The weighted average effective interest rate on the Loans and Advances portfolio is 11.89% as at 31 March 2006 [2005: 12.84%]. The rates of interest for finance company loans are fixed for the term of the advance and are reviewable at the discretion of the Group. On expiry of any loan term, if the loan is to be continued, the interest rate will be renegotiated at that time. The rates of interest for mortgages are both fixed and variable and are reviewable at the discretion of the Group.

There are no contractual rights in respect of interest rate re-pricing on its assets and liabilities that expose the Company and Group to any material risk.

Liquidity Risk

10.3 Liquidity risk is the risk that the Company and Group will encounter difficulty in raising funds at short notice to meet commitments associated with financial instruments. The Company and Group maintain sufficient funds to meet the commitments based on historical and forecasted cash flow requirements. The exposure is being reviewed on an ongoing basis from daily procedures to monthly reporting.

Cash

10.4 The Company and Group place cash deposits with ASB Bank Limited, The National Bank Limited and Westpac Banking Corporation.

Maximum

10.5 The maximum credit risk exposure as at 31 March 2006 is:

	Group Year to 31/3/2006	Group Year to 31/3/2005	Parent Year to 31/3/2006	Parent Year to 31/3/2005
Cash and Bank Balances	7,440,511	1,493,169	74,685	1,667,203
Loans and Advances	94,041,433	63,246,931	0	0
Loans to Subsidiaries	0	0	3,223,710	0

Maximum exposures are net of any recognised provisions.

Receivables

10.6 Loans are secured. The securities include first and second mortgages. The Group has a credit policy, which is used to manage its exposure to credit risk as part of this policy. Limits on exposures have been set, lending is subject to defined criteria and loans are monitored on a regular basis.

Fair Values

10.7 The carrying amount of cash and advances reflect their true values. There are no off Statement of Financial Position financial instruments, to which the Company and Group is a party, in place at balance date.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash, Bank Balances and Trade Creditors

[a] The carrying amounts of these balances are equivalent to their fair value.

Receivables

[b] Each loan has particular circumstances, which determine its fair value. The carrying amounts of the loans net of provisions best represent their fair value.

	Group Year to 31/3/2006	Group Year to 31/3/2005	Parent Year to 31/3/2006	Parent Year to 31/3/2005
Financial Assets				
Carrying Amounts				
Cash and Bank Balances	7,440,511	1,493,169	74,685	1,667,203
Current Receivables	70,100,619	61,987,942	3,223,710	0
Non Current Receivables	25,282,197	1,385,105	0	0
Fair Value				
Cash and Bank Balances	7,440,511	1,493,169	74,685	1,667,203
Current Receivables	70,100,619	61,987,942	3,223,710	0
Non Current Receivables	25,282,197	1,385,105	0	0

	Group Year to 31/3/2006	Group Year to 31/3/2005	Parent Year to 31/3/2006	Parent Period to 31/3/2005
Financial Liabilities				
Carrying Amounts				
Bank Overdraft	388,466	2,222,610	0	0
Current Debt	34,730,341	26,940,532	500,000	0
Non Current Debt	29,821,420	24,183,501	0	500,000
Fair Value				
Bank Overdraft	388,466	2,222,610	0	0
Current Debt	34,730,341	26,940,532	500,000	0
Non Current Debt	29,821,420	24,183,501	0	500,000

11. Bad and Doubtful Debts

	Group Year to 31/3/2006	Group Year to 31/3/2005	Parent Year to 31/3/2006	Parent Period to 31/3/2005
Opening Balance	638,858	374,747	0	0
Increase in Doubtful Debt Provision	66,602	264,111	0	0
Closing Balance	**705,460**	**638,858**	**0**	**0**
Charged to Statement of Financial Performance				
Bad Debts written off	0	0	0	0
Increase in Provision for Doubtful Debts	66,602	264,111	0	0

12. Investment in Subsidiaries

The Company's investments in subsidiaries comprises shares at cost. Significant subsidiaries include:

		Interest held by Group	
Name of Entity	**Principal Activity**	**2006**	**2005**
Mike Pero Mortgages Limited	Mortgage Advisory	74.7%	0.0%
New Zealand Finance Limited	Finance Company	100.0%	100.0%
New Zealand Finance Securitisation Limited	Mortgage Lending	100.0%	0.0%
New Zealand Mortgage Finance Limited	Mortgage Advisory	100.0%	100.0%

Subsidiary of New Zealand Finance Limited [100% unless otherwise specified]

Name of Entity	Principal Activity
NZF Homeloans Limited	Mortgage Servicing Company

Subsidiary of New Zealand Finance Securitisation Limited [100% unless otherwise specified]

Name of Entity	Principal Activity
NZF Mortgages Limited	Mortgage Lending

Subsidiary of New Zealand Mortgage Finance Limited [100% unless otherwise specified]

Name of Entity	Principal Activity
Approved Mortgage Brokers Limited	Mortgage Advisory

All subsidiaries have a balance date of 31 March.

Acquisition of Subsidiaries

During the year the Company acquired the majority shareholding in Mike Pero Mortgages Limited for total cash consideration of $16,654,763. The operating results of this acquisition have been included in the statement of financial performance of the Group and Company from 1 December 2005.

During the year the Group acquired the business of Approved Mortgage Brokers Limited, through subsidiary company New Zealand Mortgage Finance Limited, for a total consideration of $1,200,000. The operating results of this acquisition have been included in the statement of financial performance of the Group from 1 April 2005.

Summary of the effect of the acquisition of Mike Pero Mortgages Limited:

Fair Value of Net Assets Acquired:	Group 2006 $	Company 2006 $
Current Assets	2,562,053	0
Current Liabilities	4,662,945	0
Long-term Liabilities	0	0
Minority Shareholders	2,997,331	0
Property, Plant & Equipment	413,893	0
Brand Value	13,227,196	0
Intangible Assets	329,798	0
Goodwill on Acquisition	7,782,099	0
Consideration Paid	**16,654,763**	**0**
Net Amount Applied to Statement of Financial Performance	**490,066**	0

Summary of the effect of the acquisition of Approved Mortgage Brokers Limited:

Fair Value of Net Assets Acquired:	Group 2006 $	Company 2006 $
Current Assets	16,531	0
Current Liabilities	41,605	0
Long-term Liabilities	0	0
Property, Plant & Equipment	55,000	0
Goodwill on Acquisition	1,170,074	0
Consideration Paid	1,200,000	0
Applied to Statement of Financial Performance	**207,557**	**0**

13. Intangible Assets

	Group 2006 $	Company 2006 $
Goodwill		
Goodwill [gross] at beginning of year	0	0
Accumulated amortisation at beginning of year	0	0
Unamortised balance at beginning of year	**0**	**0**
Acquired during the year	9,794,932	0
Amortised during the year	192,167	0
Unamortised balance at end of year	**9,602,765**	**0**
Comprising:		
Goodwill [gross]	9,794,932	0
Accumulated amortisation	192,167	0
Brand Value		
Brand Value at cost	13,227,196	0
Total Intangible Assets	**22,829,961**	**0**

During the year the Company acquired the brand as part of a business combination. The value of $13,227,196 represented cost and also the fair value at the date of acquisition.

The directors have reviewed the brand value as at 31 March 2006 and consider that it has not been impaired.

14. Ranking Of Liabilities

The secured debenture stock totalling $62,241,145 as at 31 March 2006 [2005: $48,855,959] reported in these financial statements by the Group are secured by a first ranking floating debenture charge over the Group's assets and rank ahead of the other liabilities. Liabilities totalling $318,481 as at 31 March 2006 [2005: $439,570] rank in priority to the dividend provision of $nil [2005: $nil].

15. Related Party

Pat Redpath O'Connor a director of the company, through his family trust, had $nil [2005: $ 300,000] in Unsecured Subordinated Notes. The terms of the advance are normal commercial terms and are no more favourable than would be offered to the public.

During the financial year New Zealand Mortgage Finance Limited acquired Approved Mortgage Brokers Limited for sum of $1,200,000 and the consideration was paid through the issue of 2,666,667 ordinary shares in New Zealand Finance Holdings Limited. A balance of $1,223,710 [2005: $nil] was outstanding at 31 March 2006.

During the financial year New Zealand Finance Holdings Limited introduced $2,000,000 funding into NZF Mortgages Limited, a subsidiary company of New Zealand Finance Securitisation Limited, as per the funding agreement put in place with Westpac Banking Corporation. A balance of $2,000,000 [2005: $nil] was outstanding at 31 March 2006. See note 21.

A balance of $nil [2005: $1,200,000] from New Zealand Finance Holdings Limited was on deposit with New Zealand Finance Limited as at 31 March 2006.

No amounts owed by related parties have been written off or forgiven during the year.

16. Capital Commitments and Contingent Liabilities

There were no capital commitments or contingent liabilities as at 31 March 2006 [2005: Nil].

17. Asset Quality

	Group Year to 31/3/2006 $	Group Year to 31/3/2005 $	Parent Year to 31/3/2006 $	Parent Year to 31/3/2005 $
Past Due Assets				
Opening Balance	224,741	218,995	0	0
Additions to past due assets	178,532	5,746	0	0
Deletions from past due assets	0	0	0	0
Closing Balance	**403,273**	**224,741**	**0**	**0**
Less Provisions	0	0	0	0
Past due assets after provisions	403,273	224,741	0	0

	Group Year to 31/3/2006 $	Group Year to 31/3/2005 $	Parent Year to 31/3/2006 $	Parent Period to 31/3/2005 $
Impaired Assets	**0**	**0**	**0**	**0**
Non accrual assets				
Opening Balance	0	0	0	0
Additions to non accrual assets	0	0	0	0
Amounts written off	0	0	0	0
Deletions from non accrual assets	0	0	0	0
Closing Balance	**0**	**0**	**0**	**0**
Less Specific Provisions	0	0	0	0
Non accrual assets after provisions	0	0	0	0

18. Geographical Concentration of Credit Exposure

Geographical Area within New Zealand	Sector	As at 31/3/2006 $	As at 31/3/2006 %	As at 31/3/2005 $	As at 31/3/2005 %
Auckland	Residential	55,389,053	58.46	48,648,881	76.15
Auckland	Other	2,296,692	2.42	1,685,106	2.64
Auckland	Commercial	1,253,092	1.32	262,604	0.41
Bay of Plenty	Residential	912,262	0.96	852,672	1.33
Canterbury	Residential	1,371,771	1.45	878,097	1.37
Canterbury	Other	0	0.00	505,242	0.79
Gisborne	Residential	0	0.00	493,196	0.77
Northland	Residential	1,834,480	1.94	1,734,161	2.71
North Shore	Residential	16,678,256	17.60	0	0.00
North Shore	Commercial	417,872	0.44	0	0.00
Southland / Otago	Residential	1,736,827	1.83	0	0.00
Taranaki	Residential	347,365	0.37	400,000	0.63
Queenstown	Residential	8,173,432	8.63	7,103,900	11.12
Waikato	Residential	1,953,667	2.06	41,685	0.07
Waikato	Commercial	0	0.00	269,234	0.42
Wellington / Kapiti	Residential	2,206,292	2.33	300,000	0.47
Wellington / Kapiti	Commercial	175,832	0.19	707,179	1.11
Wellington / Kapiti	Other	0	0.00	3,832	0.01
Totals		**94,746,893**	**100.00**	**63,885,789**	**100.00**

19. Geographical Concentration of Secured Debenture Funding

	Geographical Area	Sector	As at 31/3/2006 $	As at 31/3/2005 $
Individuals,Trusts & Companies	NZ	Private	60,402,690	47,405,330
Individuals	USA	Private	447,986	193,365
Individuals	England	Private	427,535	268,240
Individuals	Australia	Private	371,203	275,448
Individuals	China	Private	178,358	221,699
Individuals	France	Private	68,857	64,857
Individuals	South Africa	Private	55,946	55,000
Individuals	Italy	Private	38,418	35,368
Individuals	Papua New Guinea	Private	31,395	0
Individuals	Netherlands	Private	30,105	11,073
Individuals	Japan	Private	29,084	34,943
Individuals	Switzerland	Private	26,311	25,021
Individuals	Zimbabwe	Private	22,539	20,705
Individuals	UAE	Private	21,676	10,557
Individuals	Germany	Private	20,000	37,011
Individuals	Romania	Private	20,000	0
Individuals	Thailand	Private	20,000	20,000
Individuals	Taiwan	Private	17,000	17,000
Individuals	Spain	Private	10,000	0
Individuals	India	Private	2,042	0
Individuals	Ireland	Private	0	42,739
Individuals	Portugal	Private	0	10,929
Individuals	Singapore	Private	0	106,674
Totals			**62,241,145**	**48,855,959**

20. Bank Overdraft

The bank overdraft [facility up to $3,000,000] with ASB Bank Limited bears interest at the ASB Bank Limited Corporate Indicator Rate plus 1%. The facility is reviewable and payable on demand.

The bank overdraft [facility up to $200,000] with ASB Bank Limited bears interest at the Business Base Rate plus 0%. The facility is reviewable and payable on demand.

21. Term Loans

	Group Year to 31/3/2006 $	Group Year to 31/3/2005 $	Parent Year to 31/3/2006 $	Parent Year to 31/3/2005 $
ASB Bank Limited	126,317	224,050	126,317	224,050
Commonwealth Bank of Australia	16,000,000	0	16,000,000	0
Westpac Banking Corporation	26,362,777	0	0	0
	42,489,094	**224,050**	**16,126,317**	**224,050**
Total Current Liability	39,464,635	98,166	16,101,858	98,166
Total Non-Current Liability	**3,024,459**	**125,884**	**24,459**	**125,884**

A Group Security Deed has been entered into by New Zealand Finance Holdings Limited with The New Zealand Guardian Trust Company Limited appointed as the "Security Representative", allowing the Company to issue Debt Certificates, to lenders, in accordance with the provisions of this Deed. The Group Security Deed excludes, at all times, NZF Mortgages Limited and New Zealand Finance Limited.

Debt Certificates have been issued to; ASB Bank Limited, The Commonwealth Bank of Australia and Westpac Banking Corporation.

Interest on the ASB Bank Limited term loan is the ASB Bank Limited Bill Rate plus 2%. The facility is for a term of 36 months from 1 June 2004.

Interest on the Commonwealth Bank of Australia term loan is calculated at 8.29%pa. The facility is for a term of 6 months from 5 December 2005 with an option to extend the facility.

Westpac Banking Corporation has entered into a $100,000,000 facility with NZF Mortgages Limited, to be used for the provision of mortgages as per agreed credit criteria. The interest on this loan is calculated at 7.72%pa and is secured by first registered mortgages. The facility is repayable monthly through monthly re-advances from this facility. At 31 March 2006 the amount drawn was $23,362,777 [2005: $nil].

A $3,000,000 Westpac Banking Corporation loan is secured over the assets and undertakings of the Mike Pero Mortgages Group. The interest on this loan is 9.15%pa. No borrowings are scheduled to be repaid in the next 12 months and there is a rolling 12 month facility agreement.

22. Lease Commitments

Group	0-12 Months	1-2 Years	3-5 Years	5 + Years
31 March 2006	$	$	$	$
Property Lease	479,945	443,904	338,018	0
Vehicle Leases	71,369	31,304	14,421	0
Office Equipment	29,224	25,244	2,787	0
31 March 2005				
Property Lease	267,276	267,276	396,976	0
Vehicle Leases	18,414	7,929	0	0

Parent Months	0-12 Months	1-2 Years	3-5 Years	5 + Years
31 March 2006	$	$	$	$
Property Lease	0	0	0	0
Vehicle Leases	0	0	0	0
Office Equipment	0	0	0	0
31 March 2005				
Property Lease	0	0	0	0
Vehicle Leases	0	0	0	0

23. Subsequent Events

A final dividend of 0.75 cents per share fully imputed will be paid to shareholders on 25 May 2006.

The Directors are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in this report or financial statements that have significantly or may significantly affect the operations of New Zealand Finance Holdings Limited or its subsidiaries.

24. New Zealand equivalents to International Financial Reporting Standards

In late 2004 the New Zealand Accounting Standards Review Board approved the adoption of the New Zealand Equivalents to International Financial Reporting Standards [IFRS]. All New Zealand reporting entities are required to adopt NZ IFRS over the next three years.

For the Group, the latest period for adoption is for the year ended 31 March 2008. However in the periods leading up to that the Group is required to undergo a transitional process to enable full adoption at 31 March 2008 of NZ IFRS.

[a] Management of transition to NZ IFRS

At the date of presentation of these financial statements the Group has commenced the process of managing the transition to NZ IFRS. An NZ IFRS Implementation Committee has been appointed and that Committee is charged with managing the transition. The Committee will use a combination of internal resources and external expert consultants to manage the transition and identify the areas of change required for the Group and its financial and other key systems.

[b] Key differences in accounting policies that are expected to arise

At the date of the presentation of these financial statements the Group has identified the following key differences in accounting policies that are expected to arise on the adoption of NZ IFRS:

[i] Income tax

Under NZ IFRS deferred tax is accounted for using the balance sheet approach as opposed to the income statement approach. This may affect both the income tax expense in the year of adoption and the liability for deferred taxation.

[ii] Recognition of fee income

Under NZ IFRS the Group will distinguish between fees that are an integral part of the effective interest rate and those that are earned as services are provided.

[iii] Financial instruments

The Group uses interest rate swaps to hedge floating rate borrowings. These financial instruments are currently not recorded on the Group's Statement of Financial Position. NZ IFRS requires all fair value changes of financial instruments be recorded through either the Statement of Financial Performance or as a component of Equity in the Statement of Financial Position.

[iv] Provisioning

The Group currently makes a general provision for doubtful loans. Under NZ IFRS general provisions are not allowable, this may impact on the total expenses in the year of adoption and on the value of loans and advances receivable.

[v] Intangible assets

Currently the Group amortises the goodwill over a period of 20 years, under NZ IFRS the value of goodwill and other intangibles are tested for impairment annually, this may impact on the amount charged to the Statement of Financial Performance.

[vi] Other differences

Given the nature of the changes required in the adoption of NZ IFRS it is possible that there will be other key differences arising on adoption of NZ IFRS. The Implementation Committee will identify these as they progress through the transition phase of the project.

[c] Information regarding the impact on the financial report had it been prepared using NZ IFRS

Financial Reporting Standard [FRS] 41 "Disclosing the Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards" requires that the Group quantify the impact on these financial statements as if they had been prepared using NZ IFRS, if this can be done reliably.

At the date of presentation of these financial statements the Group is in the process of considering the transition to NZ IFRS. Consequently the Group is currently unable to reliably quantify the impact as required by FRS 41. The FRS provides that if the impact cannot be reliably quantified a statement to that effect must be made. This is the case for the Group.

[d] Actual impact of NZ IFRS

The Group advises that the actual impact of adopting NZ IFRS may vary from the information presented above, and that the variation may be material.

At the time of presentation of the financial statements for the year ended 31 March 2007 the Group expects that the Implementation Committee will be in a position to provide more specific information in relation to the impact of NZ IFRS on the Group.

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