

## 1. Accounting Policies

The accounting policies used in the preparation of these accounts are consistent with those used in the interim accounts for the six months ended 30 September 2005 and the audited accounts for the year ended 31 March 2006.

These interim financial statements have been prepared in accordance with NZ FRS No: 34 covering Interim Financial Reporting, and should be read in conjunction with the 2006 Annual Report.

## 2. Taxation

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
Surplus before taxation	6,513	2,597	6,118
Taxation at 33%	2,149	857	2,019
Add taxation effect of:			
Non-deductible expenses	144	10	96
Non-taxable income	(1,147)	0	(6)
<b>Taxation expense</b>	<b>1,146</b>	<b>867</b>	<b>2,109</b>
<b>Represented by:</b>			
Current taxation	1,114	867	2,074
Deferred taxation	32	0	35

Income tax effect of accumulated timing differences not recognised in the consolidated financial statements is \$285,180 (31 March 2006: \$233,802).

## 3. Share Capital

	As at 30/09/06 \$'000	As at 30/09/05 \$'000	As at 31/03/06 \$'000
<b>Issued and paid up capital</b>			
Reported capital at the beginning of the year	7,503	6,305	6,305
Issue of shares	0	1,200	1,200
Cost of share issues	0	(2)	(2)
<b>Total share capital</b>	<b>7,503</b>	<b>7,503</b>	<b>7,503</b>

As at 30 September 2006 there were 76,666,668 (31 March 2006: 76,666,668) shares issued, which were fully paid up. All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

## 4. Reserves Retained Earnings

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
Balance at beginning of year	8,060	4,639	4,639
Net surplus for the period / year	5,114	1,730	3,803
Increase in minority interest on acquisition	(47)	0	0
Distribution to owners	(578)	0	(382)
<b>Balance at end of period / year</b>	<b>12,549</b>	<b>6,369</b>	<b>8,060</b>

## 5. Intangible Assets

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
<b>Goodwill</b>			
Goodwill at cost	9,540	1,670	9,794
Amortisation of goodwill	(127)	(31)	(192)
<b>Balance at end of period / year</b>	<b>9,413</b>	<b>1,639</b>	<b>9,602</b>
<b>Brand value</b>			
<b>Brand value at cost</b>	<b>6,614</b>	<b>0</b>	<b>13,227</b>
<b>Balance at end of period / year</b>	<b>16,027</b>	<b>1,639</b>	<b>22,829</b>

Goodwill is recorded at cost and amortised over 20 years. Brands are recorded at cost. Such intangible assets are subject to an impairment test annually at the end of each accounting period.

## 6. Subsequent Events

On November 17 2006 the Company issued 20,050,000 unsecured, capital notes bearing a fixed rate of 9.75% at an issue price of \$1.00. The maturity date of each capital note issued is 15 March 2011.

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 consolidated operations of New Zealand Finance Holdings Limited.

## 7. Segment Information

For the six months ended 30 September 2006

		Total Assets \$'000	Total Revenue \$'000	Surplus Before Tax \$'000
<b>Finance</b>	<b>30/09/2006</b>	<b>92,546</b>	<b>7,032</b>	<b>2,527</b>
	30/09/2005	68,124	5,608	2,403
<b>Mortgage broking services</b>	<b>30/09/2006</b>	<b>17,619</b>	<b>11,968</b>	<b>598</b>
	30/09/2005	2,070	2,836	298
<b>Other business &amp; corporate costs</b>	<b>30/09/2006</b>	<b>59,527</b>	<b>5,872</b>	<b>3,388</b>
	30/09/2005	1,517	-	(104)
<b>Group</b>	<b>30/09/2006</b>	<b>169,692</b>	<b>24,872</b>	<b>6,513</b>
	30/09/2005	71,711	8,444	2,597
<b>Taxation</b>	<b>30/09/2006</b>			<b>(1,146)</b>
	30/09/2005			(867)
<b>Net surplus after taxation</b>	<b>30/09/2006</b>			<b>5,367</b>
	30/09/2005			1,730
<b>Attributable to minority shareholders</b>	<b>30/09/2006</b>			<b>(253)</b>
	30/09/2005			-
<b>Surplus for the period</b>	<b>30/09/2006</b>			<b>5,114</b>
	30/09/2005			1,730



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FINANCE HOLDINGS**

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interim  
report  
2006



**NEW ZEALAND  
FINANCE HOLDINGS**

# Interim Report

For the six months ended September 30 2006

The Directors of New Zealand Finance Holdings Limited (NZF) are delighted to report a strong performance for the six months ended September 30 2006.

Highlights being:

- Group revenue grew by 194.6% from \$8.444 million for the period September 30 2005 to \$24.872 million for the same period this year.
- Net profit after taxation for the six months was \$5.367 million compared with last year's \$1.730 million representing an increase of 210.2%.
- NZF formed the joint venture company, MPM Holdings Limited, with Australia's leading independent speciality finance group, Liberty Financial and plan to strengthen Mike Pero's reputation.
- The result included a profit of \$3.457 million realised on the sale of the investment in Mike Pero Mortgages Limited to newly formed MPM Holdings Limited.
- Shareholders funds increased from \$13.872 million as at September 30 2005 to \$20.143 million – an increase of 45.2 %.

The Chairman, Richard Waddel said, "The Group has had a good six months and is well-positioned to benefit during the next six months with the growth which has come from our investment in Mike Pero Mortgages (MPM) and the other financial services within NZF. The finance company continues to grow and gain support as a result of the 'flight to quality' that investors are seeking when placing their investments. We are very proud of the fact that yet again, in the last six months the company is able to say that it has not had to write off any bad debts – something that is unusual for a finance company and not a claim many can proudly make. The last six months have been volatile for the finance industry. We are seeing investors recognise that the search for quality investment has become more important and we are very proud that we have continued to re-attract investors into the secured debenture stock funding side of the business."

The Directors have resolved to pay a fully imputed dividend of 0.75 cents per share and the record date for the proposed dividend will be November 20 2006 with payment of dividend being on November 27 2006. While the company has retained the majority of the profit to ensure steady and planned growth, the Directors acknowledge the need to balance the income shareholders desire while providing a growth platform for the parent company to continue its expansion plans and build the necessary foundations for a strong and profitable company.



Richard Waddel  
Chairman  
November 13 2006

# Financial Information

## Consolidated Statement of Financial Performance

For the six months ended 30 September 2006

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
<b>Note</b>			
<b>Revenue</b>			
Interest income	6,921	4,281	9,155
Loan & brokerage fee income	14,494	4,163	15,050
Profit on sale of investment	3,457	0	0
<b>Total income</b>	<b>24,872</b>	<b>8,444</b>	<b>24,205</b>
<b>Expenditure</b>			
Interest expense	5,605	2,380	5,750
Other expenses	12,754	3,467	12,337
<b>Total expenditure</b>	<b>18,359</b>	<b>5,847</b>	<b>18,087</b>
<b>Surplus before taxation</b>	<b>6,513</b>	<b>2,597</b>	<b>6,118</b>
Less taxation	2 1,146	867	2,109
<b>Surplus for the period / year</b>	<b>5,367</b>	<b>1,730</b>	<b>4,009</b>
Surplus attributable to minority shareholders	(253)	0	(206)
<b>Surplus for the period / year</b>	<b>5,114</b>	<b>1,730</b>	<b>3,803</b>

## Consolidated Statement of Movements In Equity

For the six months ended 30 September 2006

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
Net surplus for the period / year	5,367	1,730	4,009
Total recognised revenues & expenses	5,367	1,730	4,009
Net surplus attributable to minority shareholders	(253)	0	(206)
Contributions from owners	0	1,200	1,200
Minority shareholders	(2,953)	0	2,997
Distribution to owners	(578)	0	(382)
Share issue expenses	0	(2)	(2)
<b>Movements in equity for the period / year</b>	<b>1,583</b>	<b>2,928</b>	<b>7,616</b>
<b>Equity at start of year</b>	<b>18,560</b>	<b>10,944</b>	<b>10,944</b>
<b>Equity at end of period / year</b>	<b>20,143</b>	<b>13,872</b>	<b>18,560</b>

## Consolidated Statement of Financial Position

As at 30 September 2006

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
<b>Note</b>			
<b>Equity</b>			
Share capital	3 7,503	7,503	7,503
Reserves	4 12,549	6,369	8,060
Minority shareholders interest	91	0	2,997
<b>Total Equity</b>	<b>20,143</b>	<b>13,872</b>	<b>18,560</b>
<b>Represented by:</b>			
<b>Current assets</b>			
Cash at bank	3,079	7,499	7,441
Loans and advances	83,303	60,471	68,760
Other current assets	5,284	848	3,987
<b>Total current assets</b>	<b>91,666</b>	<b>68,818</b>	<b>80,188</b>
<b>Non-current assets</b>			
Property, plant & equipment	1,071	398	801
Loans and advances	60,928	856	25,282
Intangible assets	5 16,027	1,639	22,829
<b>Total non-current assets</b>	<b>78,026</b>	<b>2,893</b>	<b>48,912</b>
<b>Total assets</b>	<b>169,692</b>	<b>71,711</b>	<b>129,100</b>
<b>Current liabilities</b>			
Bank overdraft	752	0	388
Secured debenture stock	36,623	31,666	34,156
Subordinated notes	722	873	575
Preference shares	0	0	500
Term loans	10,074	0	39,465
Other current liabilities	2,996	1,300	2,610
<b>Total current liabilities</b>	<b>51,167</b>	<b>33,839</b>	<b>77,694</b>
<b>Non-current liabilities</b>			
Preference shares	0	500	0
Secured debenture stock	38,466	21,899	28,086
Subordinated notes	1,499	1,425	1,736
Term loans	58,417	176	3,024
<b>Total non-current liabilities</b>	<b>98,382</b>	<b>24,000</b>	<b>32,846</b>
<b>Total liabilities</b>	<b>149,549</b>	<b>57,839</b>	<b>110,540</b>
<b>Net assets</b>	<b>20,143</b>	<b>13,872</b>	<b>18,560</b>

## Consolidated Statement of Cash Flows

For the six months ended 30 September 2006

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
Net cash flow from operating activities	4,880	1,468	2,471
Net cash flow from investing activities	(44,334)	892	(54,661)
Net cash flow from financing activities	34,728	5,868	59,972
<b>Net (decrease) / increase in cash held</b>	<b>(4,726)</b>	<b>8,228</b>	<b>7,782</b>
<b>Opening bank balance</b>	<b>7,053</b>	<b>(729)</b>	<b>(729)</b>
<b>Closing bank balance</b>	<b>2,327</b>	<b>7,499</b>	<b>7,053</b>
<b>Made up as follows:</b>			
<b>Cash at bank</b>	<b>3,079</b>	<b>7,499</b>	<b>7,441</b>
<b>Bank overdraft</b>	<b>(752)</b>	<b>0</b>	<b>(388)</b>

## Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	Unaudited 6 Months to 30/09/06 \$'000	Unaudited 6 Months to 30/09/05 \$'000	Audited Year to 31/03/06 \$'000
<b>Net surplus after tax and minority interests</b>	5,114	1,730	3,803
<b>Add / (Less)</b>			
Depreciation	262	21	103
Amortisation of intangible assets	256	31	192
Dividend on preference shares	0	0	34
Increase / (Decrease) in provision for doubtful debts	180	(19)	67
<b>Movements in working capital</b>			
Decrease in accounts receivable	(1,318)	(848)	(3,396)
Increase in accounts payable	692	243	1,688
(Decrease) / Increase in taxation provision	(306)	310	(20)
<b>Net cash flow from operating activities</b>	<b>4,880</b>	<b>1,468</b>	<b>2,471</b>