
INTERIM
REPORT

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For the six months ended September 30 2007

The last six months has seen New Zealand Finance Holdings continue to show strong growth, report the Directors on the six months result ended September 30, 2007.

- Total assets increased by 34 per cent since March 31, 2007 and 57 percent since September 30, 2006.
- Total equity increased by 12 per cent since March 31, 2007.
- NZF was recognised as the 29th fastest growing company in the Deloitte/ Unlimited Fast 50 Index, the third consecutive year the company has featured.
- Operating surplus after taxation attributable to shareholders and excluding one off profit / (loss) on investments saw an increase of nearly 30 per cent.
- NZF increased its funding from Westpac from $150 million to $200 million and secured a $40 million facility from the Commonwealth Bank of Australia.
- Interim dividend of 1.00 cents per share to be paid.

Managing Director, John Callaghan elaborated on the result saying,

“The total assets of the company increased by 33.91 per cent to $266.781 million for the six months to September 30, 2007.”

“The September 2006 trading result saw the sale of our investment in Mike Pero Mortgages Limited and the formation of a 50 per cent joint venture vehicle, MPMH Limited, with leading Australian financial institution, Liberty Financial. This realised a one off profit on the sale of our investment of $3.516 million.”

“The operating surplus after taxation attributable to shareholders but excluding one off profit (loss) on investments, resulted in an increase of 29.50 per cent from $2.014 million for the six months ended September 30, 2006 to $2.608 million for the six months ended September 30, 2007.”

"The company continues to reinvest in the business and has seen total equity increase by 11.75 per cent to $23.620 million for the six months ended September 30, 2007. Additionally, shareholder funds were $13.872 million as at September 30, 2005."

"We are fortunate to have multiple funding lines in place with both Westpac Institutional Bank and the Commonwealth Bank of Australia. During the last six months NZF increased its facility with Westpac from $150 million to $200 million and we secured a $40 million facility with the Commonwealth Bank of Australia."

Richard Waddel, Chairman, adds "Our growth over the past ten years has been steady and carefully considered. To date we have only had to write off an amount of $22,123 and that was four years ago. In the past year we had no bad debt write-offs, however the company continues to maintain conservative bad debt provisions."

"Our model is based upon the significant trading bank experience of our senior management team and directors. The three founding directors are still with the company today. Our senior management team has combined trading bank experience of over 130 years between seven of them. Our belief that the current climate won't last is one of the reasons we made the recent senior appointment of Adrienne Smith to Chief Operating Officer of NZF",says Mr Waddel.

"This steady but consistent growth is exemplified by our place at 29th placing in the Deloitte/Unlimited Fast 50 Index. This is our third consecutive year to be featured in the list. The only other financial institution listed is Kiwibank at 45", says Mr Waddel.

John Callaghan, Managing Director, adds "It helps that we have a diversified model, so in that regard, we are not a traditional finance company. We have a manufacturing and distribution model which means we are able to diversify our income stream. Thanks to the distribution side of our business banks are happy to wholesale money to us."

"Our investors seem pretty content with us too, but then not many companies provide information on their website that outlines their loan property type or where their security is. This is the kind of quality information investors giving you money are entitled to know."

"NZF continues to have an exceptional liquidity profile with a strong matching of assets and liabilities. The importance of this has been stressed by the Reserve Bank data released last week in which it dispelled fears that not all finance companies have been borrowing short and lending long."

"While times may be difficult for some brokers with the hard line some banks are taking, our brokers know they can rely on us. As a result the size of our NZF Mortgages Limited home loan book has grown from $75 million in March of this year, to $100m in May and now exceeds $150 million in November," he ends.

Mr Waddel, Chairman, concludes "For a financial institution like ourselves with strong leadership, wise governance, excellent team members and sophisticated technology we are very confident about our future. We expect that we will exceed the trading profit for the Group for last year, excluding the one off profit from Mike Pero Mortgages."

The Directors have resolved to declare a fully imputed interim dividend of 1.00 cent per share, up from 0.75 cents last year. The record date for the interim dividend is 5.00pm November 21, 2007 with the payment date November 23, 2007.

Financial information in this release has been extracted from the unaudited interim financial statements ended September 30, 2007 which have been prepared along with the comparatives to 2006 under New Zealand International Financial Reporting Standards (NZIFRS).

Richard Waddel | Chairman
November 7, 2007

Consolidated Income Statement

For the Six Months ended 30 September 2007

	Unaudited Six Months to 30/09/07 $'000	Unaudited Six Months to 30/09/06 $'000	Audited Year to 31/03/07 $'000 Restated*
Revenue			
Interest income	12,072	6,921	15,569
Trading revenue	8,837	14,541	23,463
Total operating income	**20,909**	**21,462**	**39,032**
Expenditure			
Interest expense	9,704	5,605	12,630
Other expenses	7,355	12,317	20,925
Total operating expenditure	**17,059**	**17,922**	**33,555**
Operating surplus before taxation	**3,850**	**3,540**	**5,477**
(Loss) profit on sale of investment	(200)	3,516	3,516
Surplus before taxation	**3,650**	**7,056**	**8,993**
Less taxation	1,194	1,273	1,962
Surplus for the period	**2,456**	**5,783**	**7,031**
Attributable to:			
Equity holders of the Company	2,408	5,530	6,796
Minority interest	48	253	235
Surplus for the period	**2,456**	**5,783**	**7,031**
Basic earnings per share	**3.14 cents**	**7.21 cents**	**8.87 cents**
Diluted earnings per share	**3.14 cents**	**7.21 cents**	**8.87 cents**

Consolidated Statement of Recognised Income and Expense

For the Six Months ended 30 September 2007

	Attributable to: Equity holders of the Company				
	Share Capital $'000	Retained Earnings $'000	Total $'000	Minority Interest $'000	Total Equity $'000
Balance at 1 April 2006	7,503	8,060	15,563	2,997	18,560
Impact of change in accounting policy	0	(117)	(117)	0	(117)
Balance at 1 April 2007, restated	**7,503**	**7,943**	**15,446**	**2,997**	**18,443**
Total recognised income and expense	0	5,530	5,530	253	5,783
Disposal of minority interest	0	(47)	(47)	(3,159)	(3,206)
Dividends to equity holders	0	(578)	(578)	0	(578)
Balance at 30 September 2006	**7,503**	**12,848**	**20,351**	**91**	**20,442**
Total recognised income and expense	0	1,267	1,267	(18)	1,249
Disposal of minority interest	0	21	21	0	21
Dividends to equity holders	0	(575)	(575)	0	(575)
Balance at 31 March 2007	**7,503**	**13,561**	**21,064**	**73**	**21,137**
Balance at 1 April 2007	**7,503**	**13,561**	**21,064**	**73**	**21,137**
Total recognised income and expense	0	2,408	2,408	48	2,456
Dividends to equity holders	0	(766)	(766)	0	(766)
Acquisition of minority interest	0	0	0	793	793
Balance at 30 September 2007	**7,503**	**15,203**	**22,706**	**914**	**23,620**

Consolidated Balance Sheet

As at 30 September 2007

	Unaudited Six Months to 30/09/07 $'000	Unaudited Six Months to 30/09/06 $'000	Audited Year to 31/03/07 $'000 Restated*
Assets			
Deferred taxation	258	142	331
Financial instruments	785	510	263
Intangible assets	16,771	16,069	16,181
Loans and advances	140,419	60,928	77,669
Property, plant & equipment	951	1,071	920
Total non-current assets	**159,184**	**78,719**	**95,364**
Cash at bank	**7,489**	**3,079**	**5,553**
Loans and advances	96,597	83,571	94,486
Other current assets	3,511	4,774	3,814
Total current assets	**107,597**	**91,424**	**103,853**
Total assets	**266,781**	**170,143**	**199,217**
Equity			
Share capital	7,503	7,503	7,503
Reserves	15,203	12,848	13,561
Minority interest	914	91	73
Total equity	**23,620**	**20,442**	**21,137**
Liabilities			
Capital notes	20,050	0	20,050
Secured debenture stock	27,675	38,466	33,761
Subordinated notes	105	1,499	1,178
Term loans	131,320	58,417	70,610
Total non-current liabilities	**179,150**	**98,382**	**125,599**
Bank overdraft	0	752	0
Other current liabilities	3,202	3,148	3,704
Secured debenture stock	58,212	36,623	46,756
Subordinated notes	1,397	722	771
Term loans	1,200	10,074	1,250
Total current liabilities	**64,011**	**51,319**	**52,481**
Total liabilities	**243,161**	**149,701**	**178,080**
Total equity and liabilities	**266,781**	**170,143**	**199,217**
Net tangible assets per share	**8.90 cents**	**5.70 cents**	**6.47 cents**

Consolidated Statement of Cash Flows

Forthe Six Months Ended 30 September 2007

	Unaudited Six Months to 30/09/07 $'000	Unaudited Six Months to 30/09/06 $'000	Audited Year to 31/03/07 $'000 Restated*
Net cash flow from operating activities	2,459	4,929	9,004
Net cash flow from investing activities	(66,181)	(44,383)	(72,853)
Net cash flow from financing activities	65,658	34,728	62,349
Net increase / (decrease) in cash held	**1,936**	**(4,726)**	**(1,500)**
Opening bank balance	**5,553**	**7,053**	**7,053**
Closing bank balance	**7,489**	**2,327**	**5,553**
Made up as follows:			
Cash at bank	7,489	3,079	5,553
Bank overdraft	0	(752)	0

Reconciliation of profit attributable to equity holders of the Company

	Note	30/09/06 $'000	31/03/07 $'000
Total reported net profit under NZ GAAP		5,114	6,724
Deferred fees / expenses	b	1	(266)
Allowance for doubtful debts	c	141	(85)
Profit on sale of investment	e	59	59
Derivative financial instruments	d	86	(161)
Goodwill	e	256	503
Deferred taxation	f	(127)	22
Net profit reported under NZ IFRS		**5,530**	**6,796**

Reconciliation of equity

		1 April 2006			30 September 2006			31 March 2007		
		Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Effect of transition to NZ IFRS	NZ IFRS
	Note	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets										
Deferred tax	f	0	268	268	0	142	142	0	331	331
Financial asset	d	0	424	424	0	510	510	0	263	263
Intangible assets		22,830	0	22,830	16.027	41	16,068	15,892	289	16,181
Loans and advances		25,282	0	25,282	60,928	0	60,928	77,669	0	77,669
Property, plant and equipment		801	0	801	1,071	0	1,071	920	0	920
Total non-current assets		**48,913**	**692**	**49,605**	**78,026**	**693**	**78,719**	**94,481**	**883**	**95,364**
Cash at bank		7,441	0	7,441	3,079	0	3,079	5,553	0	5,553
Loans and advances	c	68,760	128	68,888	83,303	268	83,571	94,443	43	94,486
Other current assets	b	3,988	(212)	3,776	5,284	(510)	4,774	4,498	(684)	3,814
Total current assets		**80,189**	**(84)**	**80,105**	**91,666**	**(242)**	**91,424**	**104,494**	**(641)**	**103,853**
Total Assets		**129,102**	**608**	**129,710**	**169,692**	**451**	**170,143**	**198,975**	**242**	**199,217**
Equity										
Share capital		7,503	0	7,503	7,503	0	7,503	7,503	0	7,503
Retained earnings	b – f	8,060	(117)	7,943	12,549	299	12,848	13,606	(45)	13,561
Minority interest		2,997	0	2,997	91	0	91	73	0	73
Total Equity		**18,560**	**(117)**	**18,443**	**20,143**	**299**	**20,442**	**21,182**	**(45)**	**21,137**
Liabilities										
Capital notes		0	0	0	0	0	0	20,050	0	20,050
Secured debenture stock		28,086	0	28,086	38,466	0	38,466	33,761	0	33,761
Subordinated notes		1,736	0	1,736	1,499	0	1,499	1,178	0	1,178
Term loans		3,024	0	3,024	58,417	0	58,417	70,610	0	70,610
Total non-current liabilities		**32,846**	**0**	**32,846**	**98,382**	**0**	**98,382**	**125,599**	**0**	**125,599**
Bank overdraft		388	0	388	752	0	752	0	0	0
Other current liabilities	b	3,112	725	3,837	2,996	152	3,148	3,417	287	3,704
Secured debenture stock		34,156	0	34,156	36,623	0	36,623	46,756	0	46,756
Subordinated notes		575	0	575	722	0	722	771	0	771
Term loans		39,465	0	39,465	10,074	0	10,074	1,250	0	1,250
Total current liabilities		**77,696**	**725**	**78,421**	**51,167**	**152**	**51,319**	**52,194**	**287**	**52,481**
Total Liabilities		**110,542**	**725**	**111,267**	**149,549**	**152**	**149,701**	**177,793**	**287**	**178,080**
Total Equity and Liabilities		**129,102**	**608**	**129,710**	**169,692**	**451**	**170,143**	**198,975**	**242**	**199,217**

Reconciliation of Net Surplus to Net Cash Flows from Operating Activities

	30/09/07	30/09/06 $'000	31/3/07 $'000
Net surplus after tax attributable to equity holders of the Company	2,408	5,530	6,796
Add / (Less)			
Loss on disposal of property, plant and equipment	0	0	98
Depreciation	206	262	519
(Decrease) / increase in allowance for doubtful debts	(29)	18	101
Movements in working capital			
Decrease / (increase) in accounts receivable	385	(1,573)	(23)
(Decrease) / increase in accounts payable	(511)	692	1,513
Net cash flow from operating activities	**2,459**	**4,929**	**9,004**

1. Statement of compliance

The interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP") and the requirements of the Companies Act 1993 and The Financial Reporting Act 1993. They comply with the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable financial reporting standards as appropriate for profit-orientated entities. Compliance with NZ IFRS ensures that the interim financial statements also comply with International Financial Reporting Standards ("IFRS"). These are the Group's first interim financial statements and NZ IFRS 1 has been applied.

These interim financial statements have been prepared in accordance with NZ IAS 34 covering Interim Financial Reporting.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 April 2006 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 "First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards", with 1 April 2006 as the date of transition. An explanation of how the transition from superseded policies to NZ IFRS has affected the Group's financial position and financial performance is discussed in Note 2. The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2007, the comparative information presented in these financial statements for the six months ended 30 September 2006 and in the preparation of an opening NZ IFRS balance sheet at 1 April 2006 (the Group's date of transition).

In the application of NZ IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant judgements, estimates and assumptions made by management in the preparation of these interim financial statements are outlined below:-

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Allowances for impairment loss
Where loan receivables are outstanding beyond the normal contractual terms, the likelihood of the recovery of these loans is assessed by management. The specific impairment loss is estimated with reference to the loan to property value ratio (LVR), the probability of recovery, the cots of possible acquisition through enforcement of security and related costs and sale proceeds. The collective loan provision is estimated using available market data and historic trends.

Estimation of average lives of loans used to defer fees and costs
The estimation of the useful lives of loans has been based on historical experience, market and statistical trends and competitor information. In addition, the average life of loans is assessed at least once per year and considered against the remaining contractual life. Adjustments to average life are made when considered necessary. The average life of loans is used to defer fees and costs under the effective interest rate method.

Segment reporting

All business activities are carried out in New Zealand so there is no geographic segment reporting. All activities are in the property finance sector.

2. Explanation of transition to NZ IFRS

As stated in Note 1, these are the group's first financial statements prepared in accordance with NZ IFRS.

The 2007 audited financial statements have been restated to comply with IFRS.

The Group entity changed its accounting policies on 1 April 2006 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1 "First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards", with 1 April 2006 as the date of transition.

An explanation of how the transition from superseded policies to NZ IFRS has affected the Group's financial position and financial performance is set out below.

Notes to the reconciliation of equity and profit

The impact of deferred tax on the adjustments described below is set out in note (f).

(a) Presentation
The previous Statement of Financial Performance is now referred to as the Income Statement, and the previous Statement of Financial Position is now referred to as the Balance Sheet.

(b) Deferred Fee Income / Expense
Under superseded NZ GAAP, fee income and transaction costs were recognised immediately to the Income Statement.

Under the NZ IFRS requirements certain of this directly attributable fee income and transaction costs will be amortised over the expected life of the loan using the effective interest rate.

The effective interest method is a method of calculating amortised cost of a financial asset or financial liability and of allocating interest income and expense over the relevant period.

The effect of this change is that certain transaction income and costs that were previously recognised under superseded NZ GAAP are now capitalised to the Balance Sheet and deferred over the life of the loan.

(c) Allowance for doubtful debts
Certain provisions that were previously recognised in the balance sheet under superseded NZ GAAP do not qualify for recognition under NZ IFRS. These provisions have been transferred to retained earnings. A specific and collective loan impairment allowance has been applied.

(d) Derivative Financial Instruments
Under superseded NZ GAAP the derivative financial instruments, such as interest rate swaps, were not recognised on the Statement of Financial Position. Any gains and losses were accounted for when realised. Any differences between fair value and carrying value were reported in the notes to the financial statements.

Under NZ IFRS, the Group is not using hedge accounting. The fair value of derivative financial instruments has been recognised as an asset or liability and the movements in fair value between the periods recognised in the Income Statement.

(e) Goodwill
Goodwill amortisation previously made under superseded NZ GAAP has been reversed. Intangible assets will be subject to an annual impairment test.

(f) Deferred tax
Under NZ IFRS deferred tax is accounted for using the balance sheet approach as opposed to the income statement approach used under superseded NZ GAAP. A deferred tax asset is recognised under NZ IFRS to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Under superseded NZ GAAP a deferred tax asset was only recognised if there was virtual certainty of realisation.

3. Subsequent Events

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.

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