

## November 2006 NEWSLETTER

The Directors and Staff at New Zealand Finance hope you have had a very happy Xmas and wish you a safe and prosperous New Year.

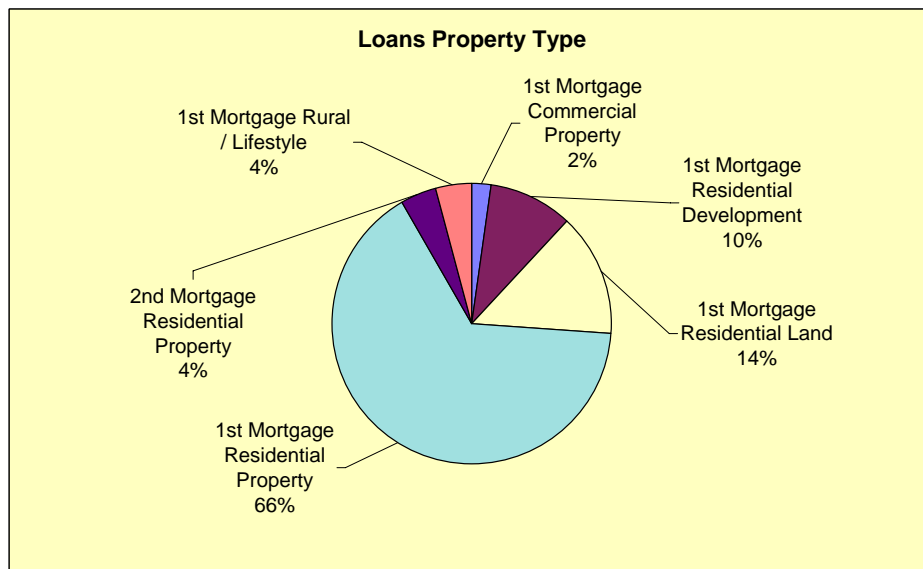
The year has been a very eventful one, which has seen three finance companies fail but hopefully in at least one instance, the indications are that investors may receive almost all of their capital returned to them, but no interest. We have noticed a trend where investors are spreading their risk by investing with several different finance companies rather than having the majority of funds with only one of two companies and we agree with this strategy but urge caution and suggest that investors make a thorough investigation of potential investments before making any decisions.

This decision making process will hopefully become a little easier once the new ratings scale recently announced by the international ratings agency, Standard & Poor's, is introduced later in the New Year. It is designed to provide investors with an independent and credible opinion on the default risks on New Zealand non-bank finance entities. These ratings have been tailored specifically for New Zealand finance companies, building societies, credit unions and mortgage trusts.

The parent company for New Zealand Finance, New Zealand Finance Holdings Limited is listed on the New Zealand Stock Exchange and it recently announced a net profit for the six months ended 30<sup>th</sup> September 2006, of \$5.1m which was nearly 200 per cent ahead of the same period a year ago. Admittedly this was boosted by a \$3.5m profit it booked on the selling down of its initial investment in Mike Pero Mortgages Limited but nevertheless all sectors in the group performed very well during the six month period and the group is well positioned to benefit from the foundations that have been put in place to date.

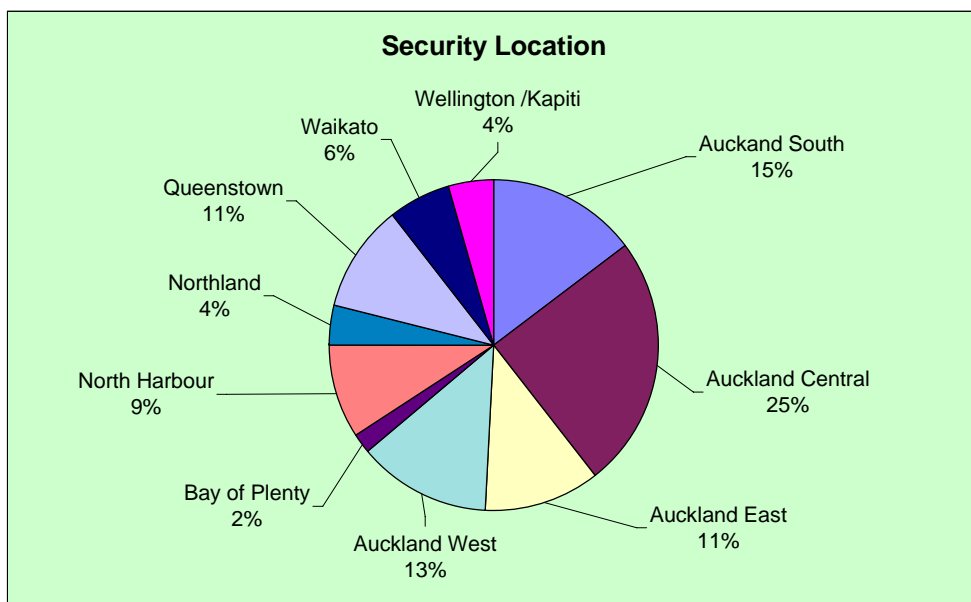
In the finance company, we are still seeing a very good reinvestment rate by our existing debenture investors and we are confident this reflects the "flight to quality" which is unlikely to be seen by the smaller and more risky companies which exist in the market place.

As at 30<sup>th</sup> November 2006, NZF had loans of \$ 86,158,924 comprising 139 individual loans, with an average loan size of \$ 619,848 and a summary of the security taken to secure these loans is broken down as follows:

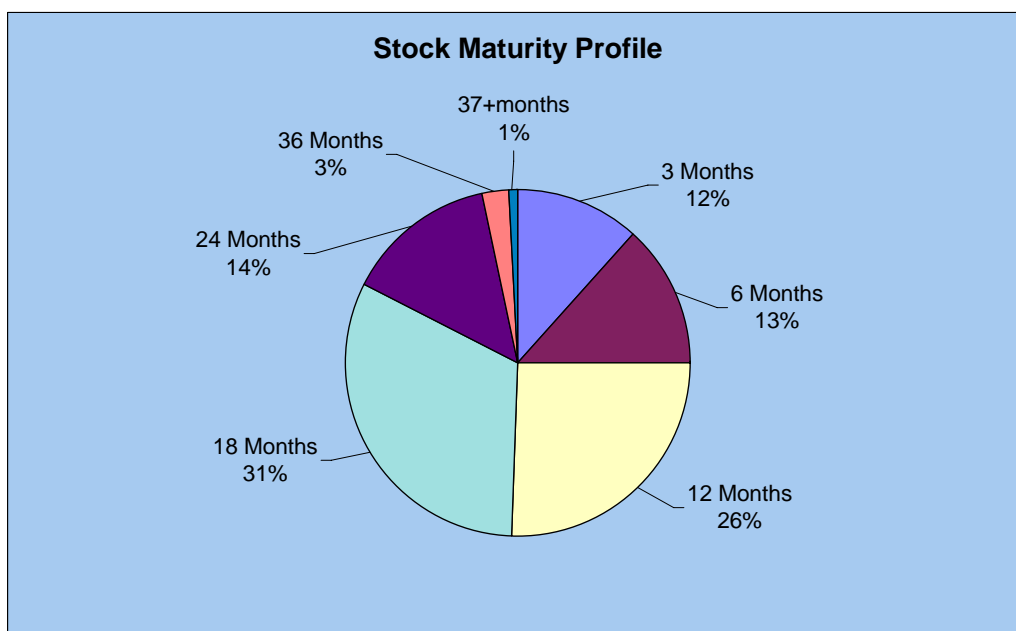


As at 30<sup>th</sup> November 2006, 96% of loans were secured by first mortgages (68% over existing properties and 10% over property developments) and the balance of loans secured by second mortgages over existing properties. NZF has adopted a conservative lending approach and on average, its loans represent no higher value than 75% against registered valuations. Bad debts written off as at 30<sup>th</sup> November 2006 remain nil and instalment arrears are only 0.14% of the loan book.

A breakdown of the security property location reveals a good spread of risk with no significant geographical concentrations other than Auckland, however there is an even spread throughout greater Auckland and no exposure to the Auckland inner-city apartment market.

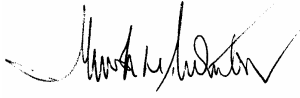


As at 30<sup>th</sup> November 2006 our investor base was up to 3,996 individual deposits totalling \$77,872,957 with an average deposit size of \$19,488. This reflects an increase of our Debenture Stock book by \$1,168,621 for November.



We welcome any questions that you may have so please do not hesitate to call either myself or John Callaghan at any time on 0800 20 70 70 or visit our website [www.nzf.co.nz](http://www.nzf.co.nz) where we provide a monthly update of the finance company's position.

We welcome any feedback or queries on these figures.

A handwritten signature in black ink, appearing to read 'Mark Thornton', with a checkmark at the end.

Mark Thornton

**Director**

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