



Dear Investor

Once again we are writing to you following uncertainty in the Finance Company Industry.

Last time we wrote (on July 3), we were writing to you about Bridgecorp Finance Limited which has been placed in receivership. Since this then, Nathan Finance, Property Finance Securities and Five Star Consumer Finance have also gone into receivership.

We again wish to be transparent and honest in our communications around the safety of your investment with us at New Zealand Finance Limited.

It is appreciated that there is concern amongst investors with the widespread problems in the market, but there appears to be certain similarities between the failed companies and they highlight the importance for people to understand how different these companies are compared to New Zealand Finance.

In most instances, these failed companies had very complex structures which made it difficult to understand where the risks for the investors were. NZF by comparison has a unique and simple business model:

- NZF lending is secured over mainly first registered mortgages over Residential properties and as at 31st July 2007, loans totaled \$105.5m with an average loan size of \$0.776m, with 91.4% secured by first mortgages.
- NZF has achieved a consistent record of profitability over the past 10 years, each year exceeding the last with the most recent NPAT result as at March 2007 being \$3.651m.
- The parent company of NZF, New Zealand Finance Holdings Limited, is listed on the New Zealand Stock Exchange and listed companies have strict disclosure rules, which means therefore, that there is greater transparency to NZF business operations.
- We have a very experienced senior management team whose collective trading bank experience exceeds 130 years and evidence of this is the very low bad debt level as in NZF's entire existence, we have only written off bad debts of \$22,123.
- Related party lending within the Group was only \$52,081 as at balance date.

The board of directors of New Zealand Finance have extensive experience in financial services sector, together with a management team who likewise have over 130 years of banking. You may wish to compare this to media comments made surrounding the people involved in both Nathans and Bridgecorp.

Despite all the negative publicity, there are some market commentators who are offering a balanced viewpoint on the market, one these being well known investment analyst and commentator Chris Lee, who has extensive knowledge of the industry. He recently wrote the following amongst other articles, in his newsletter dated 16th August 2007:

“One of the impressive finance companies in New Zealand today is one that five years ago we rated as an E.

New Zealand Finance was small, unlisted, new and obviously had to overcome these concerns. The company gradually implemented the sort of changes that overcame these fears, and we believe the day may come when NZF is in our top tier. It is close to that rating now.

This rise in our rankings (now a B) might rather surprise those finance companies who believe our rankings are too rigid, NZF, like North South Finance, proving that good management, strong balance sheets and reliable performance will eventually overcome doubt.

Last year NZF increased its net profit from \$3.8m to \$6.7m, its equity from \$15m to \$21m and most importantly, at year end it was able to calculate that in 10 years its total write-offs are just \$22,123, evidence of the type of lending it does, and the quality of its processes.

It deserves the high rating it has earned quickly”.

A further point we wish to draw your attention to is Westpac have just increased our securitization funding line by a further \$50m taking us to \$200m after the collapse of Bridgecorp, which demonstrates their confidence in NZF.

Liquidity is important to every finance company and New Zealand Finance will make prudent calls to protect the interest of all Debenture holders. We have seen an increase in the numbers of requests for early repayment of debentures. These are looked at on a case-by-case basis and in the majority of cases, at this point in time, for reasons above, we have declined these requests. However, we will review this regularly.

Should you have any further queries regarding your investments you should talk to your Financial Adviser, although if you have any questions about New Zealand Finance or would like more information I welcome you (or your Financial Adviser) to call me or my fellow Executive Director (Mark Thornton) direct via our toll free number 0800 379 909 at anytime.

Yours faithfully



John Callaghan
Managing Director

New Zealand Finance Limited
Level 6, 52 Swanson Street, Auckland
P O Box 1195, Shortland Street, Auckland

Phone: 09 379 9090
Fax: 09 379 9080
Freephone: 0800 20 70 70
Web: www.nzf.co.nz