

NZX Announcement

1 March 2010

ALLIED NATIONWIDE FINANCE – HALF YEAR RESULT ANNOUNCEMENT

Allied Nationwide Finance Limited, part of the NZX listed Allied Farmers group, today announced an unaudited group net loss after tax of \$1.21 million for the half year ended 31 December 2009. This compares to a net loss after tax of \$1.63 million for the half year ended 31 December 2008.

The operating surplus before tax and impaired asset expense was \$2.91 million for the half year. The bottom line result was impacted by \$4.62 million of impaired asset expense, and the costs of holding surplus cash reserves, over the six month period.

The result is also before the recognition of \$1.54 million of after tax gains on the revaluation of interest rate derivatives for the period, resulting in an underlying group surplus attributable to the equity holders of the Company of \$331,000.

John Loughlin, Chairman of Allied Nationwide, said, "While the result is disappointing, it was reflective of the difficult trading environment present during the course of 2009. We are however expecting an improvement in the operating performance of the Company over the second half of the year and a trend back to more normal trading conditions."

Allied Nationwide has a diversified loan book and total group assets of \$331 million as at 31 December 2009, including \$117 million of assets held in Allied Nationwide's asset securitisation programme. Around 65% of its total loan book comprises business asset finance to SMEs in New Zealand and less than 15% exposure to the property sector. The Company continues to focus on its business asset lending, the bulk of which can be wholesale funded through its asset securitisation programme; and on taking advantage of market opportunities to grow its rural loan book.

The focus over the second half of the financial year will be on positioning the Company to meet the RBNZ non-bank deposit taker (NBDT) regulations, including the minimum capital requirements which will become effective during September 2010.

**ALLIED NATIONWIDE FINANCE LIMITED
and Subsidiary Company**

Results for announcement to the market

Reporting Period	Six months to 31 December 2009	
Previous Reporting Period	Six months to 31 December 2008	
	Amount (000s)	Percentage change
Revenue from ordinary activities	\$NZ 21,700	+10%
Profit (loss) for ordinary activities after tax attributable to security holder	Not applicable – securities are perpetual bonds	Not applicable
Net profit/(loss) attributable to security holders	Not applicable	Not applicable
Interim/Final Dividend	Amount per security	Imputed amount per security
	Not applicable	Not applicable
	Securities are Perpetual Bonds	
Record Date	Not applicable	
Dividend Payment Date	Not applicable	
Comments	<p>Allied Nationwide Finance Limited (“the Company”) amalgamated with Speirs Finance Limited on 30 September 2008. As part of the amalgamation the Company became the originator and administrator in respect of the securitisation programme operated by Speirs Securities Limited. Although the Company does not own any shares in Speirs Securities Limited, it consolidates that entity as a subsidiary because the securitisation arrangements attribute significant risks and rewards from the business of Speirs Securities Limited to the Company.</p>	

ALLIED NATIONWIDE FINANCE LIMITED

INCOME STATEMENT

For the six month period ended 31 December 2009 (unaudited)

(All amounts in NZD thousands unless otherwise stated)

	6 months to 31 Dec 2009 Group	6 months to 31 Dec 2008 Group	12 months to 30 Jun 2009 Group
Operating revenue			
Interest and fee income	20,724	19,020	40,921
Operating lease income	169	521	983
Other income	807	201	1,429
	<u>21,700</u>	<u>19,742</u>	<u>43,333</u>
Operating expenses			
Interest and funding expense	13,831	12,566	29,561
Other operating expenses	9,575	9,496	22,943
	<u>23,406</u>	<u>22,062</u>	<u>52,504</u>
Profit / (loss) before income tax	<u>(1,706)</u>	<u>(2,320)</u>	<u>(9,171)</u>
Income tax benefit / (expense)	494	689	2,723
Net profit / (loss) attributable to the equity holders of the Company	<u>(1,212)</u>	<u>(1,631)</u>	<u>(6,448)</u>
	Company	Company	Company
Operating revenue			
Interest and fee income	21,846	19,352	42,545
Operating lease income	169	521	983
Other income	1,360	668	2,042
	<u>23,375</u>	<u>20,541</u>	<u>45,570</u>
Operating expenses			
Interest and funding expense	16,131	13,534	32,899
Other operating expenses	9,266	9,327	22,471
	<u>25,397</u>	<u>22,861</u>	<u>55,370</u>
Profit / (loss) before income tax	<u>(2,022)</u>	<u>(2,320)</u>	<u>(9,800)</u>
Income tax benefit / (expense)	589	689	2,912
Net profit / (loss) attributable to the equity holders of the Company	<u>(1,433)</u>	<u>(1,631)</u>	<u>(6,888)</u>

ALLIED NATIONWIDE FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 31 December 2009 (unaudited)

(All amounts in NZD thousands unless otherwise stated)

	6 months to 31 Dec 2009 Group	6 months to 31 Dec 2008 Group	12 months to 30 Jun 2009 Group
Net profit / (loss) attributable to the equity holders of the Company	(1,212)	(1,631)	(6,448)
Other comprehensive income			
Revaluation of derivative financial instruments	2,204	(4,149)	(4,943)
Income tax benefit / (expense) on other comprehensive income	(661)	1,245	1,483
Other comprehensive income net of income tax	<u>1,543</u>	<u>(2,904)</u>	<u>(3,460)</u>
Total comprehensive income / (loss) attributable to the equity holders of the Company	<u>331</u>	<u>(4,535)</u>	<u>(9,908)</u>
	Company	Company	Company
Net profit / (loss) attributable to the equity holders of the Company	(1,433)	(1,631)	(6,888)
Other comprehensive income net of income tax	-	-	-
Total comprehensive income / (loss) attributable to the equity holders of the Company	<u>(1,433)</u>	<u>(1,631)</u>	<u>(6,888)</u>

ALLIED NATIONWIDE FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

For the six month period ended 31 December 2009 (unaudited)

(All amounts in NZD thousands unless otherwise stated)

Group	Equity					Total equity
	Share capital	Perpetual bonds	Hedging reserve	contributions reserve	Retained earnings	
Attributable to the equity holders of the Company						
Opening balance as at 1 July 2008	11,091	-	-	19	15,111	26,221
Total comprehensive income for the period	-	-	(2,904)	-	(1,631)	(4,535)
Share-based payments contribution	-	-	-	9	-	9
Equity on amalgamation	-	13,539	-	-	(10,560)	2,979
Perpetual bonds issued	-	2,000	-	-	-	2,000
Distributions to perpetual bond holders	-	-	-	-	(448)	(448)
Income tax (expense) / benefit on equity items	-	-	-	-	134	134
Ordinary shares issued	3,900	-	-	-	-	3,900
Closing balance as at 31 December 2008	14,991	15,539	(2,904)	28	2,606	30,260
Total comprehensive income for the period	-	-	(556)	-	(4,817)	(5,373)
Share-based payments contribution	-	-	-	10	-	10
Credit enhancement facility contribution	-	-	-	3,422	-	3,422
Distributions to perpetual bond holders	-	-	-	-	(895)	(895)
Income tax (expense) / benefit on equity items	-	-	-	(1,027)	269	(758)
Closing balance as at 30 June 2009	14,991	15,539	(3,460)	2,433	(2,837)	26,666
Total comprehensive income for the period	-	-	1,543	-	(1,212)	331
Share-based payments contribution	-	-	-	9	-	9
Distributions to perpetual bond holders	-	-	-	-	(836)	(836)
Income tax (expense) / benefit on equity items	-	-	-	-	251	251
Closing balance as at 31 December 2009	14,991	15,539	(1,917)	2,442	(4,634)	26,421

Company

Attributable to the equity holders of the Company

Opening balance as at 1 July 2008	11,091	-	-	19	15,111	26,221
Total comprehensive income for the period	-	-	-	-	(1,631)	(1,631)
Share-based payments contribution	-	-	-	9	-	9
Equity on amalgamation	-	13,539	-	-	(9,239)	4,300
Perpetual bonds issued	-	2,000	-	-	-	2,000
Distributions to perpetual bond holders	-	-	-	-	(448)	(448)
Income tax (expense) / benefit on equity items	-	-	-	-	134	134
Ordinary shares issued	3,900	-	-	-	-	3,900
Closing balance as at 31 December 2008	14,991	15,539	-	28	3,927	34,485
Total comprehensive income for the period	-	-	-	-	(5,257)	(5,257)
Share-based payments contribution	-	-	-	10	-	10
Credit enhancement facility contribution	-	-	-	3,422	-	3,422
Distributions to perpetual bond holders	-	-	-	-	(895)	(895)
Income tax (expense) / benefit on equity items	-	-	-	(1,027)	269	(758)
Closing balance as at 30 June 2009	14,991	15,539	-	2,433	(1,956)	31,007
Total comprehensive income for the period	-	-	-	-	(1,433)	(1,433)
Share-based payments contribution	-	-	-	9	-	9
Distributions to perpetual bond holders	-	-	-	-	(836)	(836)
Income tax (expense) / benefit on equity items	-	-	-	-	251	251
Closing balance as at 31 December 2009	14,991	15,539	-	2,442	(3,974)	28,998

ALLIED NATIONWIDE FINANCE LIMITED**BALANCE SHEET****As at 31 December 2009 (unaudited)**

(All amounts in NZD thousands unless otherwise stated)

	31 Dec 2009	31 Dec 2008	30 Jun 2009
	Group	Group	Group
ASSETS			
Cash and cash equivalents	32,056	86,317	48,274
Trade and other receivables	4,837	1,355	1,678
Current tax receivable	204	2,274	1,748
Loans, advances and finance leases	280,032	325,874	292,982
Derivative financial instruments	240	-	263
Non-current assets held for sale	653	1,046	1,006
Investment properties	1,900	2,000	1,940
Property, plant and equipment	3,519	5,535	4,328
Intangible assets	1,028	1,251	1,113
Deferred tax asset	6,892	4,758	6,799
TOTAL ASSETS	331,361	430,410	360,131
LIABILITIES			
Trade and other payables	5,261	7,089	5,525
Provisions	518	502	460
Borrowings	295,415	386,458	321,217
Derivative financial instruments	3,746	6,101	6,263
TOTAL LIABILITIES	304,940	400,150	333,465
NET ASSETS	26,421	30,260	26,666
EQUITY			
Share capital	14,991	14,991	14,991
Perpetual bonds	15,539	15,539	15,539
Hedging reserve	(1,917)	(2,904)	(3,460)
Equity contributions reserve	2,442	28	2,433
Retained earnings	(4,634)	2,606	(2,837)
TOTAL EQUITY	26,421	30,260	26,666

ALLIED NATIONWIDE FINANCE LIMITED

BALANCE SHEET

As at 31 December 2009 (unaudited)

(All amounts in NZD thousands unless otherwise stated)

	31 Dec 2009	31 Dec 2008	30 Jun 2009
	Company	Company	Company
ASSETS			
Cash and cash equivalents	20,937	76,378	38,415
Trade and other receivables	6,331	2,038	2,007
Current tax receivable	204	2,274	1,748
Loans, advances and finance leases	175,477	194,467	183,638
Loans, advances and finance leases - securitised	104,555	131,407	109,344
Loans, advances and finance leases	<u>280,032</u>	<u>325,874</u>	<u>292,982</u>
Subordinated debt in securitised assets	12,090	17,157	14,014
Derivative financial instruments	240	-	263
Non-current assets held for sale	653	1,046	1,006
Investment properties	1,900	2,000	1,940
Property, plant and equipment	3,519	5,535	4,328
Intangible assets	1,028	1,251	1,113
Deferred tax asset	5,787	2,947	4,939
TOTAL ASSETS	<u>332,721</u>	<u>436,500</u>	<u>362,755</u>
LIABILITIES			
Trade and other payables	3,873	5,301	4,051
Provisions	518	502	460
Liability arising on securitisation	104,555	131,407	109,344
Borrowings	194,713	264,740	217,831
Derivative financial instruments	64	65	62
TOTAL LIABILITIES	<u>303,723</u>	<u>402,015</u>	<u>331,748</u>
NET ASSETS	<u>28,998</u>	<u>34,485</u>	<u>31,007</u>
EQUITY			
Share capital	14,991	14,991	14,991
Perpetual bonds	15,539	15,539	15,539
Equity contributions reserve	2,442	28	2,433
Retained earnings	(3,974)	3,927	(1,956)
TOTAL EQUITY	<u>28,998</u>	<u>34,485</u>	<u>31,007</u>

ALLIED NATIONWIDE FINANCE LIMITED

CASH FLOW STATEMENT

For the six month period ended 31 December 2009 (unaudited)

(All amounts in NZD thousands unless otherwise stated)

	6 months to 31 Dec 2009	6 months to 31 Dec 2008	12 months to 30 Jun 2009
	Group	Group	Group
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Interest received	20,063	16,245	37,724
Operating lease receipts	287	557	900
Fees and other receipts	1,212	739	2,023
Net decrease in loans, advances and finance leases*	9,428	34,214	64,689
	<u>30,990</u>	<u>51,755</u>	<u>105,336</u>
Cash was applied to:			
Interest paid	10,610	9,554	26,376
Payments to suppliers and employees	5,513	6,397	14,264
Income tax paid / tax losses purchased	-	1,600	1,600
	<u>16,123</u>	<u>17,551</u>	<u>42,240</u>
Net cash flows from operating activities	<u>14,867</u>	<u>34,204</u>	<u>63,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	800	578	1,222
Settlement of amount due from Speirs Group Limited acquired on amalgamation	-	4,000	4,000
	<u>800</u>	<u>4,578</u>	<u>5,222</u>
Cash was applied to:			
Increase in intercompany advances	1,683	-	1,016
Purchase of property, plant and equipment and intangible assets	22	2,601	2,706
	<u>1,705</u>	<u>2,601</u>	<u>3,722</u>
Net cash flows from investing activities	<u>(905)</u>	<u>1,977</u>	<u>1,500</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Net increase in deposits*	-	18,116	-
Issue of perpetual bonds	-	2,000	2,000
Issue of ordinary shares	-	3,900	3,900
	<u>-</u>	<u>24,016</u>	<u>5,900</u>
Cash was applied to:			
Net decrease in deposits*	26,660	-	29,115
Net decrease in commercial paper*	2,684	5,970	24,302
Repayment of loan facility acquired on amalgamation	-	3,000	3,000
Distributions to perpetual bond holders	836	448	1,343
	<u>30,180</u>	<u>9,418</u>	<u>57,760</u>
Net cash flows from financing activities	<u>(30,180)</u>	<u>14,598</u>	<u>(51,860)</u>
Net increase / (decrease) in cash and cash equivalents	<u>(16,218)</u>	<u>50,779</u>	<u>12,736</u>
Cash and cash equivalents at beginning of the period	48,274	27,196	27,196
Addition of cash and cash equivalents on amalgamation	-	8,342	8,342
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>32,056</u>	<u>86,317</u>	<u>48,274</u>

* Each of these items are presented net in the cash flow statement above. The reason for this is that they are significant cash flows that reflect the activities of the Group's customers rather than those of the Group itself.

ALLIED NATIONWIDE FINANCE LIMITED

CASH FLOW STATEMENT

For the six month period ended 31 December 2009 (unaudited) (continued)

(All amounts in NZD thousands unless otherwise stated)

	6 months to 31 Dec 2009 Group	6 months to 31 Dec 2008 Group	12 months to 30 Jun 2009 Group
RECONCILIATION OF NET PROFIT / (LOSS) FOR THE PERIOD WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) after income tax for the period	(1,212)	(1,631)	(6,448)
Non-cash items included in net profit for the period			
Depreciation	412	493	1,091
Amortisation of intangible assets	85	79	217
Equity-settled share-based payments	9	9	19
Equity-settled credit enhancement facility contribution	-	-	3,422
Residual value impairment on operating lease assets	-	-	89
Loss on revaluation of granted call option	2	65	62
Loss on revaluation of investment property	40	100	160
Loss on revaluation of acquired put option	23	-	(263)
Gain on revaluation on interest rate swaps	(315)	-	(629)
Deferred tax charged to income statement	(754)	(835)	(2,638)
	<u>(498)</u>	<u>(89)</u>	<u>1,530</u>
Items classified as investing activities			
Loss on sale of property, plant and equipment	(27)	48	68
Proceeds from increase / (decrease) in intercompany accounts receivable	1,683	-	1,016
Settlement of amount due from Speirs Group Limited acquired on amalgamation	-	(4,000)	(4,000)
	<u>1,656</u>	<u>(3,952)</u>	<u>(2,916)</u>
Items included in equity			
Income tax expense on equity items	251	134	(624)
	<u>251</u>	<u>134</u>	<u>(624)</u>
Items classified as financing activities			
Deposit interest capitalised	3,351	2,421	2,611
	<u>3,351</u>	<u>2,421</u>	<u>2,611</u>
Impact of changes in working capital			
Decrease / (increase) in loans, advances and finance leases	12,950	(167,608)	(134,716)
Decrease / (increase) in deferred brokerage	190	(274)	(141)
Decrease / (increase) in trade and other receivables	(3,159)	(1,067)	(1,390)
Increase / (decrease) trade and other payables	(264)	3,727	2,163
Decrease in provisions	58	(72)	(114)
Decrease / (increase) in current tax receivable	1,544	(1,588)	(1,062)
Adjustment for increase in working capital arising from amalgamation*	-	204,203	204,203
	<u>11,319</u>	<u>37,321</u>	<u>68,943</u>
Net cash flows from operating activities	<u>14,867</u>	<u>34,204</u>	<u>63,096</u>

* Loans, advances and finance leases, liability arising on securitisation and other working capital assets and liabilities were added on amalgamation of Speirs Finance Limited. The working capital added on amalgamation is adjusted out of total movements in working capital above to allow for the impact of these additions accordingly.

ALLIED NATIONWIDE FINANCE LIMITED

CASH FLOW STATEMENT

For the six month period ended 31 December 2009 (unaudited)

(All amounts in NZD thousands unless otherwise stated)

	6 months to 31 Dec 2009 Company	6 months to 31 Dec 2008 Company	12 months to 30 Jun 2009 Company
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Interest received	14,392	12,714	28,032
Operating lease receipts	287	557	900
Fees and other receipts	2,078	1,168	3,267
Net decrease in loans, advances and finance leases*	4,639	23,471	31,882
Net decrease in loans, advances and finance leases - securitised*	4,789	10,743	32,807
	<u>26,185</u>	<u>48,653</u>	<u>96,888</u>
Cash was applied to:			
Interest paid	6,020	6,688	18,158
Payments to suppliers and employees	5,217	6,262	13,808
Income tax paid / tax losses purchased	-	1,600	1,600
Net decrease in liability arising on securitisation*	4,789	10,743	32,807
	<u>16,026</u>	<u>25,293</u>	<u>66,373</u>
Net cash flows from operating activities	<u>10,159</u>	<u>23,360</u>	<u>30,515</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment	800	578	1,222
Proceeds from decrease in subordinated debt in securitised assets	1,923	1,584	4,727
Proceeds from decrease in intercompany accounts receivable	-	1,538	864
Settlement of amount due from Speirs Group Limited acquired on amalgamation	-	4,000	4,000
	<u>2,723</u>	<u>7,700</u>	<u>10,813</u>
Cash was applied to:			
Increase in intercompany advances	3,345	-	-
Purchase of property, plant and equipment and intangible assets	22	2,601	2,706
	<u>3,367</u>	<u>2,601</u>	<u>2,706</u>
Net cash flows from investing activities	<u>(644)</u>	<u>5,099</u>	<u>8,107</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Net increase in deposits*	-	18,116	-
Issue of perpetual bonds	-	2,000	2,000
Issue of ordinary shares	-	3,900	3,900
	<u>-</u>	<u>24,016</u>	<u>5,900</u>
Cash was applied to:			
Net decrease in deposits*	26,157	-	29,115
Repayment of loan facility acquired on amalgamation	-	3,000	3,000
Distributions to perpetual bond holders	836	448	1,343
	<u>26,993</u>	<u>3,448</u>	<u>33,458</u>
Net cash flows from financing activities	<u>(26,993)</u>	<u>20,568</u>	<u>(27,558)</u>
Net increase / (decrease) in cash and cash equivalents	<u>(17,478)</u>	<u>49,027</u>	<u>11,064</u>
Cash and cash equivalents at beginning of the period	38,415	27,196	27,196
Addition of cash and cash equivalents on amalgamation	-	155	155
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>20,937</u>	<u>76,378</u>	<u>38,415</u>

* Each of these items are presented net in the cash flow statement above. The reason for this is that they are significant cash flows that reflect the activities of the Company's customers rather than those of the Company itself.

ALLIED NATIONWIDE FINANCE LIMITED

CASH FLOW STATEMENT

For the six month period ended 31 December 2009 (unaudited) (continued)

(All amounts in NZD thousands unless otherwise stated)

	6 months to 31 Dec 2009 Company	6 months to 31 Dec 2008 Company	12 months to 30 Jun 2009 Company
RECONCILIATION OF NET PROFIT / (LOSS) FOR THE PERIOD WITH NET CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) after income tax for the period	(1,433)	(1,631)	(6,888)
Non-cash items included in net profit for the period			
Depreciation	412	493	1,091
Amortisation of intangible assets	85	79	217
Equity-settled share-based payments	9	9	19
Equity-settled credit enhancement facility contribution	-	-	3,422
Residual value impairment on operating lease assets	-	-	89
Loss on revaluation of granted call option	2	65	62
Loss on revaluation of investment property	40	100	160
Gain on revaluation of acquired put option	23	-	(263)
Deferred tax charged to income statement	(848)	(835)	(2,827)
	<u>(277)</u>	<u>(89)</u>	<u>1,970</u>
Items classified as investing activities			
Loss on sale of property, plant and equipment	(27)	48	68
Proceeds from increase / (decrease) in intercompany accounts receivable	3,345	(1,538)	(864)
Settlement of amount due from Speirs Group Limited acquired on amalgamation	-	(4,000)	(4,000)
	<u>3,318</u>	<u>(5,490)</u>	<u>(4,796)</u>
Items included in equity			
Income tax expense on equity items	(251)	134	(624)
	<u>(251)</u>	<u>134</u>	<u>(624)</u>
Items classified as financing activities			
Deposit interest capitalised	3,351	2,421	2,611
	<u>3,351</u>	<u>2,421</u>	<u>2,611</u>
Impact of changes in working capital			
Decrease / (increase) in loans, advances and finance leases	12,950	(167,608)	(134,716)
Increase / (decrease) in liability arising on securitisation	(4,789)	131,407	109,344
Decrease / (increase) in deferred brokerage	190	(274)	(141)
Decrease / (increase) in trade and other receivables	(4,324)	(1,750)	(1,719)
Increase / (decrease) trade and other payables	(178)	1,939	689
Decrease in provisions	58	(72)	(114)
Decrease / (increase) in current tax receivable	1,544	(1,588)	(1,062)
Adjustment for increase in working capital arising from amalgamation*	-	65,961	65,961
	<u>5,451</u>	<u>28,015</u>	<u>38,242</u>
Net cash flows from operating activities	<u>10,159</u>	<u>23,360</u>	<u>30,515</u>

* Loans, advances and finance leases, liability arising on securitisation and other working capital assets and liabilities were added on amalgamation of Speirs Finance Limited. The working capital added on amalgamation is adjusted out of total movements in working capital above to allow for the impact of these additions accordingly.