

Secured First – Ranking Debenture Stock

Investment Statement & Application



October
2010

Asset Finance Directors (L-R back) David Houldsworth, Dennis Hodgetts, Clive George, and Bryan Heapy (front) Nicola Andresen. Striving to ensure transparency, security and trust.

Summary of the Offer

Asset Finance Limited (“Asset Finance” or “the Company”) is offering an opportunity to invest in up to NZ\$40,000,000 of Secured First-Ranking Debenture Stock (“Secured Deposits”).

Funds received will be pooled together and used to support and grow the Company’s loan portfolio.

The return on your investment with Asset Finance will depend on the term for which you agree to invest with Asset Finance and the size of your investment.

▶ Term of Investment

Terms ranging from three months to five years are available, with varying rates of return.

▶ Early Repayments

Early repayment of Secured Deposits will be considered only in extenuating circumstances. More information on early repayment is contained on page 23.

▶ Investment Amount

The minimum subscription for any investment is \$500 and the maximum is at the discretion of the Company.

▶ Interest Payments

In addition to a choice of the term of investment, investors are entitled to choose from a range of payment options. These options include monthly direct credit, quarterly direct credit and quarterly compounding.

Because the interest rate offered, terms of investment and payment options will vary between investors, the actual return on investment cannot be quantified in this Investment Statement.

▶ Credit Rating

The creditworthiness of Asset Finance has been rated by Standard & Poors, a ratings agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989.

The Company has received a credit rating of ‘B’ from Standard & Poors. Further information and detail on the credit rating may be found on page 20.

Important Information

(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

Important Questions	Page
What sort of investment is this?	15
Who is involved in providing it for me?	15
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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

ENGAGING AN INVESTMENT ADVISER

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including –

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees must include –

- the nature and level of fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

Company Profile

INTRODUCTION

Asset Finance Limited (subsequently referred to in this document as “Asset Finance”, “We” or “the Company”) provide loans and credit facilities to individuals, businesses and other legal entities via a network of Asset Finance offices and agencies located across New Zealand.

All new lending is secured at the time of drawdown, with the majority of loans secured by real estate and/or unencumbered motor vehicles. More information about security is contained on page 7 under the heading “How we secure our funds to account for risk”.

We have been carrying out these lending activities under the Asset Finance name since late 1997.

► Background

The concept of Asset Finance originated when the founder, Clive George, then owner/operator of a large 4WD parts business, recognised a burgeoning business opportunity: A large number of consumers in this market required finance. So, having identified a new opportunity for a niche finance company, he quickly set about creating a lending arm of the business.

In 1997 the company changed its name to Asset Finance Limited to reflect this successful new direction.

► Present Day

The head office of Asset Finance remains in Whakatane where the business first originated; however the Asset Finance network has grown considerably since 1997. There are currently 8 Asset Finance offices and 15 loan agencies throughout New Zealand, concentrated mainly in the North Island. A full list is available on page 14 or on our website at www.assetfinance.co.nz

In addition to a strong branch and agent representation, the Company works with finance brokers and introducers from time to time, particularly on larger more complex loans where brokers can add value.

The loan approval, payout and administration functions continue to be managed from the Company’s head office in Whakatane, as are the deposit taking, investor registry, financial management and financial reporting functions.

OUR LENDING

The Company does not aim to compete on price with banks, as in most cases our target market is quite different from that of a trading bank. We choose to compete with other lending institutions in areas where we have an advantage, most notably speed, service and flexibility.

Much of our business revolves around the provision of loans and credit facilities that a trading bank would not be able, or willing to do. As a result, the risk profile on our loans is higher than that of a trading bank, and therefore, our margins are also much healthier.

► Types of Lending

Loans can be grouped into two main categories:

1. Personal loans (consumer lending); and
2. Business lending

When Asset Finance began operating, the majority of advances it made were personal loans, however since 2005 the proportion of business loans has grown significantly.

While the number of personal loans still far outnumbers business loans, the percentage of our total loan book that is comprised of business loans has increased to be roughly 40% of our loan book.

In addition to standard business lending, the Company is currently developing systems and policies to extend into receivables financing (i.e. factoring). The credit policy and other procedures for factoring will be different from those explained here for a standard personal or business loan.

► Types of Loan Payments

The majority of loans, both by number of accounts and total balance owing, are standard principal and interest loans on which the client makes weekly or fortnightly payments, and the principal debt is thereby reduced. In addition, a significant percentage of business loans are interest-only loans with a final lump-sum payment at the end of the interest-only term.

Compounding interest loans where no payments are made are occasionally approved, but approval is always subject to the projected future cash flow requirements of the Company and for this reason compounding interest loans are rare.

► How We Secure our Funds to Account for Risk

While the majority of loans are secured by real estate and/or motor vehicles, we also use machinery, boats and other assets situated in New Zealand as loan security. A small minority of personal loans are approved primarily on the basis of a client's credit and employment history, with security taken over the client's household chattels by way of a general security agreement.

While we use motor vehicles to secure loans, our policies to date have meant we very rarely finance the purchase of a motor vehicle for a client without additional security, nor do we routinely deal direct with motor vehicle dealers. Our experience is that retail vehicle prices are often inflated well beyond their actual worth. We use our own valuations, based on realistic expectations and recent sale prices to assess what each vehicle is worth.

More information about the security we use is shown under the headings below.

REAL PROPERTY/LAND:

Secured by an agreement to mortgage (supported by registered caveat) or registered first or second mortgage. The type of security we require is determined by the amount of the advance and the perceived risk. Land used as security is usually the home of the client; however commercial property is used from time to time.

MOTOR VEHICLES:

Secured by specific security agreement and registered on the Personal Property Securities Register

MACHINERY, EQUIPMENT AND OTHER SECURABLE ASSETS:

Including boats, trailers, life insurance policies with cash surrender value, etc. Secured by general security agreement (commonly known as a “fixed or floating charge”) or specific security agreement, with a registered charge on the Personal Property Securities Register.

ACCOUNTS RECEIVABLE:

The Company is entering into accounts receivable factoring. The security on these advances will be the receivables which are being financed. There is no exposure to this form of security as at the date of this Investment Statement.

GUARANTORS:

Extensive use is made of guarantors, particularly where the borrower is not able to provide sufficient security. In these cases the guarantor must provide an asset as security, using the same criteria set out above (as for the borrower). In addition, company directors are usually required to personally guarantee advances made to their company.

► Security Overview

One of the keys to the success of the Company to date has been that the maximum amount advanced to any one entity is dependent on the value of the security provided for that loan, on a case by case basis. As at the date of this Investment Statement, the percentage of the loan book secured and average loan size by asset class is as follows.

Type of security	Percentage of loan book	Average loan size
First mortgage	11.85%	\$78,090
Second mortgage, agreement to mortgage supported by registered caveat	30.60%	\$8,603
Specific charge over motor vehicle, boat, plant, machinery or other assets, registered on Personal Property Securities Register	51.40%	\$3,479
General charge over assets, registered on Personal Property Securities Register	6.14%	\$28,644
No assets as security	less than 0.1%	less than \$100
Combined Total	100%	\$5,309

► Loan Top-Ups and Rollovers

Many clients approach the Company before their loan is fully repaid and request a loan top-up. Top-up requests start with a new loan application. Once we have the application we begin the loan assessment process as detailed on pages 10 and 11.

While the process for top-ups is largely the same as for new loans, we do pay particular attention to the client's payment history with us when assessing top up requests. Generally if a client's account is up to date, their payment history is good and they have sufficient security, we are likely to view the top-up request favourably. If their account is not up to date or has not been run well, the request is likely to be declined.

We also occasionally receive requests to extend the term of an interest only loan. While there is no expectation or right of rollover at the expiry of the initial term, if a client approaches us before the maturity of their loan we request an updated application and then start the assessment process again.

► Impaired Loans and Bad Debts

Even with all the controls and security we have in place, a percentage of loans will become impaired or need to be written off as bad debts. This is a reality of any financing operation – there is no reward without risk. In order to mitigate and effectively manage this risk and limit the number of bad loans, it is important for any financier to have systems in place to identify problems early. Effective risk management systems ensure that potentially bad loans can be dealt with appropriately, and that they are recorded correctly in the financial statements.

Our software system automatically identifies accounts as past due when a payment is missed by one day or more. Larger accounts (typically accounts of \$10,000 or more) that remain past due are likely to be considered individually significant. Individually significant accounts are assessed by management on a case by case basis for collectability. The result of this assessment can involve recording the account as impaired, and if they are not considered fully collectable, writing the account down to its collectable amount by creating a specific bad debt allowance against the loan.

At any given time there are hundreds of smaller accounts that are past due 1 day or more but not individually significant. It is not practicable to accurately assess each one individually on a regular basis, so these accounts are assessed collectively as a group. The result of this group assessment is a collective bad loan allowance based on historic bad loan data and current trends.

Even once a loan is written off, all hope is not lost. Loans that are written off due to being assessed as having a low likelihood of collection are sent to a debt collection agency for collection. Asset Finance receives thousands of dollars of bad debts recovered each month from these previously written off accounts.

INVESTOR FUNDING AND FINANCIAL PERFORMANCE

The Company is funded by a combination of shareholders funds, and funds received from the public from the issue of Debenture Stock and Unsecured Notes under the terms of its Prospectus. The Company has a very close relationship with many of its investors and several cornerstone investors have held investments with the Company for more than a decade.

Asset Finance made a pre tax profit of \$659,408 in the financial year ending 31 March 2010, a marked improvement over the pre tax loss of \$367,299 in the 2009 financial year. The Company has also continued to trade profitably since 31 March 2010.

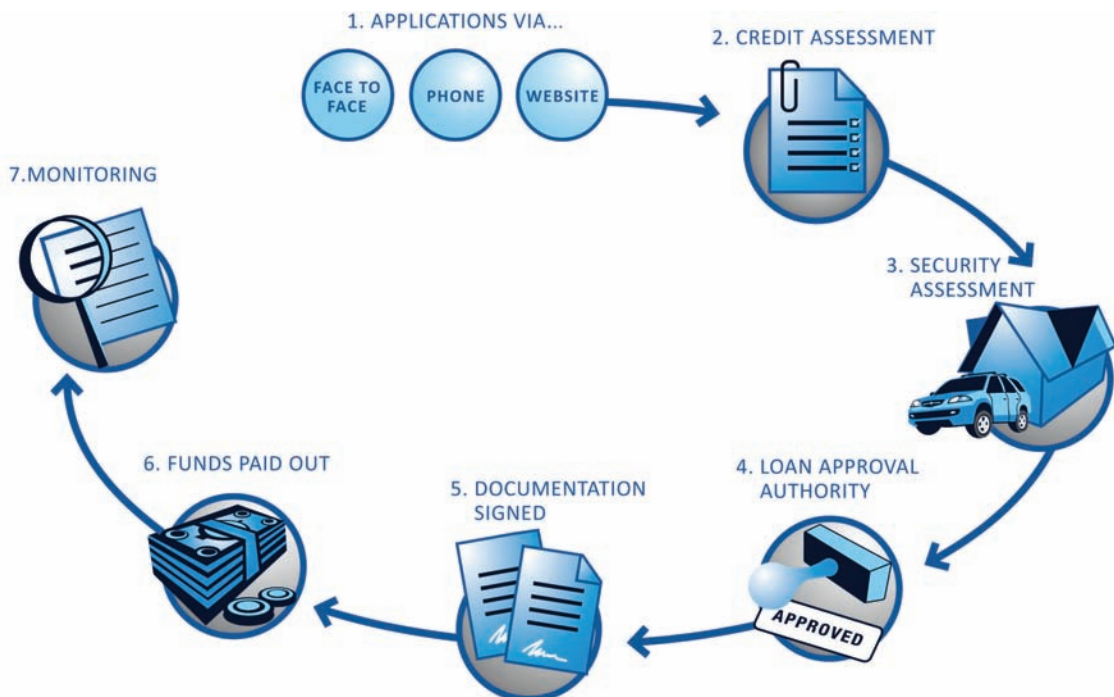
The loss in 2009 was caused by higher than normal loan impairment and write offs due to the economic conditions, and a reduction in loan income as the Company ran its loan book down to allow for a reduction in depositor funding. The return to profitability was due to improved depositor funding, and also a lower level of operating expenses as a result of restructuring that began in late 2007.

The Directors are confident that the Company has in place the structure and management required to successfully see its way through the prevailing economic conditions. The Company has no exposure to the property development side of lending, and only one loan to a related party, which is fully disclosed in the Prospectus, a position which the Directors feel separates us from other finance companies.

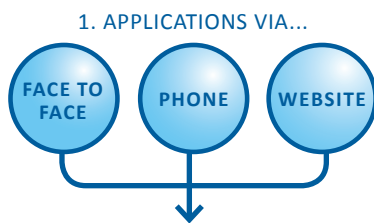
The Loans Process

We realise that one of the key points of difference between Asset Finance and other companies is speed. For this reason, we constantly strive towards having systems in place that allow applications to be processed, approved and paid out as quickly and efficiently as possible.

Currently, this means that we aim to have a decision on applications in around an hour, with documents ready for signing at the branch or agency another hour after approval; to do this we utilise our 13 strong Whakatane-based head office team, and we can also utilise our additional 9 staff across the country. The diagram below illustrates our loan application process.



More information about each step in the process is contained under the headings below.



1. APPLICATIONS

Applications are primarily sourced from our network of branches and agencies and directly via our website. We advertise in each region via a range of media including newspaper, television, Internet and by having well branded shop signage and Asset Finance cars. Once applications are received we perform various checks on the proposed security, each borrower, and each guarantor (if any). All checks are performed online electronically in real time, allowing us to gather the information we need in order to make a decision with minimal delays.

2. CREDIT ASSESSMENT



2. CREDIT ASSESSMENT

We need to determine what level of credit risk the borrowers and guarantor's pose. A credit check performed via Veda Advantage (the credit assessment side of the organisation formerly known as Baycorp) is the main tool that assists us in determining the credit risk.

We do not require proof of income as a rule because most repayments are of a "reasonable amount" for the average person. However, if we believe the loan repayment amount is questionable given the person's employment details, proof of income will be required.

3. SECURITY ASSESSMENT



4. LOAN APPROVAL AUTHORITY



5. DOCUMENTATION SIGNED



6. FUNDS PAID OUT



7. LOAN MONITORING



3. SECURITY ASSESSMENT

The security required depends on the size of the loan, but usually includes a vehicle(s) and/or a house or real estate. Security may be provided either by the borrower and/or a guarantor(s).

Whatever security is used, we then determine the owners of the security, whether or not any money is owed on it, and whether there is sufficient value given the requested loan amount and clients credit history.

4. LOAN APPROVAL AUTHORITY

Approval authority is limited to an experienced team based at head office, with at least two of this team on-site at any given time during business hours.

Loans of \$10,000 or more require the sign off of two approval officers, with loans larger than \$20,000 requiring at least one of those two signatories to be a director.

5. DOCUMENTATION SIGNED

Once a loan is approved, loan and security documents are created using a purpose written software system.

Documents are checked for accuracy and immediately sent electronically to the appropriate branch or agency; or, in the case of a mortgage loan, to the solicitor to contact the client and arrange for them to review and sign the loan agreements and related documentation.

6. PAYING LOAN PROCEEDS

Once all documentation has been signed by the clients and completed to the Company's satisfaction, the loan proceeds are ready to be direct credited to the bank verified account number supplied by the client.

Making payments by direct credit out of Asset Finance's bank account requires two authorised account signatories to sign off. Each signatory has their own special PIN they use to authorise payments electronically.

7. LOAN MONITORING

Once the loan proceeds have been paid to the client, we begin the process of monitoring the account. We electronically import, process and reconcile our bank account transactions each day, then follow up on any accounts with missed payments. Most accounts are setup with weekly or fortnightly payments to fit in with the clients pay period.

Weekly or fortnightly payments have the added advantage of allowing us to identify any problems and deal with them early on, before they have a chance to get out of hand. When dealing with accounts in arrears, if a client is unable to bring the account up to date with a single payment, we prefer to enter into an arrangement whereby they pay a little extra each week to bring the account up to date over time. Failing this, as a last resort, we fall back to the loan security and begin action with the aim of selling the collateral to recover the amount owed to us.

So what is different about investing with Asset Finance?

WE ARE SECURITY FOCUSED TO MINIMISE RISK

Risk is one of the major concerns for all investors and in most cases this is a governing factor in any investment decision. No company can suggest that risk is completely eliminated from an investment, but some work harder than others at minimising potential downfalls.

At Asset Finance we recognise that you want to protect your hard earned nest egg and that is why we have strict lending criteria and guidelines in place. Our aim is to minimise the risk of bad debts, have the highest possible likelihood of recovering debt, and to ensure a constant cash flow, while providing competitive interest rates at the same time.

All lending is secured, with the majority using real estate and/or freehold motor vehicles as security to cover the loans. More information about security is contained on page 7 under the heading "How we secure our funds to account for risk".

WE ARE OVERSEEN BY A TRUSTEE COMPANY TO MINIMISE RISK

All finance companies that raise money from the general public are governed by the Securities Act 1978 and other securities legislation. One of the requirements of this legislation is that the finance company is overseen by a trustee company.

It is the trustee company's role, to set out in the trust deed, the parameters in which the finance company will operate. For example they may stipulate that for every dollar invested by the public the company shareholders must contribute a certain amount of their own money. If the finance company was wound up, the investor money would be paid out before the shareholder funds were released. The trustee company must also be supplied with regular audited financial reports including liquidity reports; their job is to help protect the money you invest. If they believe your investment is at undue risk they can and will cease the company's trading ability.

These measures do not eliminate risk completely, but together with independent directors and the disclosure regime, they are designed to provide investors with up to date information and protect the money they have invested.

OUR SHAREHOLDERS HAVE TO INVEST TOO - THIS MEANS WE SHARE THE RISK

Because of the financial ratios that the company is required to meet, in effect for every dollar of investment from the general public, the shareholders have to invest a certain amount too which means we share the risk and so we don't take any risks with your money that we wouldn't take with ours!

Company Directors

Asset Finance is governed by a 5 person board of directors, 2 of whom are independent directors who focus on compliance and governance rather than the day to day running of the company.

A brief profile of each of our directors is provided below.

David Houldsworth



(Independent Chair)

David brings his extensive background in banking, finance and corporate governance to our board of directors as Chairman of the board.

He is a qualified accountant and has held senior corporate and investment banking roles with Chase Manhattan, Citibank and Westpac. For almost 10 years until mid-2007 David was Managing Director of the NZX-listed investment company Hellaby Holdings Ltd, where he gained management and governance experience in a wide range of industries.

Currently David is also a director of New Zealand Wool Services International Ltd and MetService, and he also fills the role of CEO of Stardome, the not-for-profit Auckland Observatory and Planetarium.

Bryan Heapy



(Independent Director)

Bryan has 23 years experience in the finance and business banking industry, where he has held several senior positions in a variety of leading institutions. These positions have covered a spectrum of roles including client relationship management, lending, credit, and regional management.

These roles have exposed Bryan to a broad range of industry sectors including finance, manufacturing, fishing, tourism, commercial property, vehicle retailing, heavy equipment and civil engineering.

Bryan is currently an executive for one of NZ's larger private commercial companies and CEO of successful Australasian printing company, Admark Visual Imaging Ltd.

Clive George



(Managing Director)

Managing Director Clive George has over 25 years of experience in business management, with over 15 years of this time spent creating & developing Asset Finance into the successful business it is today.

As the founder and major stakeholder of Asset Finance, he has a vested interest, both personally & financially, in its continued success. His commitment to the Company's stability and success has been demonstrated by the restructuring of operations over the past 24 months, which has lifted the profitability of the business through a significant reduction in overhead costs.

In addition, Clive has recruited a knowledgeable team of advisors & management, who have been placed in key positions throughout the organisation.

Nicola Andresen



(Administrative Director)

As a key founding staff member of the Company, Nicola brings approximately 15 years of experience and knowledge of Asset Finance’s history to her role in the business. As administrative director her primary roles are investor liaison and management of all Asset Finance staff nationwide - from head office staff through to the Asset Finance offices & agencies across the country.

Genuine & dependable, Nicola’s pragmatic approach & ability to easily relate to a wide range of people means she is able to resolve most situations quickly & efficiently.

Nicola heads up our loan approvals and administration departments and her background and experience make her an integral part of our management team.

Dennis Hodgetts

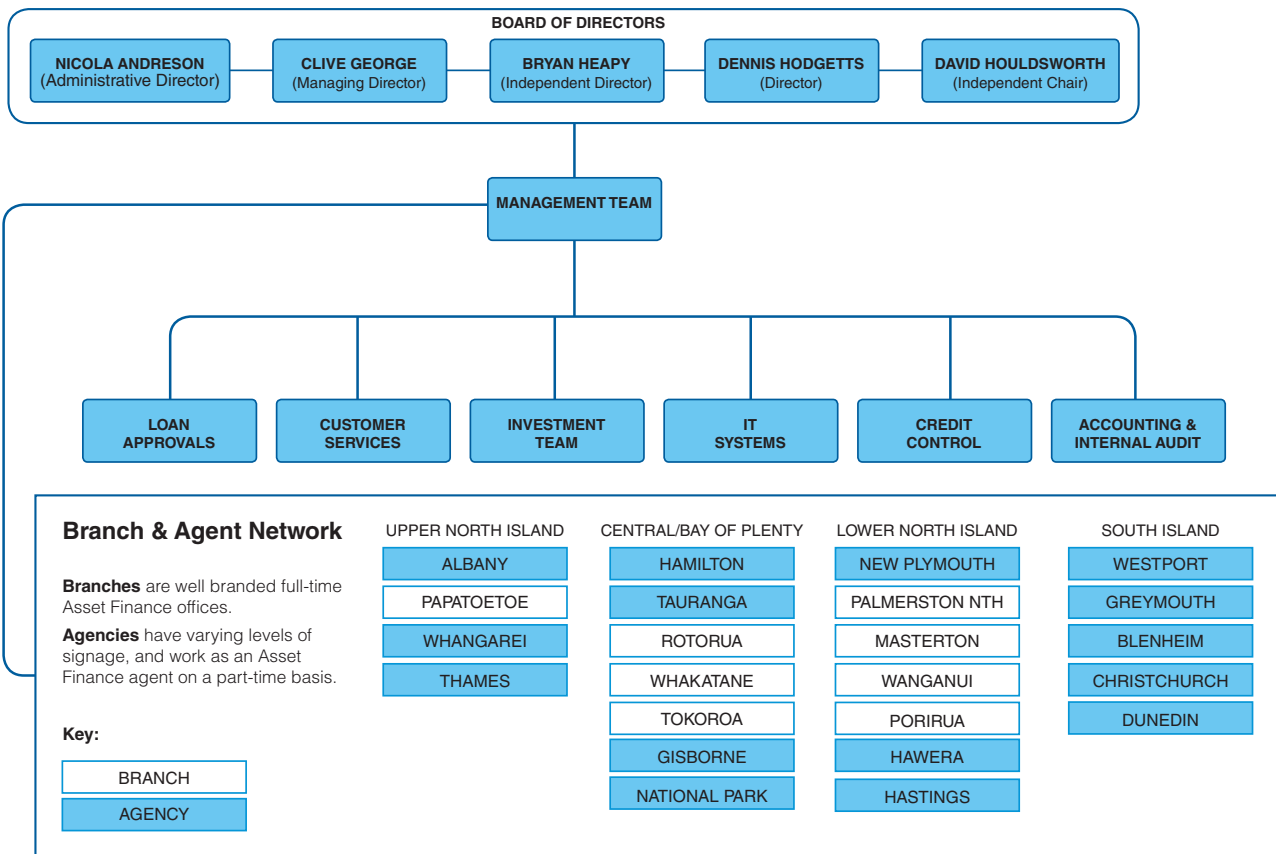


(Director)

Prior to joining Asset Finance as a director, Dennis ran his own successful business for 33 years. This business supplied products into a broad range of industry sectors and the experience provided him with an extensive background in general management. In 1998 he completed an MBA with distinction at Waikato University and later completed additional studies in Marketing at Masters level, and further extramural study in Personal Financial Planning.

Dennis went on to sell his company to Steel & Tube Holdings in 2005 and was subsequently employed by that company as a National Operations Manager for a further 2 years. Dennis joined Asset Finance Limited as a director in December 2005 and has been employed in an executive role since August 2007.

ORGANISATION HIERARCHY



Statutory Information

1. WHAT SORT OF INVESTMENT IS THIS?

This Investment Statement contains an offer by Asset Finance Limited for you to invest in up to NZ\$40 million of secured first-ranking debenture stock ("Secured Deposits"). Secured Deposits are fixed interest debt securities, issued pursuant to a Trust Deed dated 15 March 2004 between Asset Finance and the Trustee.

2. WHO IS INVOLVED IN PROVIDING IT FOR ME?

▶ Issuer

Asset Finance is the sole issuer of the debt securities offered under this Investment Statement. The details of the registered office of Asset Finance are:

38 Richardson Street
Whakatane

▶ Trustee

Covenant Trustee Company Limited ("Trustee") is the trustee for the purposes of the Securities Act 1978. The Trustee's address is:

Level 18, 48 Emily Place
Auckland

The Trustee does not guarantee the repayment of the Secured Deposits offered under this Investment Statement, or the payment of interest thereon.

▶ Directors

The Directors of the Company are:

- David Houldsworth (Independent Chairman)
- Clive George (Managing Director)
- Nicola Andresen (Administrative Director)
- Bryan Heapy (Independent Director)
- Dennis Hodgetts

Further details on the Directors of Asset Finance are available on pages 13 & 14.

▶ Business Activities

The two primary activities of the Company are:

- a) borrowing funds from the public by issuing debt securities to the public pursuant to a registered Prospectus for Secured Deposits and Unsecured Notes;
- b) lending funds to the public by providing finance in the form of secured personal and business loans.

The Company uses its head office based in Whakatane and a network of Asset Finance offices and agencies to carry out these activities. The Company has been carrying on business as a finance company since 1997.

More information on the Company can be found in the company profile beginning on page 6 of this Investment Statement.

3. HOW MUCH DO I PAY?

The minimum subscription amount which must be paid by you is \$500; however a higher amount may be required to be eligible for particular account options, terms or rates. The maximum subscription amount is at the discretion of the Company.

All payments should be made to Asset Finance Limited, 38 Richardson Street, PO Box 497, Whakatane 3158.

Payments may be made by cheque or direct credit to Asset Finance, or by regular automatic payment. Further details of these options are provided in the application form.

4. WHAT ARE THE CHARGES?

You pay no fees or charges for the right to invest with Asset Finance.

If Secured Deposits are withdrawn prior to maturity, we may charge an early withdrawal fee based on an adjusted interest rate, the calculation of which will depend on the timing and circumstances of the withdrawal.

For more details regarding early withdrawal, please refer to the comments under the heading "Early Repayment of Secured Deposits" at point 8 below, or contact Asset Finance on 0800 657 800 or + 64 7 306 0272.

Brokerage may be paid by the Company, but is not payable by investors. Rates may range up to 1.50% of the investment amount for term investments, as negotiated in the best interests of the Company. The terms and rates of brokerage may be altered by the Company at any time and may be adjusted for investments that are repaid early.

5. WHAT RETURNS WILL I GET?

The return on your investment with Asset Finance will depend on the term for which you agree to invest with Asset Finance and will take the form of interest payments.

Secured Deposits will attract a fixed rate of interest the amount of which depends upon the length of term invested. Terms range from three (3) months to five (5) years.

Early repayment of Secured Deposits will be considered only in extenuating circumstances. More information on Early Repayment is contained at point 8.

The interest rates received on Secured Deposits are fixed and will not be varied until the end of the relevant term.

Secured Deposits are repayable in full on maturity.

In addition to a choice of the term of investment, investors are entitled to choose from a range of payment options. These options include:

▶ Monthly Direct Credit

This form of interest payment is only available at the discretion of the Company. The net interest earned on your investment will be direct credited as cleared funds to the bank or financial institution account specified in the application form on a monthly basis; or

▶ Quarterly Direct Credit

If you select 'Quarterly Direct Credit' on the application form, the net interest earned on your investment will be direct credited as cleared funds to the bank or financial institution account specified in the application form on a quarterly basis; or

▶ Quarterly Compounding

If you select 'Quarterly Compounding' on the application form, interest earned on your investment will be automatically reinvested. You will then earn interest on interest.

Interest earned on your investment will be paid in accordance with the instructions specified in your application form.

If you choose to have interest paid or compounded quarterly, it will be done on the last working day of March, June, September and December. If you are to have interest paid monthly, it will be done on the last working day of each calendar month.

Interest on all accounts is calculated on a daily basis from the date the application money is receipted by the Company, subject to the clearance of those funds.

If you select an interest payment option on the application form and then later decide you would like to change the specified option, we will be happy to make the change free of charge upon receiving a written request.

Asset Finance may from time to time offer additional or alternative payment options to those specified above. Should you wish to confirm the payment options current at the time of application, please contact us.

You will receive interest payments from Asset Finance, less deductions for resident or non-resident withholding tax (or if agreed with Asset Finance, for qualifying non-residents, the cost of the Approved Issuer Levy), at the time or times and rate shown on the current Application Form or maturity advice issued by Asset Finance or agreed on at the time of investment. Asset Finance cannot state exactly as at the date of this Investment Statement, the rate of return you will receive as interest rates may change and the rate of return depends upon the length of term you choose to invest for, and market conditions at that time.

▶ Withholding Tax

Under current legislation, Asset Finance is required to deduct resident or non-resident (as the case may be) withholding tax from the gross interest payable to you on your investment, and to account for this deduction direct to the Inland Revenue Department. Provided you supply Asset Finance with your IRD number, you can choose the rate of withholding tax to be deducted. Where you do not provide your IRD number withholding tax is deducted at the default rate.

Asset Finance is not required to deduct withholding tax where you hold a valid Certificate of Exemption. If you hold a Certificate of Exemption you are required to forward a copy to Asset Finance and to notify Asset Finance immediately if the Certificate of Exemption is withdrawn at any time during the period of your investment.

If you are a qualifying non-resident, and our prior agreement is sought, Asset Finance will deduct the costs of the Approved Issuer Levy.

Asset Finance does not accept responsibility, nor do we give any undertaking or warranty that withholding tax deductions will not be made from any interest paid to any person who holds or is entitled to hold a valid Certificate of Exemption, where a copy of that Certificate has not been forwarded to Asset Finance. There is no undertaking or warranty given that non-resident deductions will not be made from interest remitted to any address outside New Zealand, irrespective of whether or not the recipient of the interest is or may become a tax resident in New Zealand.

Asset Finance is legally liable to repay your investment but cannot quantify or promise the amount of your return as at the date of this Investment Statement.

6. WHAT ARE MY RISKS?

Secured Deposits are a secured investment. Secured Deposits rank for repayment after preferential claims (set out in the Seventh Schedule of the Companies Act 1993) and permitted prior charges under the Trust Deed (up to 2% of total tangible assets), and ahead of all other secured and unsecured debts of Asset Finance, and shareholders' equity.

Currently there are no prior charges.

An investment with Asset Finance involves various risks which can be broadly divided into general risks and specific risks. Before any decision is made to invest, the following risks should be considered:

▶ General Risks

- **Economic, social and political conditions**

At the most general level, changing economic, social and political conditions in New Zealand and overseas may affect the demand for the type of finance offered by Asset Finance.

Periods of declining economic activity or financial uncertainty may see a downturn in demand for the type of loan facilities offered by Asset Finance. Any poor performance by other finance companies may also cause an erosion of public confidence in the market Asset Finance operates in. This may affect the level of public funds being deposited with Asset Finance.

- **Operation Risk**

Operating risk may arise from Asset Finance's assessment processes and debtor control processes, leading to defaulting borrowers.

- **Liquidity Risk**

Liquidity risk may arise where Asset Finance does not have sufficient cash liquidity to pay investors their investments and returns at the due date and meet all other financial obligations. Asset Finance monitors its liquidity cash position on a continuous basis and plans its operating activities to ensure a balanced liquidity position and minimising any risk of a shortfall of funds.

Generally Asset Finance lends short term and due to the nature of its business, is not significantly exposed to any particular sector or single borrower. This allows Asset Finance to mitigate liquidity risks as loan repayments are regular and not made in bulk at the end of the loan term.

- **Legislative risk**

New laws and regulations could force changes upon Asset Finance's business. These changes could impact on Asset Finance's ability to continue trading, or add additional overheads expenses and reduce profitability.

▶ Specific Risks

- **Recovery from Borrowers**

If a loan defaults there is a risk of not being able to make a full recovery of that loan from the borrower and the security taken for the loan may not provide sufficient funds to recover money owing. To mitigate this risk Asset Finance must be satisfied that sufficient assessments of the borrower, security and guarantor (if any) are made as outlined on pages 10 and 11. Further mitigation of risk is achieved through the active monitoring of all loans.

- **Interest Rate Fluctuations**

Market and interest rate movements may give rise to a loss of opportunity for investors to receive greater interest rate returns on an investment with Asset Finance.

Funds lent by Asset Finance will typically be above Bank interest rates. Market increases in interest rates may act as a disincentive for borrowers to seek funding from Asset Finance, and consequently affect the revenue of Asset Finance.

► Insolvency

The principal risk of your investment not being repaid to you, or of not receiving the returns specified in the application form, is if Asset Finance were to become insolvent. Asset Finance could become insolvent where:

- Due to any of the reasons outlined above a significant amount of its loan portfolio was not repaid and security taken for those loans proved inadequate to recover the borrowers' outstanding indebtedness to Asset Finance; or
- its investments could only be realised at a loss; and because of those principal risks or otherwise, Asset Finance is unable to meet its debts as they fall due.

Due to the lending policies of Asset Finance, there are no particular concentrations of credit to a particular industry (such as property developers), geographical location within New Zealand, person or group of people.

► Consequences of Insolvency

Should Asset Finance ever become insolvent, no holder of Secured Deposits would be liable to pay any further money to the Company or any other person in respect of their Secured Deposits.

The following claims on the assets of the Company will or may rank ahead of claims of holders of Secured Deposits if the Company is put into liquidation:

- All of the Trustee's costs, charges, expenses and liabilities, and all of its remuneration together with interest;
- Claims given priority by operation of law (for example, unpaid wages or taxes); and
- Claims given priority by the Trust Deed (the Trust Deed permits the Company to create prior security interests securing up to 2% of total tangible assets).

Holders of Secured Deposits would rank equally with all other holders of Secured Deposits (including those who invested pursuant to an earlier or later prospectus and investment statements). More information of ranking of securities is contained in note 32 of the financial statements contained in the Prospectus.

► Credit Rating

The Company has a long term counterparty credit rating of 'B' / Outlook Negative, issued by Standard & Poor's (Australia) Pty Limited ("S&P").

This is an issuer rating and is based on local currency (ie New Zealand dollar). S&P is a ratings agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989.

A credit rating is a statement of opinion about the creditworthiness of the issuer, and central to this, is a view of the likelihood of default.

Below is a table showing the ratings provided by S&P and the relative ranking in terms of their view as to the likelihood of default:

	Strength	S&P Scale	Approx. Probability of default over five years *
Capacity to make timely payment	Extremely Strong	AAA	1 in 600
	Very Strong	AA	1 in 300
	Strong	A	1 in 150
	Adequate	BBB	1 in 30
Vulnerability to non payment	Less Vulnerable	BB	1 in 10
	More Vulnerable	B	1 in 5
	Currently Vulnerable	CCC	1 in 2
	Currently Highly Vulnerable	CC	1 in 2
	Default	D	

* The approximate median likelihood that an investor will not receive repayment on a five-year investment on time and in full based upon historical default rates published by the agency.

Source: Adapted from Reserve Bank of New Zealand "Know your Credit Ratings", March 2010.

S&P defines the 'B' rating as follows: "An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments." [taken from www.standardandpoors.com]. It should be noted that probability or likelihood of default is based on statistical analysis. Asset Finance has been in operation since 1997 and has never defaulted on payment of interest or principal to any investor.

The Negative Outlook recognises the Company's vulnerability to asset quality and liquidity pressures in the current difficult operating environment. The S&P press release advised that the Company has a vulnerable funding profile that relies on ongoing investor support. Although the shareholders had been steadfast through the recent difficult operating environment, the ability and willingness of shareholders to provide additional capital, if required, remains unclear and depends on the Company's ability to generate sufficient commercial returns to shareholders. The Company is of the view that the Negative Outlook is likely to be upgraded where the Company is able to continue to manage its liquidity and boost balance sheet liquidity in the long term. The S&P report identifies that "the company's operating performance has also been supported by the expertise of its board and staff in effectively managing the company's credit losses to date".

The ratings analyses of S&P are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. Ratings, credit-related analyses, data, models, software and output therefrom should not be relied on when making any investment decision. S&P opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Ratings may be changed, withdrawn or suspended at any time.

S&P has not caused or authorised the issue of this Prospectus. S&P has not made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified above. S&P, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part of, this Prospectus, other than the reference to its name and the statements included in the Prospectus as specified above.

More information on ratings and their meanings is available at www.standardandpoors.com or www.aboutcreditratings.com, and a fact sheet has also been produced by the Reserve Bank of New Zealand and is available on their website [www.rbnz.govt.nz].

7. CAN THE INVESTMENT BE ALTERED?

Secured Deposits are for a fixed term which under ordinary circumstances cannot be altered by you. Refer to point 4 above and point 8 below, with regard to early withdrawal of Secured Deposits.

If an event of default occurred under the Trust Deed, the Trustee may, and shall if instructed pursuant to an extraordinary resolution (as defined in the Trust Deed) of holders of Secured Deposits, demand immediate payment of all Secured Deposits whether or not due for repayment, and the Secured Deposits will be repayable at that time.

Asset Finance reserves the right, without notice, to vary the interest rates and the terms offered under this investment statement. You will be advised if your application is received after any rate or term change to the Secured Deposits, and your instructions on the matter will be sought. Unless you confirm to Asset Finance within 5 business days that you accept the revised rate or term, your investments will be refunded in full.

Asset Finance has the right to repay investors early. Asset Finance may without the approval of investors, upon giving at least fourteen (14) days notice in writing of its intention to the Trustee and all investors, repay all Secured Deposits (including accrued interest), whether or not due for repayment.

The Trust Deed can be amended in certain circumstances by agreement between the Trustee and Asset Finance. Additionally the holders of Secured Deposits can agree to amend the Trust Deed by extraordinary resolution (as defined in the Trust Deed).

8. HOW DO I CASH IN MY INVESTMENT?

Secured Deposits issued for a specified term will mature on the expiration of the term selected by you on your application form.

At least 21 days prior to the maturity of your Secured Deposits, Asset Finance will send you a reminder letter stating the reinvestment and repayment options specified in your application form. Any such letter will enclose a copy of the investment statement and application form current at that time.

Repayment of principal or interest can be made by cheque or by direct credit to the bank or financial institution account nominated on your application form. You can make your choice (in advance) by marking the appropriate box on the application form at the time of your initial investment.

If no maturity instructions are received by the date of maturity of your investment, Asset Finance will have the option of (a) reinvesting your investment for a similar term at our prevailing rate, or (b) repaying your investment (together with accrued but unpaid interest) by direct credit to the bank or financial institution account nominated on your application form, or by cheque posted to your last known address recorded on Asset Finance's investor register.

The same person (unless the application was signed under a power of attorney, or by a trustee or where the investor has died or is otherwise incapacitated) who signed the initial application form must sign any written (including facsimile) instruction or otherwise author any e-mail instruction to the Administration Team invest@assetfinance.co.nz . Where any of the exceptions apply, the party or parties seeking repayment should contact our Administration Manager on 0800 657 800 or + 64 7 306 0272.

► Early Repayment of Secured Deposits

Asset Finance relies on committed Secured Deposits to properly plan its business, and for this reason will only agree to early repayment at the request of an investor in limited circumstances. The circumstances under which early repayment may be considered are:

- Estates or Trusts: where Secured Deposits form part of an estate or trust and the trustees wish to distribute the assets of the estate or trust (as the case may be);
- Hardship: where, due to unforeseen circumstances, an investor's continued investment may give rise to some form of material hardship; or
- Terms of Investment: where the terms, upon which the investment was accepted, so provide.

If Asset Finance agrees to accept a request by a holder of Secured Deposits for the investment to be withdrawn prior to maturity for any reason, Asset Finance is likely to charge an early withdrawal fee calculated on an adjusted interest rate as further described in point 4 above.

Asset Finance has the right to repay investors early. Asset Finance may without the approval of investors, upon giving at least fourteen (14) days notice in writing of its intention to the Trustee and all investors, repay all Secured Deposits (including accrued interest), whether or not due for repayment).

If any event of default has occurred under the Trust Deed, the Trustee may, and shall if instructed by an extraordinary resolution (as defined in the Trust Deed), demand the immediate repayment of all Secured Deposits whether or not due for repayment, and the Secured Deposits will be repayable at that time.

► Right to Sell Securities

Investors may transfer Secured Deposits to a third party at the discretion of Asset Finance. It should be noted that in the opinion of the Company there is no established market for transferring investments of this type. In the event that Asset Finance agrees to a transfer of Secured Deposits no fees are payable from an investor.

9. WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

If you have any enquires about your investment, or the Company, please call the Investment Manager at Asset Finance. Contact details are in the Directory at the rear of this Investment Statement.

10. IS THERE ANYONE WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

In the first instance, any complaints you may have about your investment should be made to the Managing Director of Asset Finance. Contact details are in the Directory on page 27.

▶ Trustee

If you still believe that your complaint has not been resolved, you can then direct it to the Trustee, Covenant Trustee Company Limited. The Trustee's contact details are in the Directory on page 27.

11. WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

For more information about investing in Secured Deposits, our most recent Prospectus and Investment Statement, the Trust Deed, our annual report, Company constitution and the most recent financial statements of the Company are available from our offices during normal business hours free of charge.

Asset Finance's contact details are in the Directory on page 27.

The Prospectus, Trust Deed, financial statements, annual report, Asset Finance's Constitution and all other documents relating to the incorporation of the Company are also able to be viewed online at the Companies Office website www.companies.govt.nz upon payment of the appropriate fee. Where any of the documents are unavailable on the website, a request for the documents can be made by telephoning the Companies Office Contact Centre on 0508 266 726.

More information on ratings and their meanings is available at www.standardandpoors.com or www.aboutcreditratings.com, and a fact sheet has also been produced by the Reserve Bank of New Zealand and is available on their website [www.rbnz.govt.nz].

Asset Finance is registered on the Financial Service Providers Register (FSFR) with FSP number FSP3501. The FSFR is part of the government's financial sector regime that aims to provide greater accountability and transparency. You can search the FSFR website at www.fspr.govt.nz.

▶ On Request and Annual Information

Together with the information set out above, you also have the right to request a statement of your investment account at any time, free of charge, by contacting us at our offices during normal business hours.

There is no annual information that will be sent to investors.

Attach cheque or proof of deposit

APPLICATION FOR SECURED DEPOSITS

See reverse for instructions. If you have any questions or comments, please don't hesitate to contact us.

1. FULL NAME, IRD NUMBER AND CONTACT INFORMATION

Company/Trust/Club: _____

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IRD Number

Investor Full Name: Mr/Mrs/Miss/Ms _____

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IRD Number

Residential address: _____

Non-residents: you must specify your overseas residential address and country

Mailing Address: _____

If you would like correspondence sent somewhere other than to your residential address

Home Ph: _____ **Work Ph:** _____ **Mobile Ph:** _____

Email address: _____

Joint Investor: Mr/Mrs/Miss/Ms _____

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IRD Number

2. INVESTMENT DETAILS

NOTE: You can specify multiple deposits on a single application, as long as they are to be under the same name. The minimum investment amount is \$500 (unless otherwise stated). Specify up to three deposits below, and include a cheque for the full amount.

- Special rates may apply for investments of \$100,000 or more, please call for quote.

Amount	Term or maturity date	Interest Rate	Interest Payments (choose one per deposit)		
example only	5 years	10% p.a.	<input checked="" type="checkbox"/> Quarterly Direct Credit	<input type="checkbox"/> Monthly Direct Credit	<input type="checkbox"/> Quarterly Compounding
1. \$			<input type="checkbox"/> Quarterly Direct Credit	<input type="checkbox"/> Monthly Direct Credit	<input type="checkbox"/> Quarterly Compounding
2. \$			<input type="checkbox"/> Quarterly Direct Credit	<input type="checkbox"/> Monthly Direct Credit	<input type="checkbox"/> Quarterly Compounding
3. \$			<input type="checkbox"/> Quarterly Direct Credit	<input type="checkbox"/> Monthly Direct Credit	<input type="checkbox"/> Quarterly Compounding

3. YOUR BANK ACCOUNT

I/We nominate the following bank account for interest payments.

(We may require a bank verified deposit slip. See 'SUPPORTING DOCUMENTATION' on reverse)

Bank	Branch	Account Number	Suffix

Bank: _____ **Branch:** _____

4. TAX

Please deduct withholding tax at the following rate:

10.5%
 17.5%
 30%
 33%

Nil (my exemption certificate is attached)

OR I/we are non-residents for tax purposes, please deduct: (see reverse for details)

NRWT
 Approved Issuer Levy

5. DECLARATION & SIGNATURES

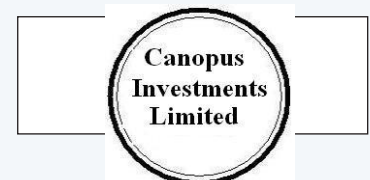
My signature confirms that I have received and read the Investment Statement for this investment. If signed under power of attorney, the attorney hereby declares that they have not had notice of the death of the donor or the revocation of the power of attorney.

Signature(s): (Joint applications must be signed by all applicants. For applications on behalf of trusts, trustees only must sign).

Investor: _____ **Date:** _____

Joint Investor: _____ **Date:** _____

Please send another application form and investment statement



How To Invest With Asset Finance

Once you have decided on the details of your investment (amount and term), complete the application form as follows:

1. COMPLETE AND SIGN THE APPLICATION FORM

See the right hand column for details on certain aspects of the application form. Once complete, separate the application form from the booklet by tearing along the perforated line.

2. ATTACH CHEQUE OR PROOF OF PAYMENT

Cheques should be made out to Asset Finance Limited and crossed 'non transferable'.

Or, if you wish to pay by direct credit, our bank account details are as follows:

Bank: National Bank
Branch: 236-238 The Strand, Whakatane
Account Name: Asset Finance Limited
Account Number: 06-0489-0107275-25

Either the cheque or proof of the direct credit payment should be attached to this application.

3. ATTACH OTHER DOCUMENTATION

Provide copies of identification and other documentation as required. See the heading 'Supporting Documentation' (opposite) or contact us for further information.

4. POST YOUR INVESTMENT APPLICATION TO US

We have included a return freepost envelope for your convenience.

The application should be posted to:

Asset Finance Limited
P O Box 497
Whakatane 3158
New Zealand

5. WE WILL POST A CERTIFICATE TO YOU

Investment applications are normally processed on the same day they are received. If accepted, a certificate detailing the investment will be posted out to you within 24 hours of the application being processed.

If you have not received a response from us within 5 working days of sending an application, or if you have any questions or concerns of any nature at any time, please don't hesitate to contact us.

Note that certificates sent to overseas addresses may take significantly longer to arrive.

6. YOUR FIRST STATEMENT

Statements are sent quarterly. You should receive your statement within 10 days of the end of quarter.

If you would like statements sent with a different frequency, please contact us.

WITHHOLDING TAX

All investments will have withholding tax deducted, unless a valid certificate of exemption is provided to Asset Finance, or in the case of qualifying non-residents, where the cost of Approved Isser Levy ("AIL") is deducted in lieu of Non Resident Withholding Tax ("NRWT").

If you qualify as a non-resident, supplying us with both your mailing and residential address will allow us to deduct either NRWT or AIL. If you choose to pay NRWT, it will be deducted at the rate that applies to your country, either 10% or 15%. Alternatively we can deduct the cost of AIL (currently 2%) in lieu of NRWT. NRWT will be zero rated when choosing the AIL option.

Additional information on withholding tax is contained on page 21 of this Investment Statement.

SUPPORTING DOCUMENTATION

The following is a list of supporting documentation that may be required to accompany the application.

• Bank verified account number

if your nominated bank account differs (other than the suffix) to the bank account on your cheque, or if you are paying by direct credit, please attach a bank verified account number.

• Investor Identification

We are required by the Financial Transactions Reporting Act 1996 to verify the identity of new investors.

If you are paying by personal cheque:

- **One Investor:** If the investment is in your name and you pay by personal cheque in your name, no identification is required.
- **Joint Investments:** If the investment is in joint names and the personal cheque is in the name of only one of the investors, the other investor must provide identification.

In addition, if you are paying by direct credit or bank cheque, or if the cheque you are paying with is not in the name of the entity investing, you are required to provide copies of identification.

Preferred identification is a copy of your **current valid passport** or **current drivers' licence**. If you are unable to provide this, we require a copy of your birth certificate and one other form of identification such as a copy of your credit or bank card.

• **Exemption certificate:** If you chose 'Exempt' under 'TAX' on the application form, attach a copy of your RWT exemption certificate (see page 12 for details on exemption certificates)

• **Power of attorney** if signed by attorney, attach copy of power of attorney and certificate of non-revocation.

Directory

Issuer and Securities Registrar:

Asset Finance Limited
38 Richardson Street
PO Box 497
Whakatane

Telephone: +64 7 306 0272
Toll free: 0800 657 800
Facsimile: +64 7 306 0274

Email: invest@assetfinance.co.nz
Website: www.assetfinance.co.nz

Directors of the Issuer:

David Houldsworth
Principal place of residence: Auckland

Clive Nelson George
Principal place of residence: Whakatane

Nicola Ann Andresen
Principal place of residence: Whakatane

Bryan John Heapy
Principal place of residence: Hamilton

Dennis William Hodgetts (MBA)
Principal place of residence: Whakatane

All Directors may be contacted c/- Asset Finance Limited, 38 Richardson Street, Whakatane

Solicitors To The Issuer:

Stace Hammond
Level 17, Auckland Club Tower
34 Shortland Street
Auckland

Telephone: (09) 307 7909
Facsimile: (09) 307 7908

Trustee:

Covenant Trustee Company Limited
Level 18, 48 Emily Place
Auckland

Telephone: (09) 302 0638
Facsimile: (09) 302 1037

Auditors:

Grant Thornton New Zealand Audit Partnership
97-101 Hobson Street
Auckland

Telephone: (09) 308 2570
Facsimile: (09) 309 4892

Bankers:

ASB Bank Limited
Tauranga Branch
Level 2, 95 Devonport Road
Tauranga

The National Bank of New Zealand
Whakatane Branch
236-238 The Strand
Whakatane

Companies Office:

Registrar of Companies
Private Bag 92061
Auckland Mail Centre

Telephone (Contact Centre): 0508 266 726
Facsimile: (09) 912 7787
Website: www.companies.govt.nz



Asset Finance Limited

PO Box 497

Whakatane 3158

New Zealand

0800 657 800

www.assetfinance.co.nz