

Gold Band Finance

ESTABLISHED 1986

Gold Band Finance is not rated by a rating agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989.

Competitive Term Investments

INVESTMENT STATEMENT

DATED 11 APRIL 2011

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Important information

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(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:

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In addition to the information in this document, important information can be found in the current 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 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 resolutions 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 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 and remuneration must include:

- the nature and level of the 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.

The following information is provided in accordance with Schedule 13 of the Securities Regulations 2009 . This information is important and should be read carefully before making an investment decision.

Definitions:

The '*Company*' and '*Gold Band Finance*' refers to Gold Band Finance Limited.

'Investment' means an investment in first ranking secured Debenture Stock or Unsecured Deposits.

'Investor' means the person or entity subscribing for an Investment.

'Trust Deed' refers to the Trust Deed entered into between the Company and Perpetual Trust Limited (*'the Trustee'*) dated 30 June 1993 (and modified on 5 March 1996, 17 December 1996, 10 November 1999, 13 November 2002, 1 February 2007 and 16 December 2010).

'Prospectus' refers to the current registered prospectus for the issue of the Investment.

What sort of Investment is this?

This Investment Statement relates to the issue of first ranking secured Debenture Stock and Unsecured Deposits, issued as debt securities under the Trust Deed.

Investment options are set out as follows:

1) Debenture Stock

Debenture Stock is issued under the Trust Deed and has the first ranking claim on the assets and undertakings of the Company, after prior charges created by the Company and by law. The claim created under the Trust Deed is a practical alternative to granting security over the assets of the Company to every individual Investor. Debenture

stock ranks equally with Security Stock, which is issued to the Company's bankers to secure overdraft and standby credit facilities.

The Trust Deed restricts prior charges created by the Company to a maximum of 7.5% of total tangible assets as defined in the Trust Deed.

Prior charges that could arise by operation of law include taxes, employee wages, and costs of liquidation.

There are no charges ranking prior to Debenture Stock other than those created by law, nor has the Company created any prior charges since its establishment.

First ranking secured Debenture Stock is issued on the following basis:

▶ **Fixed Term**

Competitive rates of interest are available on this form of investment and an Investor may nominate a term ranging from six months to five years.

▶ **Date of Maturity**

An Investor may elect to have an Investment maturing on a nominated date. In that case it is necessary to enter the chosen maturity date in the space provided on the Application Form. The nearest shorter term determines the interest rate that will then be applicable.

2) Unsecured Deposits

Unsecured deposits are issued on the following terms:

▶ **Call**

Redemption to be made on the day nominated provided that notification is received by 10.00am on that day, subject to allowing time for clearance of Investments lodged by cheque.

▶ **Other Terms**

Investors may nominate a term ranging from 30 days to five years.

Funds accepted for an initial term of 6 months to 5 years will then revert to Call rates, pending maturity instruction from the Investor. Redemption of such Investments will be made on the terms applicable to Call Investments provided that the Investment has run the initial fixed term.

Trust Deed

In addition to restrictions of prior charges created by the Company the Trust Deed contains borrowing restrictions and various compliance obligations to the Trustee.

The Securities Act 1978 requires that an independent Trustee be appointed to look after the interests of Investors. It is a practical means by which the numerous Investors of the Company can be assured that their interests are being monitored by an organisation that is experienced and is able to act independently.

A summary of the Trust Deed borrowing restrictions can be found in the Prospectus and the complete Trust Deed can be obtained free of charge as described in the section "What other information can I obtain about this Investment?"

New Zealand deposit guarantee scheme

The Company has not applied to join the extended Crown

Guarantee for the period beyond 12 October 2010.

Non-bank deposit taker regulations and credit ratings

The Reserve Bank of New Zealand has introduced regulations to the Non-bank deposit taker ("NBDT") sector as part of its prudential regulation regime. The regulations were introduced during 2010, and include credit rating requirements, minimum capital adequacy requirements, related party exposure restrictions, and liquidity requirements.

The Company is not rated by a rating agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989. Please refer to the "Credit rating" section under "What are my risks?" for further information.

Minimum capital ratio, related party exposure restrictions, and liquidity ratio requirements have been introduced effective from 1 December 2010. The requirements have been included in the Trust Deed by way of the amendment dated 16 December 2010, and are described in summary form in the Prospectus.

The Company complies with the requirement to have at least two independent directors under the Reserve Bank of New Zealand Amendment Act 2008.

The Company is a registered Financial Service Provider under the Financial Service Providers Act 2008 (FSP no. FSP32185), and is a member of the Insurance and Savings Ombudsman Scheme.

Who is involved in providing it for me?

Issuer: Gold Band Finance Limited
Level 4, 69 Cambridge Terrace*
PO Box 713
Christchurch
Email: admin@goldbandfinance.co.nz
Web: www.goldbandfinance.co.nz

*The Company has secured temporary office premises at Unit 3, 50 Dakota Crescent, Wigram, Christchurch, following the 22 February 2011 Christchurch earthquake. Other contact details are unchanged.

The directors of the Issuer are Robin Charles Standage, Robin Wales, John Philip Thompson and Paul Alexander Rogers, all of whom are principally resident in Christchurch and can be contacted at the registered office of the Company.

Trustee: Perpetual Trust Limited
305 Lincoln Road
PO Box 112
Christchurch

The date of occupation of the Trustee's new premises following the 22 February earthquake was not confirmed at the date of issue of this Investment Statement.

Company background and performance

Gold Band Finance Limited was established in 1986 initially to meet the finance requirements of taxi owners. Since then the

Company has implemented a strategy of diversifying its asset base through lending to a broad range of clients that operate in a range of industry sectors, against a broad range of security types.

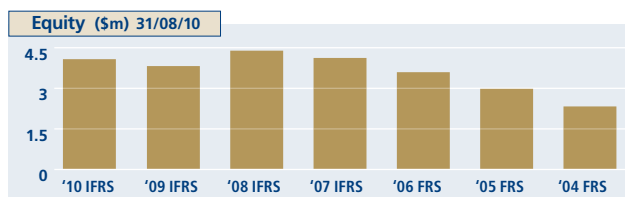
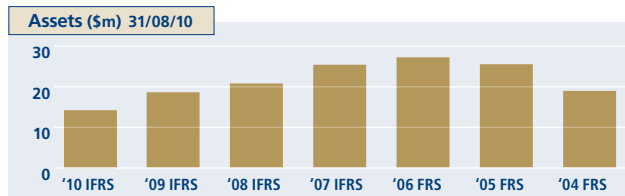
The Company operates from its offices at Level 4, 69 Cambridge Terrace, Christchurch.

The Company has three wholly owned subsidiary companies, LoanCo Limited (established 2005), Credit Protection Limited (established 2004) and Aurous Asset Holdings Limited (established 2008). LoanCo Limited was established to operate and develop the existing consumer finance business of the Company.

Credit Protection Limited provides guarantee facilities for loans to personal loan clients of the parent company (and LoanCo Limited). Credit Protection Limited contributes to Company revenues as a subsidiary by way of Guarantee fees earned.

Aurous Asset Holdings Limited was incorporated for the purpose of investing and or trading in assets that may include receivables, primarily to provide the opportunity to retain the value of assets that secure the Group's receivables that could otherwise be impaired, in circumstances that the directors consider appropriate. Any such transactions are to occur at market values. Further information about the activities of the subsidiary companies is contained in the prospectus.

Gold Band Finance has established and developed an infrastructure of operating systems and processes, highly skilled staff, and governance practice that contributes to its objectives of maintaining high levels of customer satisfaction while achieving consistent and sustainable operations and profitability.



Activities of the Company

The principal activities of the Company comprise:

- ▶ Borrowing money from Investors through the issue of first ranking secured Debenture Stock and Unsecured Deposits, and;
- ▶ Providing loan facilities to individuals, companies, and other entities for a variety of purposes, described in more detail below

The Company has engaged in the activity of borrowing money from Investors for a period of approximately 17 years.

The Lending activities of the Company are funded by the proceeds of Investment from the issue of first ranking secured Debenture Stock and Unsecured Deposits, and the capital and retained earning contributed by shareholders.

A large proportion of the Company's lending activity involves customers that have specific finance requirements unsatisfied by traditional trading bank sources, for a number of reasons, including the unavailability of a specific bank product, the small scale of a transaction or the term required, the time taken and the complexity of the application process, the applicants not meeting all of the trading bank credit criteria, and the applicant's requirement for the flexibility of a personalised solution.

The Company has sought to maintain and develop its expertise in a number of lending markets, and combined with providing a personal and timely response to loan applications, and the flexibility to develop specific lending solutions, has established itself as a competitive alternative to trading banks and other financial institutions.

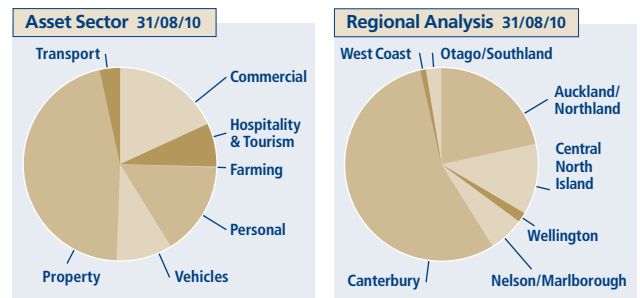
The Company has been lending to personal and commercial loan customers since its establishment in 1986, with customer categories presently broken down as shown (right).

A broad range of loans and financial facilities are provided by the Company, including loans ranging from \$500 to over \$1 million in certain cases.

Loan terms generally range from less than one month to three years. Loans secured by land based (mortgage or caveat security) may in certain situations be advanced for terms of up to five years.

Loan facility types range from facilities requiring the repayment of principal (fully amortised) and interest over the term of the loan, to capitalised interest facilities, and include facilities with partial amortisation of principal repayments followed by a residual balloon payment, and revolving credit type facilities. The Company has provided facilities of the types described for approximately 24 years.

The Company lends solely within New Zealand in the industry and economic sectors as shown (below left).



The Company has been lending within the hospitality and tourism sector and farming sector for approximately 12 years and 11 years respectively, and to all other sectors identified for approximately 24 years.

The principal activities of the Company are carried out in accordance with the regional analysis (above right).

Traditionally focused on the Canterbury and surrounding South Island regions, the Company has in recent years sought

to diversify its regional exposure to include other regions within New Zealand.

Gold Band Finance is proud of its Canterbury based heritage established over two decades, and intends to maintain the primary focus of its principal activities within Canterbury and surrounding South Island regions.

How much do I pay?

Investors applying for first ranking secured Debenture Stock and Unsecured Deposits are required to pay the amount to be invested to the Company in full at the time of the investment.

The Application Form and Investment Rate Card are available with this Investment Statement.

Investors should fill in the details provided for in the Application Form selecting the desired term and the corresponding interest rate from the Investment Rate Card.

The minimum amount accepted for investment is \$500, or such other minimum as the Company may from time to time agree. Investors may select the amount of their Investment subject to the minimum amount and should complete the Application Form accordingly.

Cheques for the full amount to be invested should be made payable to Gold Band Finance Limited and crossed “not transferable”.

Alternatively payment can be made by direct credit to the Company’s bank account, details of which are available upon request, provided that sufficient information is recorded with any such lodgment to enable the Company to identify it as belonging to the applicant.

The Company reserves the right to decline any application and to withhold the issue of a Debenture Stock certificate until payments by cheque are cleared.

The application should then be lodged, together with payment for the amount to be invested, with:

Gold Band Finance Limited

Level 4, 69 Cambridge Terrace*

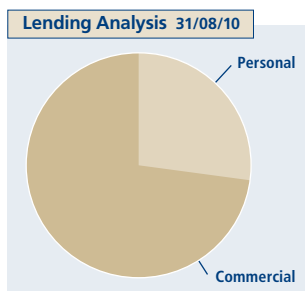
Freeport 149666

PO Box 713 Christchurch

*Refer to temporary address under “Who is involved in providing it for me”

What are the charges?

There are no charges to the Investor to make an Investment in the Debenture Stock and Unsecured Deposits. In the event that the Company agrees to early repayment of an Investment there is no charge, however an adjusted rate of interest may apply to funds withdrawn before maturity (refer to “Early Repayment” in the section “How do I cash



in my Investment?”)

Fees are payable to the Trustee for administering the Trust Deed and are paid for by the Company.

During the term of the Investment the Company cannot introduce any new fees or charges that could affect the return on the Investment or the amount payable on maturity.

What returns will I get?

The Company determines the interest rates applicable to new Investments from time to time, with reference to prevailing market conditions and its requirements.

Interest rates are directly related to specific investment terms, as recorded on the Investment Rate Card available with this Investment Statement.

The returns on your Investment will be determined by a number of key factors, namely the term and applicable interest rate selected, the amount of your Investment, the tax deducted, and the interest payment option selected.

The Company may vary the interest rates applicable to new Investments at any time. Once the Company has accepted an Investment of a fixed term, the Company cannot change the interest rate for duration of that Investment, provided that the original investment term is completed. The interest rate applying to existing “at Call” Investments can be varied at any time.

In the event of early repayment, as described in the section “How do I cash in my Investment?”, the Company may reduce the interest rate to the rate that would have applied for the reduced term.

Interest is calculated and accrues on a daily basis (on the basis of a 365 day year) and will accrue from the date the Investment application is accepted and cleared funds received by the Company.

Interest on Investments of fixed terms of six months or greater is credited to the Investment on the last business day at the end of each quarter ended 31 March, 30 June, 30 September, and 31 December, and on maturity, unless otherwise stated on the Application Form. Interest on shorter fixed term Investments is calculated on maturity.

Investors may choose to obtain their return from the Investment from the following methods:

1) Compounding interest

If an Investor has no requirement for interest to be paid out regularly and wishes to have the amount of an Investment built up, the compound interest option can be nominated. In this way interest is earned on interest and the effect is a higher overall return on the initial Investment. If the compounding option is selected interest is calculated on the Investment balance comprising the initial Investment and interest accumulated with each quarterly “rest”, for the remainder of the Investment term.

If this option is chosen then a Quarterly Interest Advice will be sent to Investors after interest is calculated at the end of each quarter, giving details of the interest earned during the preceding quarter and the current balance of

their Investment.

2) Regular Income – Payment by cheque

If required by an Investor, interest will be paid by cheque, posted at the end of each quarter for Investments of a fixed term of six months or greater, and at maturity.

3) Regular Income – Payment by Direct Credit

An Investor can elect to have interest paid direct to a nominated bank account.

Details of the interest earned and paid by Direct Credit or cheque will be recorded on the Quarterly Interest Advice, sent to the Investor each quarter and on maturity.

The Application Forms contain provision for nominating the respective interest options and corresponding terms.

Gold Band Finance is the entity legally liable for the payment of your interest, and at maturity, the repayment of your initial Investment.

Withholding Tax

Resident Withholding tax (“RWT”) is required by current legislation to be deducted by the Company from payments of interest made during the year to New Zealand Resident Investors. An exception applies to those investors who hold a Certificate of Exemption issued by the Inland Revenue Department. Investors should supply an IRD number on the application form. Regular statements issued by the Company will contain details of tax deducted.

Effective from 1 October 2010 the rate of RWT for individuals that have supplied their IRD number is 17.5%. Alternatively investors can elect to have RWT deducted at either 10.5%, 30%, or 33%. These rates, with the exception of the 10.5% rate, are available to trustees, including company trustees. The 10.5% rate is available only to trustees of testamentary trusts.

The current rate of RWT for company investors is 28%.

Investors should note that failure to supply an IRD number requires the Company to deduct RWT at the higher “no-notification rate” of 33%.

Non Resident Withholding Tax will be deducted from overseas resident Investors at the rate applicable to their country of residence, unless Approved Issuer arrangements apply. Overseas resident Investors can elect to have an Approved Issuer Levy of 2% deducted from interest paid or credited, as an alternative to Non Resident Withholding Tax.

Further information is available at the Inland Revenue website at www.ird.govt.nz.

Any investor who has concerns about tax matters should consult a suitably qualified independent adviser.

What are my risks?

The risks of investment comprise general risks arising from investments in finance companies issuing secured debenture stock and unsecured deposits and risks that are specific to Gold Band Finance.

Before making an investment of this type with a finance

company, an investor should consider the risk of such investment having regard for the interest rate returns.

Risks generic to finance companies and issuers

Investors in finance companies and other issuers could suffer loss of interest or principal if the issuers of the debt securities became insolvent, for any reason or as the result of exposure to the following general risks:

Liquidity risk

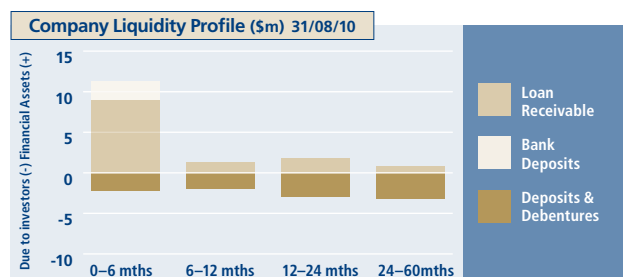
The risk that the issuer encounters difficulty raising funds at short notice and as a consequence has insufficient funds to meet outgoing borrowings, demand for loans, and or other obligations as they fall due. The risk could result in an adverse effect on profitability, if it resulted in a reduced level of lending operations. Important factors in liquidity risk management are the amount and timing of payments due from loan customers and the amount and timing of payments of interest to investors and repayments of amounts to investors on maturity.

This risk is actively managed and monitored by the Company, firstly by maintaining sufficient cash reserves held with trading banks to meet confirmed and projected commitments, and secondly by monitoring and managing the maturity profile of its asset and liability portfolios.

The recent highly publicised failure of a number of finance companies, and as a consequence the reduced levels of investor confidence, has brought about a greater focus on liquidity management issues and practices. The Company’s liquidity management policies and procedures are described in more detail in the Prospectus.

Based on those liquidity risk management policies and procedures, the Company is satisfied that even in the event of no new investment and no reinvestment, and after allowance for significant delays to the scheduled loan payments contained in loan contracts, there is sufficient cash flow to meet all of the Company’s financial commitments throughout the period over which debenture and deposit investments are due to mature.

The following table records that as at the last annual audited financial balance date, the amount of cash reserves and loans due for repayment within twelve months exceeded the amounts due to Investors during the same period by approximately 3.2 times.



Interest rate risk

Inherent in the business of an issuer of borrowing from the public and lending to its customers is the risk of a significant movement in market interest rates that influence the interest rates offered to investors by the issuer, if at the same time, the issuer is unable to increase the interest rates payable by borrowers.

Interest rate risk is managed by the Company through its policy of limiting the maximum term of loans and Investments to five years, the fixed nature of interest rates payable on loans and Investments, the management of the maturity profile for interest bearing assets and liabilities, the regular review of interest rate markets, pricing trends, and the margin between the weighted average interest rate payable to Investors and the rates earned on loans.

Credit risk

Credit risk refers to circumstances where a significant amount of loans advanced are not repaid, or the security taken for those loans proved inadequate for any reason, and full recovery of the loans concerned was not possible. As a consequence of the circumstances described an issuer may be unable to meet its obligations, including payments to investors, as they fall due.

Credit risk is managed by the Company through compliance with the requirements of the Trust Deed, the Company's strategy of diversifying its exposure to a range of industry and customer sectors, and compliance with the lending and credit management policies described in more detail later in this section of the Investment Statement.

In addition, credit risk is managed through compliance with the Company's Risk Management Program required under the Deposit Taker Regulations referred to under "What sort of Investment is this?" The minimum capital ratio prescribed in the regulations and Risk Management Program is derived from the prescribed risk weights for each lending category, with higher risk categories requiring greater capital reserves.

General business risks

Political or regulatory changes in the form of new taxes, charges or controls, could impact on the way in which the Company operates its business, with the risk that future profits could be affected.

The Company manages that risk by careful compliance with current legislation, consideration of proposed changes to the regulatory environment, and the use of professional advisers with the appropriate expertise.

The risk of reduced margins as a consequence of increased competition within the finance industry, and the risk of adverse market sentiment toward the finance industry generally as the result of an adverse event concerning another company within that industry, with a consequent impact on profitability and the Company's ability to raise funds from Investors, is managed by the Company through:

- ▶ Diversifying its exposure across various industry segments
- ▶ Continuing to evaluate new market opportunities and products
- ▶ Developing best practices in its operating procedures
- ▶ Establishing and maintaining long term commercial relationships
- ▶ Developing specific expertise in its core activities
- ▶ Maintaining the characteristics that differentiate it from competitors

The Company operates from its Christchurch office premises and makes extensive use of information technology in its operations. The risk of the loss of information and or operating capability with a consequent impact on profits is managed by the following means:

- ▶ The security procedures and systems in place and the insurance cover arranged
- ▶ The maintenance, development, and upgrade of information systems and information security processes, including comprehensive information and hardware backup
- ▶ Secure remote access capability

Specific Company risks

The Trust Deed prescribes a number of **financial ratios** that must be satisfied, as part of the Company's compliance obligation to the Trustee.

The Company regularly monitors compliance with the ratios prescribed in the Trust Deed.

The Company complies with the ratios prescribed in the Trust Deed.

In the event that the Company failed to comply with the financial ratios, the Trustee could suspend the prospectus, which would prevent the issue of debenture stock and unsecured deposits during the period of any such suspension. A suspension of the prospectus could materially affect the profitability of the company, as a consequence of being unable to meet commitments as they fell due, and or the failure to secure lending opportunities, if alternative funding could not be arranged.

The board of directors, management, and staff represent a broad range of skills and experience and collectively comprise **key personnel**. The risk to the future profitability of the Company through the loss of one or more of these people is managed through the absence of hierarchy in the management structure, knowledge sharing, documentation of procedures, and staff retention practices.

Related party transactions present the risk that objective consideration could be compromised, with the consequent risk to profitability.

The Trust Deed limits loans to related parties to a maximum of 10% of total tangible assets.

The Company manages the related party risk through:

- ▶ Compliance with the Trust Deed
- ▶ Compliance with its lending policy
- ▶ Compliance with the Deposit Taker Regulations referred to under the section "What sort of Investment is this?", which limit the value of related party exposure to 15% of capital."
- ▶ The requirement that all related party transactions be at arms length and at market value and be independently authorised.

More information about related party transactions can be found in the prospectus, available as described in the section "What other information can I obtain about this Investment".

Lending to **specific industry sectors and customer profiles** carries the risk that an adverse effect on that sector or profile could result in a higher proportion of defaulting loans with a consequent impact on Company profitability.

The Company manages that risk by diversifying its exposure to particular industry sectors and customer types, details of which are recorded in the “Activities of the Company” section of this Investment Statement. The strategy of diversifying its exposure to that risk is intended to assist the Company with its objective of sustainable long term profitability, by reducing the impact of short term sector specific loan performance on a proportion of the Company’s asset portfolio, balanced by the performance of the other sectors.

The Company considers this strategy to be one of the key points of differentiation with other financial institutions.

The Company’s **lending activities within the property sector** comprise lending on the security of residential property mortgages for the purposes of house purchase and home renovation, and commercial lending on the security of investment properties and development properties.

A large proportion of the property sector loans are secured by second mortgage, or first mortgage on terms outside of trading bank criteria or the scope of trading bank operations, for reasons including the smaller size or duration of the loans, the loan to security value ratio or non compliance with other bank credit criteria, the requirement for personal service, and the speed required to transact the loan.

Lending to the property sector carries the risk that a decline in property values could impact on the amount available from recovery of a loan or group of loans in the event of a default, with a consequent impact on Company profitability.

The Company manages the property related risk through its lending and credit policies, and in particular its requirements for satisfactory security, the credit worthiness of the applicant, and satisfaction with the applicants demonstrated ability to service the loan. The Company requires satisfaction that there are the means for the repayment of interest and loan principal from rental revenue, a credible exit strategy in the form of the sale or refinance of a property, or from independent alternative means. The Company considers the location of the property offered as security, with regard to price stability and market demand. Property sector loans to commercial applicants require them to have a proven track record within the sector, many of whom have established long-term relationships with the Company.

The Company’s **commercial lending portfolio** includes transport operators, hospitality and tourism, retail and manufacturers. Security types for commercial loans include mortgages, General Security Agreements, and Specific registered charges over other assets such as plant and equipment, supported by personal guarantees of corporate borrowers.

The commercial sector is subject to the risk of an economic downturn that could affect the commercial viability of commercial enterprises and their ability to repay interest and principal on the loans. That risk is managed through lending to a diverse range of clients and industries, the Company’s requirement that applicants demonstrate a history of effective performance, and through

compliance with lending and credit policy described at the end of this section of the Investment Statement.

Consumer and vehicle lending by the Company makes up the balance of its lending activity. A proportion of these loans are likely to fall outside the traditional lending activities of trading banks, for a number of reasons including non compliance with trading bank criteria, the size and duration of a loan, and the requirements of Borrowers for fast response, personal service, and product flexibility. The Company normally requires mortgage or caveat security on consumer loans where that is available, and in other cases security comprises registered specific charges over personal assets and vehicles of the Borrower and or guarantors. The Company lends to a range of borrowers within the sector, including salary and wage earners, beneficiaries and self-employed.

The consumer and vehicle sector loans are subject to the risk that in the event of a default of a loan or group of loans, the Company may be unsuccessful in recovering all of the amounts due and as a result could incur a loss in respect of the loans concerned, with a consequent effect on Company profitability.

That risk is managed by the Company through compliance with its lending and credit policy, the spread of exposure to across a broad range of Borrowers (average consumer loan size as at 31/8/10 \$5,911), and ensuring that lending margins are more than sufficient to compensate for the expected level of non performing loans within the sector.

Lending and Credit policy

The Company has established policies as a key component of its operating and risk management strategy, comprising the following:

- ▶ Trust Deed compliance including defined maximum levels of total liabilities as a proportion of assets, the proportion of Company assets in each category defined in the Trust Deed, prior charges, the exposure to one entity (or related entities), and the value of loans to related parties, as referred to earlier in this Investment Statement and described in more detail in the Registered Prospectus and the Trust Deed. The Trust Deed also contains minimum capital requirements based on prescribed risk weights for different lending categories in accordance with the Deposit Taker Regulations referred to in the section headed “What sort of investment is this?”
- ▶ Cash reserves are lodged with Trading Banks on interest bearing deposit
- ▶ All loans are secured – the Company does not participate in equity sharing arrangements
- ▶ Loans managers have lending authority to predetermined levels, beyond which senior management approval is required. Loan exposures in excess of \$100,000 require the approval of not less than three independent directors
- ▶ Applicants are required to provide comprehensive personal and financial information, which is then cross-referenced and independently verified by lending staff. Supporting detail is required to satisfy the Company’s requirements and analysis of credit worthiness, affordability, and security requirements.

- ▶ Where it is considered prudent, the Company requires life insurance cover over the life of key personnel employed in the operation of a commercial borrower. Personal loan borrowers are not required to purchase payment protection insurance. The Company does not benefit from the insurance over consumer loans that could be available from payment protection insurance products.
- ▶ Guarantees are required from the directors or principals of corporate borrowers, from entities whose operations are required to support the security or servicing of a loan to a principal borrower, and in instances where its is considered necessary for a personal loan borrower to meet Company's lending criteria.
- ▶ Commercial and property based loans are subject to further comprehensive analysis, and in circumstances where the loan is not fully amortised over the term of the loan, the Company must be satisfied with a reasonable exit strategy.
- ▶ Independent registered valuations satisfactory to and addressed to the Company are required on property sector loans
- ▶ All loans are advanced on the basis of comprehensive legally compliant and enforceable documentation
- ▶ Compliance with a comprehensive pre-payout verification process ensures that loans are not advanced prior to registration of securities on terms consistent with the loan documents
- ▶ Loan performance is closely monitored on a daily basis in accordance with Company policy
- ▶ Credit staff work closely with non performing loan customers to find solutions that can accommodate their circumstances where possible
- ▶ Non performing loans are categorised to assist credit staff to monitor and manage the loans in accordance with the specific process for each monitor category
- ▶ Recovery action is initiated where a satisfactory arrangement has not been established or maintained to the Company's satisfaction, and payments in arrears are in excess of 90 days old, or at any earlier time the Company considers it prudent to exercise remedies in respect of non-performing loans. The Company instructs its solicitors or external recovery agents to assist with the recovery of arrears and or the security property
- ▶ Doubtful debt provisioning is reviewed regularly, to establish the likely doubtful debt expense that could arise from both non-performing and loans operated within credit terms. The Company complies with accounting standards and compliance requirements, and its financial statements are subject to interim and annual audit.

Credit ratings

From 1 March 2010 the Reserve Bank of New Zealand Act 1989 ("the Act") requires deposit takers to hold a credit rating, subject to certain exemptions. The Company is not rated because it is operating under an exemption (Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice

2009 pursuant to section 157G) from the requirement under the Act to have a credit rating.

The exemption applies because the Company and the Group has liabilities of less than \$20 million, making it unduly onerous and burdensome to comply with the requirement under the Act to have a credit rating.

The exemption will apply for the period during which the Company meets the exemption criteria, and will have the effect of allowing the Company to maintain a lower cost structure than would be the case if rated. In general terms the exemption provides for diversity within the Non bank deposit taker sector, by accommodating smaller issuers that would otherwise be disadvantaged by the cost of credit rating, reducing the risk that the sector consolidates to comprise a small number of similar large scale issuers. In addition, investors will be unable to use credit ratings as a basis for comparing rated issuers with unrated issuers.

The Company is not rated by a rating agency approved by the Reserve Bank under section 157J of the Act.

Consequences of Insolvency

Investors would not be liable to pay any money if the Company became insolvent.

The following claims on assets of the Company would or may rank ahead of the claims of Investors in first ranking secured Debenture Stock (and Security Stock holders):

- ▶ Payments given statutory priority (such liquidation costs, wages and taxes, as prescribed by the Seventh Schedule of the Companies Act 1993)
- ▶ Any prior charges created by the Company (presently nil and limited by the Trust Deed to a maximum of 7.5% of Total tangible Assets)
- ▶ The claims of the Trustee or any receiver appointed by the Trustee under the Trust Deed for liabilities, costs, and remuneration

The claims of Investors in unsecured deposits would rank behind the prior charges and the claims of Debenture Stock holders and Security Stock holders referred to above, and rank equally with all other creditors of the Company.

Can the Investment be altered?

Once an Investment is made terms cannot generally be altered.

The Trust Deed which governs the Investment does however provide for alteration of its terms:

- ▶ By the Trustee but only in circumstances and provided that any such changes would not be likely to prejudice the security of Investors
- ▶ Where a change is required for compliance with Securities or financial reporting legislation
- ▶ By Extraordinary resolution of Investors requiring a 75% majority vote.

The interest rate, maturity date, and other terms Investments issued by the Company may be altered by the Company but only by prior agreement with the Investor concerned. In such

circumstances a replacement certificate recording the amended terms would be issued.

The process concerning early repayment requests is described in the following section under “Early Repayment”.

How do I cash in my Investment?

Maturity

All Investors will be contacted by post or alternative means nominated by the Investor and satisfactory to the Company shortly before the date of maturity of the Investment.

If any Investor confirms that repayment is required the relevant certificate should then be returned to the Company. Repayment can be made either by posting a cheque or by direct credit to the Investor’s nominated bank account.

If no instructions are received, the Company will reinvest on the same security at call and interest will be paid at the current call interest rate.

The Company will be happy to arrange reinvestment of all or part of the Investment on maturity in terms of any of the options or interest rates then available should an Investor not require immediate repayment. A current Investment Statement will be forwarded together with Application Forms, which should be completed at the election of the Investor and returned to the Company together with the relevant certificate.

Transfer of Securities

Investors may sell or transfer their Investment to another person by completing properly executed commonly used transfer forms, provided that the transferee satisfies the requirements that would be required of a new Investor, and the residual Investments of the transferee and transferor comply with the minimum amount that would be applicable to new Investments.

There is no fee payable for the transfer of Investments. There is no established market for the Investments that is known to the Company and they are not quoted or traded on any securities market.

Early Repayment

Investors should be aware that the Company’s expectation is that funds invested will remain available to the Company for the full term nominated by the Investor. That understanding assists the Company with its commitment to lend funds for specific terms. The Company recognises however that emergencies can arise and where evidence of real hardship exists the Company may at its discretion redeem Investments prior to maturity.

In the event of any early repayment request accepted by the Company the interest rate will be adjusted to the rate applicable to the nearest shorter period of Investment prior to the early repayment request.

Who do I contact with enquiries about my Investment?

Enquiries should be made to:

The Investments Manager

Gold Band Finance Limited
Level 4, 69 Cambridge Terrace*

PO Box 713 Christchurch
Tel: 03 961 3000 or 0800 55 3000
Email: admin@goldbandfinance.co.nz
Web: www.goldbandfinance.co.nz

Is there anyone to whom I can complain if I have problems with this Investment?

Complaints regarding Investments should be made in the first instance to:

The Chief Executive

Gold Band Finance Limited
Level 4, 69 Cambridge Terrace*
PO Box 713 Christchurch
Tel: 03 961 3000 or 0800 55 3000

If you are still unhappy you may contact the Trustee directly:

Corporate Services Manager

Perpetual Trust Limited
305 Lincoln Road
PO Box 112
Christchurch 8140
Tel: 03 379 8611

Or you can contact the Dispute Resolution Service that the Company belongs to:

Insurance & Savings Ombudsman

PO Box 10845
Wellington 6143
Tel: 0800 888 202

**Refer to temporary address under “Who is involved in providing it for me”*

There is no other Ombudsman to complain to.

What other information can I obtain about this Investment?

Disclosure Statement and Financial Statements

Other information about the first ranking secured Debenture Stock and Unsecured Deposits of Gold Band Finance Limited is contained or referred to in the Registered Prospectus and in the Company’s financial statements. These documents can be obtained, free of charge, from Gold Band Finance Limited, Level 4, 69 Cambridge Terrace Christchurch, or online at the Company’s website at www.goldbandfinance.co.nz

The audited annual and interim financial statements, prospectus, and other documents of or relating to the Company are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection on the Companies Office website at www.companies.govt.nz or by telephoning the Ministry of Economic Development (“MED”) Business Service Centre on 0508 266 726.

The Company does not presently provide information to

Investors on an annual basis, other than by means of the Quarterly Interest Advice, but does from time to time contact Investors with news believed to be of interest to them and details of promotional offers.

Information available on request

An Investor is entitled to request:

- ▶ A copy of the last Annual Report of the company
- ▶ A copy of the most recent financial statements of the company
- ▶ A copy of any current Investment Statement published by the company
- ▶ Certain information concerning your Investment(s) (such as its principal amount, maturity date and the next date on which interest is payable)
- ▶ A copy of the current Prospectus

A copy of the Trust Deed may also be inspected at the Companies Office and is available for public inspection on the Companies Office website at www.companies.govt.nz

The background of the entire page is a close-up, artistic photograph of numerous gold coins. The coins are arranged in a somewhat circular pattern, with some in sharp focus and others blurred, creating a sense of depth and texture. The lighting highlights the metallic sheen and the intricate details of the coins' surfaces.

Gold Band Finance

ESTABLISHED 1986

Gold Band Finance Limited

PO Box 713 Christchurch

www.goldbandfinance.co.nz

Tel: 03 961 3000

or: 0800 55 3000

PLEASE READ THIS BEFORE SIGNING

Terms and Conditions of Application

I/We herby apply for Secured Debenture Stock/Unsecured Deposit of Gold Band Finance Limited as set out on this Application Form upon the terms and conditions of the Trust Deed dated 30 June 1993, as amended, and as set out in the Investment Statement and the Registered Prospectus.

I/We acknowledge receipt of the Investment Statement prior to signing this Application Form.

I/We agree to accept the Secured Debenture Stock applied for or any lesser amount that may be allocated to me/us.

I/ We acknowledge that information about me/us will be held by Gold Band Finance Limited and that such information will be used to report details of my/our investment to me/us. I/We understand that the information is available to me/us on request and may be corrected by me/us. I /We will advise Gold Band Finance Limited of any changes to the information provided on this Application Form.

I/We agree that the information held by Gold Band Finance Limited may be used for the purpose of sending me/us information about Gold Band Finance or its subsidiaries and or investment products. (Please delete this section if you do not wish to receive such information)

I/We authorise Gold Band Finance Limited to disclose information held about me to my/our solicitor or financial adviser. (Please delete this section if you do not wish information to be disclosed to your financial advisers)

In the case of joint applicants, the joint applicants agree that, unless otherwise expressly indicated on this Application Form, the Secured Debenture Stock will be held jointly as joint tenants.

PLEASE COMPLETE THIS SECTION ONLY IF YOUR INVESTMENT APPLICATION IS MADE UNDER A POWER OF ATTORNEY

Certificate of Non-Revocation of Power Of Attorney

I

of

Certify

1. That as Attorney of

Under a deed dated
Day Month Year

Given to me by him / her / them / the Company.

2. That I have executed the application for Secured Debenture Stock/ Unsecured Deposit on the face hereof as Attorney under the said Power of Attorney and pursuant to the powers hereby conferred on me.

3. That at the date hereof I have not received any notice of information of revocation of the said Power of Attorney by death or otherwise.

Signed
Day Month Year

Signed