

**INVESTMENT STATEMENT for the issue of First Ranking
and Second Ranking Secured Debt Instruments**

DATED 6 OCTOBER 2010

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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:

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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:

- (a) relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- (b) what types of investments the adviser gives advice about; and
- (c) whether the advice is limited to investments offered by one or more particular financial institutions; and
- (d) 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
- (e) 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:

- (a) the nature and level of the fees you will be charged for receiving the advice; and
- (b) 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.

Important Note:

Crown Guarantee Scheme

The Company's guarantee under the New Zealand deposit guarantee scheme was withdrawn with effect from 1 January 2010 due to the Company determining not to enter into a revised guarantee deed with the Crown. As a result, all new investments made or investments that are rolled over after 31 December 2009 (including Debt Instruments issued under this Investment Statement) will not be covered by any deposit guarantee scheme.

In addition, as a result of the Company determining not to enter into a revised guarantee deed with the Crown, the Company is not eligible to apply to join the separate extended guarantee scheme.

Creditworthiness of the Company not rated

The Company is a deposit taker for the purposes of the Reserve Bank of New Zealand Act 1989. Under that Act from 1 March 2010, a deposit taker is required to have a current rating of its creditworthiness given by a rating agency approved by the Reserve Bank of New Zealand (the Reserve Bank). The creditworthiness of the Company is not rated by a rating agency approved by the Reserve Bank as the Company is operating under an exemption from the requirement under Section 1571 of the Reserve Bank of New Zealand Act 1989 to have a credit rating.

Pursuant to the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 (the Exemption Notice) the Company is exempted from this requirement because the Company's liabilities were less than \$20 million for the year preceding 1 October 2009, making it unduly onerous and burdensome to comply with the requirements under the Reserve Bank of New Zealand Act 1989 to have a credit rating. The Company gave the Reserve Bank written notice that it would be operating on the exemption in accordance with the Exemption Notice on 3 February 2010.

The exemption applies for the year beginning 1 March 2010. The exemption will also apply for the year commencing on 1 March 2011 and for the year commencing on 1 March 2012 if:

- (a) the Company's liabilities for the year preceding 1 October 2010 and 1 October 2011 respectively, is less than \$20 million; and*
- (b) the Company provides to the Reserve Bank prior to the end of February in the year to which the exemption applies, a statement from the directors of the Company that the Company meets the requirements of the exemption for that forthcoming year.*

Directory

Issuer

Mutual Credit Finance Limited
Registered Office:
Ashton Wheelans & Hegan Limited
Level 4
127 Armagh Street
Christchurch

Directors

John A Wheelans BCom, CA(PP)
Chartered Accountant
1 Helmores Lane
Christchurch

David J Tier CA
Company Director
29 Brigham Drive
Halswell
Christchurch

Andrew M Oorschot BCom, CA(PP), CMA
Chartered Accountant
250 Edgeware Road
Christchurch

Peter Rae F.C.A., A.F.N.Z.I.M.
Company Director
5 Westridge
Scarborough
Christchurch

General Manager

Clint D Barry

The Registrar of Debt Instruments and location of register

Mutual Credit Finance Limited
P O Box 130 178
Level 5
127 Armagh Street
Christchurch

Telephone: 03 968 8800
Facsimile: 03 968 8804
Email: contactus@mcf.co.nz

Trustee

Trustees Executors Limited
Level 5
10 Customhouse Quay
PO Box 3222
Wellington

Auditor

PricewaterhouseCoopers
Level 12
119 Armagh Street
Christchurch

Solicitor

Chapman Tripp
Level 7
119 Armagh Street
Christchurch

Years ended 31 March (audited)

	2010 (\$000s) NZ IFRS	2009 (\$000s) NZ IFRS	2008 (\$000s) NZ IFRS	2007 (\$000s) NZ IFRS	2007 (\$000s) NZ FRS	2006 (\$000s) NZ FRS
Statement of Comprehensive Income						
Interest and similar income	2,723	2,300	3,468	4,421	4,418	3,712
Interest expense and similar charges	1,874	1,421	1,756	2,342		
	849	879	1,712	2,079	4,418	3,712
Fee and commission Income	165	224	264	360	189	336
Fee and commission expense	152	230	341	355		
	13	(6)	(77)	5	189	336
Other Income	1	-	-	60	94	67
Total Operating Income	863	873	1,635	2,144	4,701	4,115
Operating Expenses	1,093	2,667	2,242	2,055	4,515	3,686
Net profit before tax	(230)	(1,794)	(607)	89	186	429
Taxation	512	(521)	(142)	55	133	238
Net profit for the year	(742)	(1,273)	(465)	34	53	191
Other comprehensive income/(expenses)	-	-	-	-	-	-
Total comprehensive income for the year	(742)	(1,273)	(465)	34	53	191
Balance Sheet						
Cash and cash equivalents	589	3,889	145	(113)	(113)	3,392
Finance receivables	17,830	13,120	16,767	22,873	22,873	31,726
Other assets	1,168	1,347	1,248	3,701	3,581	701
Current tax receivables	17	9	108	186	108	(1)
Future tax benefit	474	985	357	136	136	366
Property, plant and equipment	63	93	122	160	163	134
Intangible assets	-	1	59	118	154	171
Total assets	20,141	19,444	18,806	27,061	26,902	36,489
Liabilities						
Trade and other payables	247	336	446	657	298	317
Interest bearing liabilities	17,638	16,610	14,589	22,169	22,169	31,790
Total liabilities	17,885	16,946	15,035	22,826	22,467	32,107
Net assets	2,256	2,498	3,771	4,235	4,435	4,382
Equity						
Share capital	5,100	4,600	4,600	4,600	4,600	4,600
Accumulated losses	(2,844)	(2,102)	(829)	(365)	(165)	(218)
Total equity	2,256	2,498	3,771	4,235	4,435	4,382

MUTUAL CREDIT FINANCE LIMITED

Total equity at the beginning of the financial period	2,498	3,771	4,236	4,202	4,382	1,851
Total comprehensive income						
Net income for the period after tax, attributable to the owners of the Company	(742)	(1,273)	(465)	34	53	191
Share Capital issued	500	-	-	-	-	2,600
Transactions with owners in their capacity as owners ⁴	-	-	-	-	-	(260)
Total equity at the end of the financial period	2,256	2,498	3,771	4,236	4,435	4,382

Statement of Cash Flows

Net cash flows from operating activities	(4,465)	1,998	8,237	6,627	1,232	1,039
Net cash flows from investing activities	17	1	(2)	(76)	(76)	3,020
Net cash flows from financing activities	1,149	1,744	(7,977)	(10,057)	(4,662)	(1,035)
Net increase (decrease) in cash and cash equivalents	(3,299)	3,743	258	(3,506)	(3,506)	3,024
Cash and cash equivalents at beginning of year	3,888	145	(113)	3,393	3,393	369
Cash and cash equivalents at end of year	589	3,888	145	(113)	(113)	3,393

Basis of preparation

The company is a profit-oriented company incorporated and domiciled in New Zealand and the presentation currency is New Zealand Dollars. The Company is an issuer under the Financial Reporting Act 1993, and the 31 March 2010 financial statements have been prepared in accordance with the requirements of the Act, the Securities Regulations 2009 and the Companies Act 1993.

These summary financial statements, comprising the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cashflows are those of Mutual Credit Finance Limited ("the Company"). They have been prepared in accordance with FRS 43 "Summary Financial Statements" and have been extracted from the full financial statements that have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The full financial statements for the years ended 31 March 2010, 31 March 2009, 31 March 2008 and 31 March 2007 comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards as appropriate for profit-orientated entities. The full financial statements for the years ended 31 March 2010, 31 March 2009, 31 March 2008 and 31 March 2007 also comply with International Financial Reporting Standards (IFRS). For a complete understanding of the financial affairs of the Company reference should be made to the full financial statements which are included in Appendix 1 to the Prospectus.

The full financial statements for the year ended 31 March 2010, were authorised for issue by the Directors on 4 October 2010 and have been audited. PricewaterhouseCoopers have issued an unqualified opinion on the 31 March 2010 financial statements referred to in this paragraph.

NOTE 1

The above figures have been taken from audited financial statements of the Company⁵.

NOTE 2

NZ IFRS is the New Zealand International Financial Reporting Standards that applied from 2008 (with 2007 comparatives restated). NZ FRS is the New Zealand Financial Reporting Standards that applied until 2007.

NOTE 3

There were no extraordinary items in the 5 years referred to in this financial statement summary.

NOTE 4

The 2006 dividend of an amount of 10 cents per share was calculated based on the 2,600,000 ordinary shares on issue at the time the dividend was declared. The 2005 dividend was a non-cash dividend declared to convert retained earnings to share capital prior to the introduction of new ordinary shareholders.

NOTE 5

The auditors' report on the 31 March 2010 financial statements (set out at Appendix 3 to the Prospectus) refers to a fundamental uncertainty, by including an emphasis of matter on going concern.

These summary financial statements were authorised for issue by the directors on 6 October 2010.



Director



Director

Introduction

This is an Investment Statement for the purposes of the Securities Act 1978.

The purpose of the Investment Statement is to provide information that may assist an investor to decide whether or not to invest in First Ranking Secured Debt Instruments and/or Second Ranking Secured Debt Instruments issued by Mutual Credit Finance Limited. In addition to the information set out in this Investment Statement, there is a registered prospectus dated 6 October 2010 relating to the securities offered under this Investment Statement. You are entitled to a copy of that prospectus on request.

The following information is provided to investors under Schedule 13 of the Securities Regulations 2009. The information is very important and should be read carefully before making an investment decision.

Address from the Directors

The directors and management of Mutual Credit Finance Ltd have continued to work hard to ensure the ongoing success of the Company as we head into our 55th year of operation. In the period since 31 March 2010, the Company has returned to regular monthly operating profits as overheads have been reduced and the results of other initiatives flow through. This has been achieved without compromising the high level of service provided to both our investors and borrowers since the Company first started operating in 1956.

The Government Guarantee scheme that was introduced in October 2008, gave some much needed assurance to the banking and finance sector, particularly to investors who had suffered a loss of confidence as a result of the failures of a number of industry participants. The Government announced in November 2009 that it intended to withdraw the Crown guarantee deeds of all entities covered by the scheme. While the Company was offered the opportunity to enter into a revised deed of guarantee with the Crown, after considering a large number of factors, the Company decided not to enter into the revised deed. As a result, the Company's Crown guarantee deed was withdrawn with effect from 1 January 2010 (although certain investments and reinvestments made prior to this time continued to be covered by the Crown guarantee). Since this time, the Company has, with thanks to the continued support of its investors, continued to receive new investment money as well as maintain reinvestments from existing investors.

While the Company continues to operate as normal, the short term focus of the Company is to continue to improve the quality of its loan portfolio and maintain an appropriate liquidity profile. The Company will continue to offer attractive interest rates to its investors and provide an efficient service to its borrowers. The directors believe the future offers a number of opportunities for a small finance company such as Mutual Credit Finance Ltd in its chosen markets.

The directors seek your support to this offering and thank you for your continued support of the Company.

On behalf of the directors



David J Tier

Dated: 6 October 2010

Definitions

In this Investment Statement:

Companies Act means the Companies Act 1993;

Company means Mutual Credit Finance Limited;

Debt Instrument Holders means all persons at a particular time that hold secured debt instruments issued by the Company whether issued under the Prospectus or earlier or subsequent prospectuses and whether first ranking or second ranking;

Debt Instruments means any and all secured debt obligations by whatever name called, constituted and issued by the Company pursuant to the Trust Deed (whether under the Prospectus or earlier or subsequent prospectuses) and for the time being outstanding and uncanceled and includes First Ranking Debt Instruments, Second Ranking Debt Instruments and Variable Secured Debt Instruments;

First Ranking Debt Instruments means first ranking Debt Instruments issued by the Company, which shall rank in priority to Second Ranking Debt Instruments;

Investment Statement means this investment statement dated 6 October 2010 relating to the Debt Instruments offered under the Prospectus;

PPSR means the Personal Property Securities Register;

Prospectus means the Prospectus dated 6 October 2010 relating to the issue by the Company of up to \$20,000,000 of First Ranking Debt Instruments and up to \$20,000,000 of Second Ranking Debt Instruments (as amended from time to time in accordance with the Securities Act);

Securities Act means the Securities Act 1978;

Second Ranking Debt Instruments means second ranking Debt Instruments issued by the Company, which shall rank in priority immediately after the First Ranking Debt Instruments;

Securities Regulations means the Securities Regulations 2009;

Trust Deed means the debenture trust deed dated 1 February 1985 between Westgold, Brown Walters and Company Limited and Trustees Executors Limited (under its former name The Trustees Executors and Agency Company of New Zealand Limited) as subsequently varied by a Variation Deed dated 5 March 1999, a deed of variation of debenture trust deed dated 12 December 2005 and a deed of variation and restatement of debenture trust deed dated 14 September 2010;

Trustee means Trustees Executors Limited;

Variable Secured Debt Instrument means a First Ranking Debt Instrument issued as security for fluctuating amounts of present or future liabilities (as at the date of this Investment Statement, no Variable Secured Debt Instruments were on issue);

Westgold means Westgold Finance Limited which amalgamated with Mutual Credit Finance Limited on 31 March 2006, with Mutual Credit Finance Limited continuing as the amalgamated company.

All legislation referred to in this Investment Statement can be viewed online at www.legislation.govt.nz.

What sort of investment is this?

This Investment Statement relates to up to \$40,000,000 of debt securities being offered by the Company, being interest bearing investments in up to:

- \$20,000,000 of First Ranking Debt Instruments; and
- \$20,000,000 of Second Ranking Debt Instruments.

Type of Investment

Investors can select to subscribe for either First Ranking Debt Instruments or Second Ranking Debt Instruments (or a combination of both).

If no clear selection is made by an investor on the Application Form accompanying the Investment Statement for this issue, the investment will be held on the same security status on the Company's then current "on call" interest rate until instructions are received from the investor.

The directors may close the issue of First Ranking Debt Instruments or Second Ranking Debt Instruments (or both) at any time. Investors whose applications for a closed issue are lodged on or after the date of closure will be promptly advised by the Company of the closure and offered the opportunity to subscribe instead for an available alternative type of Debt Instrument (if applicable). If the investor declines or does not reply within 14 days of the Company's advice, the subscription moneys relating to the closed issue will be refunded in full with interest, calculated at the Company's then current call rate.

Security for the Debt Instruments

The Debt Instruments are issued pursuant to the Trust Deed and are secured by a security interest over all of the assets of the Company in favour of the Trustee for the benefit of the Debt Instrument Holders. The security interest is first ranking subject only to prior charges permitted under the Trust Deed, fees, expenses and other amounts owed to the Trustee and other interests given preference by law such as claims for liquidation costs, taxes, and employees' wages.

As at 31 March 2010, the only security interest which ranked ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders was a security interest over all the assets of the Company granted to ANZ National Bank Limited which secures all the Company's obligations to ANZ National Bank Limited.

On 13 September 2010 the Company granted a security interest over all the assets of the Company to Secured Lending Limited which secures all the Company's obligations to Secured Lending Limited. This security interest also ranks ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders.

The only facility that the Company has with ANZ National Bank Limited is a \$500,000 overdraft facility while the only facility that the Company has with Secured Lending Limited is a \$500,000 revolving credit facility. As at the date of this Investment Statement no amounts are owed by the Company under the overdraft facility or the revolving credit facility. Further, by virtue of a deed of priority between the Company, ANZ National Bank Limited (as first secured party), Secured Lending Limited (as second secured party) and the Trustee (as third secured party), the amount for which the security interest granted to ANZ National Bank Limited has priority ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders is limited to \$500,000 plus 24 months' interest and costs, while the amount for which the security interest granted to Secured Lending Limited has priority ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders is limited to \$500,000 plus 24 months' interest and costs.

These security interests are permitted Prior Charges under the Trust Deed. Therefore, the aggregate of all amounts secured by such security interest must not exceed 7.5% of the Company's Total Tangible Assets.

In addition, the Company has not granted, and may not grant without the prior written consent of the Trustee, any charges or security interests over its assets which rank equally with the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders.

Who is involved in providing it for me?

Issuer

Mutual Credit Finance Limited is the issuer and promoter of the Debt Instruments offered in this Investment Statement. Its address is 4th Floor, 127 Armagh Street, Christchurch.

Directors

John A Wheelans, Andrew M Oorschot, Peter Rae and David Tier are the Directors of the issuer.

Trustee

Trustees Executors Limited is the Trustee of the Debt Instruments for the purposes of the Securities Act 1978. Its address is Level 5, 10 Customhouse Quay, Wellington.

Activities of the Company

The history

Mutual Credit Finance Limited commenced business in December 1956 (as Mutual Credit Corporation Limited) initially offering hire purchase discount facilities to a select group of Christchurch based motor vehicle dealers. Gradually the Company's lending activities expanded into other industry sectors including commercial property and business plant and machinery.

This growth provided the Company with the impetus needed to move into a new phase of development and growth. From 2005, the business focus of the Company changed from predominantly motor vehicle dealers and consumer lending on motor vehicles to other business lending and property related consumer lending.

In 2006, Mutual Credit Finance Limited and Westgold Finance Limited amalgamated pursuant to section 222(1) of the Companies Act 1993 with Mutual Credit Finance Limited continuing as the amalgamated company.

The business philosophies and operational structures of Mutual Credit Finance and Westgold were complementary with the business plans of both organisations meeting common controlled growth aspirations without compromising the quality of the Company's lending criteria policies.

Market environment

The 4 years preceding the date of this Investment Statement has seen the non-bank finance sector in New Zealand face unprecedented challenges with a number of businesses within the sector failing or ceasing operations.

The main contributor to the problems faced by the industry has been attributed to liquidity shortfalls, meaning that loan repayments were not collected in time to meet the return of investments as they were due. This mismatch of funding places pressure on cash reserves to the point where a lender can not effectively meet its payment commitments as they fall due.

Mutual Credit Finance Ltd has continued to monitor and manage its liquidity position closely. During the 6 month period commencing on 1 April 2010, a large number of Debt Instruments have fallen due and will fall due for renewal. With the Company's guarantee under the Crown Guarantee Scheme being withdrawn with effect from 1 January 2010, it was anticipated that a number of investors would withdraw their funds on maturity and withdrawals have been in line with expectations. Support has continued however from a number of investors who have reinvested in Debt Instruments and this, combined with the majority of the Company's borrowers meeting their scheduled repayment obligations, means the Company is well placed to continue to honour all its obligations as they fall due.

Trading results

The financial year ended 31 March 2010 again proved to be a difficult trading year. The ongoing work by management and staff controlling loan arrears and improving the quality of lending has meant the level of bad debt provisioning has reduced considerably from previous years. This decrease in provisioning is the main reason for a reduced loss after tax of \$741,115 for the year ended 31 March 2010 (compared to a loss after tax of \$1,273,553 for the year ended 31 March 2009). The 2010 result includes the write-off of tax losses of \$580,000 following an assessment that such tax losses would not be utilised in the foreseeable future. The Company continues to closely monitor the level of loan arrears and regularly reviews the provisioning it makes to cover these arrears.

While the economic recovery continues to be slow, by adhering to the Company's core business and operating principles the Company is confident that it will continue to make significant progress in an industry which has higher standards and levels of investment due to the increased regulatory and supervisory environment.

Purpose of this issue

The purpose of this issue of Debt Instruments is to help fund the Company's business and fund selected quality lending opportunities as they arise.

In order to provide the Company with flexibility in its funding sources in the current uncertain economic climate, the Company is offering both First Ranking Debt Instruments and Second Ranking Debt Instruments under this Investment Statement. The different types of Debt Instruments on offer under this Investment Statement provide investors with a choice of risk and reward and provide the Company with more flexibility to respond to funding opportunities as they arise.

Activities of Mutual Credit Finance Limited prior to amalgamation

Mutual Credit Finance Limited was established in 1956 as Mutual Credit Corporation Limited and changed to the present name in October 2001 to better reflect the type of business it conducted. Initially, the Company's sole business was offering hire purchase discount facilities for selected motor vehicle dealers. However, while this remains a business activity, the Company experienced considerable growth in more recent years as its lending activity diversified and expanded. The Company's loan portfolio immediately prior to amalgamation exceeded \$25 million and included commercial and business loans, some residential development and plant and machinery finance. The Company's lending business is therefore now well spread over many sectors of industry and business.

Activities of Westgold prior to amalgamation

Prior to amalgamation in 2006, Westgold had been involved in the business of providing financing facilities to the public and for business purposes, primarily in the Canterbury region and had issued debt securities for this purpose since 1985.

Prior to amalgamation, the largest sector of Westgold's lending related to motor vehicle transactions including the provision of finance to purchasers of new and used motor vehicles through selected motor vehicle dealers and the provision of finance to motor vehicle dealers to finance vehicle stock. However, in early 2005 Westgold adopted a policy to move into the business lending market to provide secured financing to small and medium sized businesses. The aim of this policy was to reduce the concentration of receivable assets derived from motor vehicle lending.

How much do I pay?

The minimum subscription amount for First Ranking or Second Ranking Debt Instruments under this Investment Statement is \$5,000. The maximum subscription amount is \$2,000,000. Otherwise investors may select the amount of Debt Instruments that they wish to subscribe for.

Applications for Debt Instruments must be made on the application form included with this Investment Statement. Payment in full must accompany all applications. Payments are to be made to Mutual Credit Finance Limited by cheque crossed "not transferable" and posted or delivered to:

The Finance Manager
 Mutual Credit Finance Limited
 Level 5
 127 Armagh Street
 PO Box 130 178
 Christchurch 8141

Under the Financial Transactions Reporting Act 1996, any new applicant with the Company may also need to produce evidence of identity.

The Company reserves the right to refuse any application in whole or in part in which case monies will be refunded without interest.

What are the charges?

Types of charges

Other than the subscription amount of the Debt Instruments and an early repayment charge, there are no fees or charges payable by an investor for Debt Instruments.

A charge may be payable by an investor for early repayment of the investment in the form of a reduced rate of interest of up to 4% per annum from the interest rate that was originally payable on the investment calculated over the term of the investment. Early repayment will only be permitted by the Company in exceptional circumstances such as extreme financial hardship, emergency, the death of an investor or similar circumstances. As at the date of this Investment Statement, the Company's policy is to permit trustees of superannuation funds to withdraw in any calendar year up to 25% of the amount invested (subject to payment of the early repayment charge).

Any fees or expenses payable to the Trustee and all expenses of this offer are to be paid by the Company. In addition, any brokerage payable is paid by the Company, not by the investor. The brokerage rates are set out in the Prospectus.

No ability to alter charges

During the term of the investment the Company cannot introduce any new fees or charges that can or may affect the return on the investment or change the amount chargeable for early repayment as set out above.

Amount of charges

The amount of the early repayment charge referred to above cannot be calculated until an investor makes an application for early repayment. On request the Company will provide any investor who is considering early repayment full details of the early repayment charge as at a specified date.

What returns will I get?

Amount of charges

The return to investors from investing in Debt Instruments will be the interest rate payable on that investment applying at the date of application by the investor. The key factors that will determine what an investor's returns will be are:

- the interest rate the investor selects (available rates depend on term, amount and type of investment);
- the interest payment option that the investor selects;
- the amount of the investor's investment;
- the term of the investor's investment; and
- any tax payable on the interest earned.

No amount of returns are quantifiable as at the date of this Investment Statement and therefore cannot be promised by the Company. However, once the terms and conditions of any investment (including any principal amount of and the interest rate applicable to the investment) has been agreed between the Company and an investor, those terms and conditions will be legally enforceable by the investor.

Taxation

The return to an investor may be affected by the deduction of withholding taxes. There is a requirement for the Company to deduct withholding tax in accordance with applicable law from the gross interest payable to an investor unless an investor has provided to the Company a valid certificate of exemption from Inland Revenue. The current resident withholding tax ("RWT") rate is 10.5%, 17.5%, 30% and 33%. The default rate for individuals who do not specify a particular rate is 33%. For interest paid to a company, the RWT rate is 33%, where the recipient of the interest has either elected for the top income tax rate to apply or has not supplied their tax file number to the Company. The RWT rate for companies will otherwise reduce to 28% from 30% from 1 April 2011.

For non-resident investors, non-resident withholding tax is deducted instead of resident withholding tax. However as the Company is an IRD Approved Issuer, the investor may instruct the Company to deduct the Approved Issuer Levy payable by the Company (currently 2%) from their interest payments instead of non-resident withholding tax.

Payment options

Investors can elect on the application form whether interest will be paid to the investor or compounded on the investment. Interest is payable on a quarterly basis on the last days of March, June, September and December each year and on the maturity date of the investment. In the event that investors elect interest to be paid to them, such payment will be made by the Company by either direct credit or cheque, depending on the investor's instructions on the application form. Investments received within 7 business days of the interest payment dates will have the interest due to that date credited to the investor or paid to the investor (as the case may be) on the next interest payment date. Investors will receive a statement in respect of their investment at the end of every quarter.

The principal sum of the investment is repayable by the Company at the end of the term selected by the investor.

Payment may be withheld by (or with the consent of) the Trustee in the circumstances permitted by the Trust Deed (including where the amount of funds available for distribution pursuant to the Trust Deed is less than 10% of the aggregate amount outstanding under the Debt Instruments, unsecured debt instruments and subordinated debt instruments issued by the Company). In addition, the terms and conditions of any Debt Instrument may be varied by agreement between the Company and an investor provided that variation is not inconsistent with the Trust Deed.

Maturity of investment

Prior to your investment maturing you will be advised of the maturity date and given the option to either have your investment repaid to you or reinvested for a further period. If you choose to reinvest for a further period you will be asked to sign a reinvestment form and decide on a term, rate of interest (from those applying at the time of reinvestment), interest payment option and type of investment.

If no advice is received from the investor the investment will continue to have the same security status as the Debt Instrument that has matured except that the investment will be held on the Company's then current "on call" interest rate until instructions are received from the investor.

Entity legally liable

The Company is the only entity legally liable to pay interest on the investment and to repay the principal sum invested on maturity.

No guarantee

There is no guarantor of the Debt Instruments issued under this Investment Statement nor the payment of interest thereon. While the Company previously had a guarantee under the New Zealand deposit guarantee scheme, all Crown guarantee deeds (including the Company's) were withdrawn with effect from 1 January 2010. The Company was offered the opportunity to enter into the revised guarantee deed with the Crown but declined such offer.

In addition, the Company is not eligible for cover under the extended guarantee scheme as a result of its decision not to enter into a revised deed of guarantee with the Crown.

Principal risk

The main risk to investors is that they may not be able to recover the full amount of the principal sum invested and/or the interest payable on the principal sum. This could happen for a number of reasons including as a result of any of the risks set out below.

Standard Risks

The Company is exposed to the standard risks faced by other finance companies. These standard risks include the following matters:

Credit risk

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is a major risk for the Company's business. Credit risk exposure arises principally in advances made to the Company's customers that are classified as receivables and deposits held with other entities. There is also credit risk in off-balance sheet financial instruments such as loan commitments.

Approximately \$1.8 million of the Company's loan book as at 31 March 2010 was classified as non-performing (past due and impaired) loans (see note 9 to the Financial Statements included in the Prospectus for more information). As at 31 March 2010 the Company has made an allowance of approximately \$451,000 for non-performing loans. Since 31 March 2010, of the \$1.8 million of the non-performing loans, \$14,000 of such loans have been written off and \$750,000 are now current or have had payments made against them. As at 31 August 2010, \$2.4 million of the Company's loan book was non-performing with the Company increasing its allowance for impaired loans to \$470,000 against these loans.

On occasions, loans are rolled over by the Company on their expiry date. However, this is the exception rather than the norm. For the 5 month period commencing on 1 April 2010, this is evidenced by the collection by the Company of its maturing loan book which reduced from \$18,812,263 as at 31 March 2010 to \$13,682,392 as at 31 August 2010. In addition, all requests to roll over loans are treated by the Company in the same way as new loan applications with the relevant borrower being required to provide updated information at the time of such application, and this new information is then assessed by the Company.

The Company manages credit risk in a number of ways:

- A delegated authorities schedule has been approved by the board which clearly identifies the discretionary loan approval limits and the threshold for loans requiring board review and approval;
- The Company has in place a robust credit policy detailing the steps and information required for the assessment of all credit applications. These policies are applied to establish the validity of the borrowing purpose and the integrity, financial performance and security position of the borrowing entity and individual guarantors;
- All lending is documented to evidence the terms and conditions of the advances made and to perfect any securities provided;
- Executives and directors all seek to have an understanding of the industry and the customer being funded;
- For consumer lending, the loan assessment process incorporates:
 - identification checks;
 - debt servicing ability verification;
 - credit and PPSR checks;
 - stability checks in both employment and residence;
 - loan to value guidelines; and
 - preferred security types and age guidelines.
- For commercial lending, the loan assessment process incorporates:
 - credit checks on all parties involved in the advance;
 - PPSR and property title checks;
 - an analysis of financial statements for borrowers and guarantors; and

- Maximum exposure limits to any one borrower/group are set by the Trust Deed;
- The loan book is subject to ongoing and regular monitoring and review with regard to the borrower's ability to repay and the impact of changes in security value;
- The financial accounting system identifies payment defaults on a daily basis;
- Any loan that shows signs of deteriorating credit quality is actively managed;
- An experienced and capable credit control team manage receivables and adhere to a written policy based on legislative requirements looking wherever possible to work with a client to maximise loan recovery; and
- There is regular comprehensive reporting to the Board including details of:
 - all new lending completed, advances approved and undrawn, prospective advances and loans declined/not proceeding;
 - a key exposure report detailing all individual and groups with exposures >\$100,000;
 - detailed analysis of all accounts in arrears;
 - asset quality reports prepared in accordance with NZ IFRS; and
 - loan impairment provisioning.

Concentrations of credit exposure

Concentrations of credit risk will exist if a number of customers are engaged in similar activities and are subject to similar economic conditions that would cause their ability to meet contractual obligations to be similarly affected by changes in these conditions. The Company's policy on limiting credit risk is through managing the counterparties with the largest exposure. The following concentrations of receivables are monitored on a monthly basis:

- Borrower/guarantor - individually and groups;
- Security Type;
- Geographical; and
- Industry.

Credit risk is discussed further at note 3(c) to the Financial Statements on page 59 of the Prospectus.

The Company will also undertake lending activities in accordance with the financial covenants set out in the Trust Deed (including exposure limitations). A summary of such covenants is set out on pages 18 to 19 of the Prospectus.

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on exposures to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may result in losses in the event that unexpected movements arise.

The Company manages interest rate risk by:

- regularly monitoring market interest rates and reviewing the impact of these on interest rate exposure;
- reviewing deposit and lending rates regularly;
- reviewing the maturity profile of assets and liabilities to ensure a matching of the profile of maturity;
- reviewing interest margins regularly; and
- limiting the number and value of advances made on fixed interest rate terms.

Management regularly monitors changes in the cost of Debt Instrument funds and the need to alter the interest rate on finance receivables. The interest rate exposure and interest margin is reported to and reviewed at the monthly meeting of the board. Interest rate risk is discussed further at note 3(a) to the Financial Statements on page 53 of the Prospectus.

The Company funds finance receivables from secured Debt Instruments, unsecured deposits and bank facilities. As a result, the main interest rate risk arises from short-term borrowings. Borrowings issued at variable interest rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Company to fair value interest rate risk.

Interest Margin Risk

The profitability of the Company is dependent upon maintaining a margin between the interest rate at which the Company borrows funds and the interest rate it charges to borrowers for those funds. The business has interest risks arising out of material changes in interest rates as if borrowing interest rates increased and the Company cannot increase the interest rates payable by the borrowers, this will materially reduce the profits of the Company. The Company from time to time undertakes fixed rate lending under which the Company is unable to reset interest rates which could put pressure on the Company's interest rate margin.

The Company manages the interest margin risk in a number of ways including the provision by management to the Directors of regular cost of fund reports and by regularly monitoring deposit and lending interest rates.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. This risk may arise from the mismatch of maturities of financial assets and liabilities or from significant amount of loan advances not repaid at the time they are due for repayment by the borrower. This risk may also arise from an inability to raise funds from the public in New Zealand financial markets and to secure investments from investors.

The Company manages liquidity risk by:

- daily monitoring of future cash flows and reinvestment rates to ensure requirements can be met and seeking to replenish funds as they mature or are borrowed by customers;
- regularly forecasting future cash flows to assess maturity mismatches between financial assets and financial liabilities in advance;
- structuring the majority of loans on a regular monthly repayment basis;
- maintaining a credit control function focused on encouraging clients to meet their loan repayments on time and as due;
- reducing the volume of new lending undertaken if required;
- regularly monitoring the investment markets;
- actively managing the relationship with the investor base;
- maintaining strong bank relationships and a bank overdraft facility; and
- monitoring balance sheet liquidity ratios against internal requirements.

Reporting to the board includes:

- A summary of new investments received;
- Reinvestment rates on a daily, 3 monthly and 6 monthly basis;
- Weighted average investment rates;
- Details of investments by depositor, size and maturity; and
- Cashflow forecasts covering 18 months.

The Company's loan maturity profile

The contractual loan maturity profile set out in note 3(b)(iii) to the Financial Statements to the Prospectus shows that a large number of Debt Instruments fall due for renewal in the period from 31 March 2010 to 31 September 2010 and shows a shortfall of financial assets to financial liabilities of \$1,093,533 for the 12 months commencing on 31 March 2010 and a shortfall of \$1,137,451 for the 24 months commencing on 31 March 2010.

However, the contractual maturity profile set out in note 3(b)(iii) to the Financial Statements does not make any allowance for reinvestment of Debt Instruments. The Company expects reinvestment rates to fall from their historical levels as a result of the Debt Instruments issued by the Company no longer being covered by a Crown Guarantee. The reinvestment rate from 1 January 2010 to 31 August 2010 was 40.6% (with the reinvestment rate for January 2010 being 63.2%, February 2010 being 14.9%, March 2010 being 86.1%, April

2010 being 83.8%, May 2010 being 69.8%, June 2010 being 14.8%, July 2010 being 25.1% and August 2010 being 43%).

In addition, as at 31 August 2010, the contractual loan maturity profile in the Company's management accounts shows a surplus of financial assets over financial liabilities (even without taking into account any reinvestment) for each of the following periods:

- the 6 month period from 1 September 2010;
- the 7 to 12 month period from 1 September 2010;
- the 13 to 24 month period from 1 September 2010; and
- the 25 to 60 month period from 1 September 2010.

The above profile in the Company's management accounts assumes that all variable loans made by the Company will be repaid by the relevant borrowers on the due date. Also, the above profile does not take into account any reinvestment by existing investors. The Company expects reinvestment rates to be approximately 20% for September and October (when Debt Instruments covered by the prior Crown Guarantee mature). However, it is forecasting reinvestment rates to return to pre-March 2010 levels after this time as with the expiry of the Crown Guarantee, the investments by those new investors who were attracted to invest in the Company as a result of the Company's Crown guarantee have now matured and the Company's investors are now its traditional investors.

Further, in order to meet any shortfall and to maintain flexibility, the Company maintains a target of a minimum liquidity level of \$1,000,000. However, on occasions, liquidity may fall below this level during the 6 months commencing 1 September 2010. Accordingly, to maintain flexibility, the Company has obtained access to an additional revolving credit facility of \$500,000 from Secured Lending Limited. The ANZ overdraft facility is repayable on demand and subject to annual review and the Secured Lending Limited facility expires on 20 March 2011. Neither facility contains any financial covenants or pre-conditions that must be satisfied except that drawdowns under each facility is subject to no material adverse event occurring in the relevant lender's opinion in respect of the Company, any guarantor or the securities or the ability of the Company to comply with its obligations under the relevant facility.

Auditor's Report

The Auditor's Report in Appendix 3 to the Prospectus refers to a fundamental uncertainty in relation to short term liquidity relating to the Company's contractual maturities profile which has largely resulted from the reluctance of investors to invest beyond the period for which the Company has cover under the Crown Deed of Guarantee. If the Company has insufficient short term liquidity to meet its contractual maturity obligations, it may have to realise assets prior to their contractual maturity dates, which may or may not be realised at the carrying value in the balance sheet for such assets. In addition, as a result of any such sale, the Company may incur further liabilities such as payment of employee entitlement, lease exit costs and diminution of other assets on its balance sheet.

Liquidity risk is discussed further at note 3(b) to the Financial Statements on page 54 of the Prospectus. The Company maintains a target of a minimum liquidity level of \$1,000,000, however on occasions, liquidity may fall below this level for short periods.

Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010

On 1 December 2010, the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 come into effect. These regulations introduce requirements for industry participants to have a minimum level of capital and place restrictions on the level of related party lending that can be undertaken. The Company's Trust Deed has been amended to incorporate the requirements of these regulations with effect from 1 December 2010. There is a risk that the Company may not be able to comply with these regulations and would therefore be in breach of their Trust Deed. If this occurred the Company would need to withdraw the Prospectus and would no longer be able to raise funds from the public impacting on the Company's ability to meet its payment obligations when they fall due.

The Company does not currently meet the requirements of the regulations that will apply from 1 December 2010.

However, discussions are currently underway with the shareholders of the Company to increase the capital they have committed to the Company to meet the minimum levels prescribed. All related party lending has been reviewed and negotiations are well advanced with the intention of having this lending repaid or restructured to reduce the total below the maximum levels permitted under these regulations. The directors expect the Company to be able to meet the requirements of these regulations when they come into effect on 1 December 2010.

Profitability Risk

The financial result for the financial year ended 31 March 2010 as disclosed on page 41 of the Prospectus shows an after tax loss of \$741,115 for the year (compared with an after tax loss of \$1,273,553 for the financial year ended 31 March 2009). The predominant cause of this difference was a reduction in the allowance for impairment (a non cash adjustment) following a reassessment of the recoverability of loan receivables and the value of the underlying asset security.

The Company continues to monitor on an on-going basis, the level of arrears of its borrowers and the amount of provisioning it makes to cover these arrears.

Regulatory Risk

The Company operates in a highly regulated environment and substantial changes in laws and governmental policies could affect the Company's business and/or profitability. Proposed changes and regulatory reforms in the non-bank deposit taking sector are closely monitored by:

- Membership of Financial Services Federation and other industry groups;
- Regular review of newspaper, internet and other media outlets; and
- Regular correspondence with peers, solicitors, accountants and other professional advisors.

Competition

There is strong competition in the finance industry which could mean the margins which the Company can earn may be reduced which would impact on the future profitability of the Company.

Solvency Risk

This is the risk that the Company may for any reason not be able to pay its debts as they fall due.

Reinvestment Risk

The last few years has seen a number of finance companies placed in receivership or subject to other insolvency and wind down procedures. Offshore markets have been affected by the subprime mortgage issues which have also raised concerns regarding management of liquidity for New Zealand finance companies. This has resulted in a decrease in confidence by investors in the finance company sector in New Zealand. The Company is carefully managing its liquidity risk through rigorous control over its lending and cash management.

Reinvestment rates and new investment rates have been impacted as a result of the Company determining not to enter into a revised Crown guarantee deed under the Crown Guarantee Scheme. The Company has forecasted that it requires reinvestment rates to remain at approximately 30% for the 7 month period commencing on 1 April 2010 and ending on 31 October 2010 (being the last month in which Debt Instruments covered by the Company's previous Crown Guarantee Scheme will mature). The First Ranking Debt Instrument reinvestment rate for the financial year ended 31 March 2010 was 62.5%, while the First Ranking Debt Instrument reinvestment rate from 1 April 2010 to 31 August 2010 was 39.7% (with the reinvestment rate for April 2010 being 83.8%, May 2010 being 69.8%, June 2010 being 14.8%, July 2010 being 25.1% and August 2010 being 43%). After October 2010, the Company expects reinvestment rates to return to historical levels of between approximately 60% and 70%. The Company considers the current level of Debt Instrument reinvestment to be quite manageable from a liquidity perspective.

Operational Risk

Operational risk is the risk arising from human error, internal process and system failures, or inadequate procedures and controls. It is also includes legal risk (including, for example, a deposit taker’s exposure to fines, penalties or damages) and risks arising from money laundering.

Operational risk can arise from:

- Deficiencies in information systems;
- Technological or physical failures;
- Breaches in internal controls;
- Fraud or other criminal activities; and
- The loss of key personnel.

The Company mitigates its exposure to operational risk by:

- Effective segregation of duties;
- Delegated authorities;
- Business continuity planning;
- Internal review activities;
- Regular independent reviews of information technology systems; and
- Regular ongoing staff training and succession planning.

Specific Industry Risks

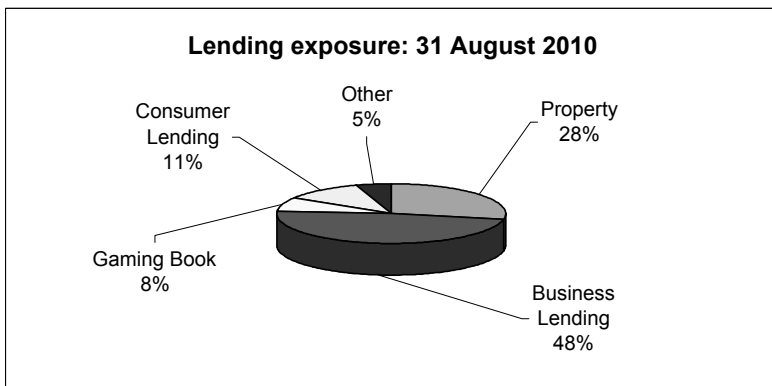
Exposure to specific industry sectors

The largest area of exposure for the Company as at 31 August 2010 was business lending (the majority of which are secured under specific and general security agreements) to entities operating in a variety of industries which represented approximately 48% of the Company’s loan portfolio.

The next largest area of exposure for the Company as at 31 August 2010 was property lending secured by property (by way of mortgages and caveats) which represented approximately 28% of the Company’s loan portfolio (with 2% of the Company’s loan portfolio relating to property development). Accordingly, the Company has some exposure to a downturn in the property sector which could impact on the value of the property which is taken as security. This risk is managed by lending to specified levels of the property’s market value (or percentage of completion thereof), and requiring levels of pre-sales where appropriate.

The next largest area of Company exposure as at 31 August 2010 was consumer lending including consumer motor vehicle lending, which comprised approximately 11% of the Company’s loan portfolio.

Other than as set out above, there are no other industry categories which represent more than 10% of the Company’s loan portfolio.



Priority Risk

This is the risk that, after repaying outstanding indebtedness owed to holders of prior charges, other interests given preference by law and amounts owed to the Trustee (or a receiver) under the Trust Deed, the Company may have insufficient funds to repay in full the principal sum invested by Debt Instrument Holders and/or the interest payable to Debt Instrument Holders on the principal sum.

This risk is greater for holders of Second Ranking Debt Instruments who rank immediately behind holders of First Ranking Debt Instruments. That means holders of First Ranking Debt Instruments will be paid the principal and interest they are owed first and in priority to the principal and interest owed by the Company to the holders of Second Ranking Debt Instruments.

As at 31 March 2010, the Company had \$1.12 of tangible assets (\$1.15 as at 31 March 2009) for every \$1 of Debt Instruments invested. The ratio as at 31 August 2010 is \$1.13 of tangible assets for every \$1 invested.

Consequences of insolvency

Investors will not be liable to pay any further money as a result of the Company becoming insolvent.

Claims which rank ahead of Debt Instrument Holders

The only claims that would rank ahead of the claims of the Debt Instrument Holders if the Company was liquidated or wound up, are claims of the holders of any prior charges permitted under the Trust Deed, fees, expenses and other amounts owed to the Trustee and any other claims given priority by operation of law such as claims for liquidation costs, taxes and employees wages.

As at 31 March 2010, the only security interest which ranked ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders was a security interest over all the assets of the Company granted to ANZ National Bank Limited which secures all the Company's obligations to ANZ National Bank Limited.

On 13 September 2010 the Company granted a security interest over all the assets of the Company to Secured Lending Limited which secures all the Company's obligations to Secured Lending Limited. This security interest also ranks ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders.

The only facility that the Company has with ANZ National Bank Limited is a \$500,000 overdraft facility while the only facility that the Company has with Secured Lending Limited is a \$500,000 revolving credit facility. As at the date of this Investment Statement no amounts are owed by the Company under the overdraft facility or the revolving credit facility. Further, by virtue of a deed of priority between the Company, ANZ National Bank Limited (as first secured party), Secured Lending Limited (as second secured party) and the Trustee (as third secured party), the amount for which the security interest granted to ANZ National Bank Limited has priority ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders is limited to \$500,000 plus 24 months' interest and costs, while the amount for which the security interest granted to Secured Lending Limited has priority ahead of the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders is limited to \$500,000 plus 24 months' interest and costs.

These security interests are permitted Prior Charges under the Trust Deed. Therefore, the aggregate of all amounts secured by such security interest must not exceed 7.5% of the Company's Total Tangible Assets.

In addition, as at the date of this Investment Statement, the Company has not granted, and may not grant without the prior written consent of the Trustee, any charges or security interests over its assets which rank equally with the security interest granted in favour of the Trustee for the benefit of the Debt Instrument Holders.

First Ranking Debt Instruments

If the Company is liquidated or wound up the claims of holders of First Ranking Debt Instruments will rank in point of security equally with the claims of all other holders of First Ranking Debt Instruments, including those who invested in First Ranking Debt Instruments pursuant to earlier or subsequent investment statements and prospectuses and First Ranking

Debt Instruments issued as security for bank overdrafts, commercial loans and commercial bills (called Variable Secured Debt Instruments) and ahead of all Second Ranking Debt Instruments, unsecured debt instruments and subordinated debt instruments. No Variable Secured Debt Instruments are on issue at the date of this Investment Statement.

As at 31 August 2010, the aggregate amount of First Ranking Debt Instruments on issue was \$14,383,849.

Second Ranking Debt Instruments

The Second Ranking Debt Instruments issued under the Prospectus will rank in point of security immediately after all First Ranking Debt Instruments (including Variable Secured Debt Instruments and all First Ranking Debt instruments issued under the Prospectus (or earlier or subsequent investment statements and prospectuses)), equally with all other Second Ranking Debt Instruments issued by the Company and ahead of all unsecured debt instruments and subordinated debt instruments. This means that, subject to any security interests which rank ahead of the Debt Instruments, and other interests given preference by law, all money received by the Trustee from enforcement of the security interest created by the Trust Deed for the benefit of Debt Instrument Holders will be held and applied (in broad terms):

- 1 firstly, in payment of amounts owed to the Trustee;
- 2 secondly, in payment of principal and interest owed to the holders of First Ranking Debt Instruments; and
- 3 thirdly, in payment of principal and interest owed to holders of Second Ranking Debt Instruments.

The aggregate amount of First Ranking Debt Instruments on issue as at 31 March 2010 was \$17,637,787 (\$14,383,849 as at 31 August 2010). Under this Investment Statement, the Company can issue a further \$20 million of First Ranking Debt Instruments, all of which would rank ahead of the Second Ranking Debt Instruments.

As at the date of the Prospectus, no Second Ranking Debt Instruments are on issue.

As at 31 March 2010, the Company had \$1.12 of tangible assets (\$1.15 as at 31 March 2009) for every \$1 of Debt Instruments invested. The ratio as at 31 August 2010 is \$1.13 of tangible assets for every \$1 invested.

Can the investment be altered?

General

Investments in Debt Instruments are for a fixed term and, except as set out below, cannot be altered by the investor or by the Company.

Alteration of investment under the Trust Deed

The Trust Deed permits the Company by prior arrangement with Debt Instrument Holders to alter any of the terms and conditions attached to Debt Instruments provided such alteration is not inconsistent with the provisions of the Trust Deed.

The Company and the Trustee may amend the Trust Deed if the amendment is (in broad terms):

- (a) in the opinion of the Trustee, required to correct a manifest error, is of a formal, technical or administrative nature;
- (b) in the opinion of the Trustee, necessary to ensure the Company's obligations under the Trust Deed do not conflict with any other applicable statutory provisions;
- (c) in the opinion of the Trustee, convenient to obtain or maintain quotation of the Debt Instruments on any stock exchange;
- (d) in the opinion of the Trustee, made to comply with the requirements or any modification of the requirements of any applicable law;
- (e) in the opinion of the Trustee, permitted by the terms of the Debt Instrument;

- (f) in the opinion of the Trustee, appropriate and reasonable in all the circumstances and is not likely to have a material adverse effect on the Company or be materially prejudicial to the general interests of Debt Instrument Holders;
- (g) amend the Company's obligations under the Trust Deed to align with any exemption applicable to the Company under the Securities Act, Financial Reporting Act or the Companies Act and, in the opinion of the Trustee, is not likely to have a material adverse effect on the Company or be or become materially prejudicial to the general interests of Debt Instrument Holders;
- (h) (in relation to the terms and conditions on which the Debt Instrument is issued) notified to all Holders of that class of Debt Instrument at least 30 days prior to the date on which the change becomes effective and that Debt Instrument can be redeemed by the Holders prior to that date without penalty; or
- (i) authorised by an extraordinary resolution of the Debt Instrument Holders.

The Trustee may also temporarily vary the terms and conditions of any Debt Instrument for such period and on such terms as:

- (a) the Trustee may deem appropriate, if satisfied that the interests of the Debt Instrument Holders generally will not be materially prejudiced;
- (b) may be agreed by the Trustee for the reasons outlined in paragraph (g) above; or
- (c) may be approved by an extraordinary resolution of the holders of the relevant class of Debt Instrument.

In addition, if an event of enforcement occurs under the Trust Deed, the Debt Instruments may be repaid prior to the term selected by the investor.

Alteration by investor

The Company may, in its discretion on the application of an investor, consider repayment of an investment before maturity for exceptional circumstances, such as extreme financial hardship, emergency, the death of an investor or other similar circumstances. In the event the Company agrees to such early withdrawal, an early repayment charge in the form of a reduction of up to 4% of the interest rate that would have been applicable if the investment had run its full term, may apply. This charge will be deducted from the amount payable to the investor on early repayment.

As at the date of this Investment Statement, the Company's policy is to permit trustees of superannuation funds to withdraw in any calendar year up to 25% of the amount invested (subject to payment of the early repayment charge).

How do I cash in my investment?

Maturity

Investors will be contacted by the Company prior to the maturity date of an investment and given the option to either reinvest for a further period (in whole or in part) or withdraw their investment (in whole or in part). Repayment of any amount requested will be made by direct credit or cheque dependent on the investor's instructions to the Company on the application form.

If an investor chooses to reinvest for a further period, the investor will be asked to sign a reinvestment form and decide on a term, rate of interest (from those applying at the time of reinvestment), interest payment option and type of investment.

If no advice is received from the investor the investment will continue to have the same security status as the Debt Instrument that has matured except that the investment will be held on the Company's then current "on-call" interest rate until instructions are received from the investor.

Early termination

In exceptional circumstances (such as extreme financial hardship, emergency, the death of an investor or other similar circumstances) the Company may, in its discretion, on the application of an investor, consider repayment of an investment before maturity. If any such early repayment is agreed to by the Company then an early repayment charge in the form of

a reduction of up to 4% per annum of the interest rate originally payable on the investment calculated over the term, may apply. This charge will be deducted from the amount payable to the investor on early repayment.

As at the date of this Investment Statement, the Company's policy is to permit trustees of superannuation funds to withdraw in any calendar year up to 25% of the amount invested (subject to payment of the early repayment charge).

The Company will not ordinarily terminate, cancel, surrender or otherwise make payment to investors other than as described above in the section titled "What returns will I get?". However, as noted above, in certain limited circumstances, the terms and conditions of Debt Instruments may be altered (which may include, or give rise to a right of, early termination) and, if an event of enforcement occurs under the Trust Deed, the Debt Instruments may be repaid prior to the term selected by an investor.

Right to sell securities

The Debt Instruments may be transferred or sold by an investor. The transfer must be in the form commonly used for security transfers. No fee is payable for the registration of transfers by the Company.

The Company does not consider there to be an established market for transfers of Debt Instruments. Investors should consider that any investment in Debt Instruments will be for the full term.

Who do I contact with inquiries about my investment?

Inquiries about the Debt Instruments offered under this Investment Statement should be directed to:

The Finance Manager
Mutual Credit Finance Limited
Level 5
127 Armagh Street
PO Box 130 178
Christchurch 8141

Telephone: (03) 968 8800
Facsimile: (03) 968 8804
Email: contactus@mcf.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

Any complaints about the Debt Instruments can be made to:

- (a) the Company itself at:

The Finance Manager
Mutual Credit Finance Limited
Level 5
127 Armagh Street
PO Box 130 178
Christchurch 8141

Telephone: (03) 968 8800
Facsimile: (03) 968 8804
Email: contactus@mcf.co.nz

- (b) the Trustee at:

Trustees Executors Limited
Level 5
10 Customhouse Quay
Wellington

Telephone: (04) 495 0999
Facsimile: (04) 496 2952

Additionally, investors may wish to contact their solicitors or other professional advisers to discuss any concerns the investor may have.

There is no ombudsman to whom complaints can be made about the Debt Instruments.

What other information can I obtain about this investment?

Prospectus and Financial Information

Further information about the Company and the Debt Instruments is contained in the Company's latest Prospectus and financial statements. A copy of the current Prospectus dated 6 October 2010 and most recent financial statements of the Company are available free of charge from:

The Finance Manager
Mutual Credit Finance Limited
Level 5
127 Armagh Street
PO Box 130 178
Christchurch 8141

Telephone: (03) 968 8800
Facsimile: (03) 968 8804
Email: contactus@mcf.co.nz

The current registered Prospectus (including the latest financial statements and the material contracts referred to in this Investment Statement), the Trust Deed and other documents of or relating to the Company (including the Company's constitution) are filed on a public register which may be inspected on the Companies Office website at www.companies.govt.nz. Copies may also be obtained by telephoning the Companies Office Contact Centre on 0508 266 726. A prescribed fee may be charged for a requested document.

Annual information

There is no information which will be given to investors annually.

On request information

You are also entitled to request from the Company (which request must be made in writing to the Finance Manager at the address set out above) the documents, information and other matters that are listed in regulation 44 of the Securities Regulations 2009, the relevant items of which can be summarised as follows:

- 1 a copy of the most recent annual report of the Company;
- 2 a copy of the most recent Financial Statements of the Company, together with a copy of the auditor's report on those statements;
- 3 a copy of the Trust Deed, together with all amendments to the Trust Deed;
- 4 a copy of the most recent prospectus, together with copies of any documents registered under the Securities Act 1978 for the purpose of extending the period during which allotments may be made under that prospectus; and
- 5 a copy of the most recent investment statement.

Copies of the above documents are also available for inspection at the offices of the Company at Level 5, 127 Armagh Street, Christchurch by appointment during usual office hours. There is no charge for this information with the exception of the Trust Deed which will be provided on payment of the prescribed fee of \$30.00.

Other material matters

Material contracts entered into by the Company

The Company has entered into the following material contracts in the 2 years preceding the date of this Investment Statement (outside the ordinary course of business):

- (a) The Company entered into an agreement relating to the sale of gambling book debts with Brett Michael Chambers and Paul Jason Munro as receivers of Mascot Finance Limited (In Receivership) dated 29 May 2009 under which the Company acquired that company's residual gaming trust loan book. The purchase price for such loan book was \$1,474,181.37, which represented the face value of the loan book and settlement

of the sale and purchase occurred on 29 May 2009. All these facilities have since been paid in full by the relevant borrowers.

- (b) The Company entered into an agreement with Countrywide Finance Limited dated 29 January 2010 under which the Company purchased debts relating to consumer lending. The purchase price for such receivables was \$615,485 and the face value of such receivables was \$710,324. Settlement of the purchase occurred on 2 February 2010.
- (c) In order to mitigate liquidity risk, on 13 September 2010 the Company entered into a short term revolving credit facility agreement with Secured Lending Limited for a revolving credit facility of \$500,000. The term of the facility expires on 20 March 2011.

The revolving credit facility agreement is secured by a general security agreement granted by the Company to Secured Lending Limited over all assets of the Company. This general security agreement is security for all the Company's obligations to Secured Lending Limited.

By a deed of priority (PPSA and Non-PPSA – First Party Secured Amount comprising one part) dated 13 September 2010, between ANZ National Bank Limited (as first secured party), Secured Lending Limited (as second secured party), the Trustee (as third secured party) and the Company (as debtor):

- (i) ANZ National Bank Limited has priority over the security interest held by the Trustee on behalf of holders of Debt Instruments, up to the sum of \$500,000 plus 24 months interest and costs; and
- (ii) Secured Lending Limited has priority over the security interest held by the Trustee on behalf of holders of Debt Instruments, up to the sum of \$500,000 plus 24 months interest and costs.

This deed of priority replaces the deed of priority dated 2 July 2009 between the Company as debtor, ANZ National Bank Limited as first secured party and the Trustee as third secured party.

- (d) On 14 September 2010, the Trust Deed was amended to include a minimum capital ratio and a maximum limit on aggregate related party exposures, as required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. The amendments to the Trust Deed take effect from 1 December 2010.

Breach of financial limitation in Trust Deed

During the period from 30 September 2009 to 18 December 2009, the Company was in breach of the financial limitation in the Trust Deed under which the Total Liabilities of the Company must not exceed an amount equal to 12 times Shareholder's Funds.

The breach was identified by the Company's auditors in the course of their audit of the Company's interim financial statements for the six months ended 30 September 2009 and has arisen due to the incorrect treatment by the Company of its unused tax losses carried forward.

The Company notified the Trustee of the breach on 16 December 2009 and remedied the breach on 18 December 2009. The breach was remedied by the Company issuing to its sole shareholder 1,000,000 shares at an issue price of \$0.50 per share. The issue price for such shares was paid to the Company in cash on 18 December 2009.

There are no other material matters relating to this offer of Debt Instruments other than those set out elsewhere in this Prospectus and contracts entered into in the ordinary course of business of the Company.

Personnel Changes

On 26 February 2010, David Tier ceased to be CEO of the Company and on 1 March 2010 became a Director as well as Chairman of the Board of Directors of the Company. On 1 March 2010 Clint Barry ceased to be Lending Manager of the Company and was appointed General Manager of the Company.

Related Party Transactions

John A Wheelans and Andrew M Oorschot who are Directors of the Company are also Directors of Ashton Wheelans & Hegan Limited, Chartered Accountants, which provides accounting and administration services to the Company for reward under an annual contract on normal commercial terms, which is renewable at the commencement of each financial year. The total amount paid during the year to 31 March 2010 was \$44,579 (March 2009: \$90,284).

From time to time the Company makes loans to related parties in the ordinary course of business. This lending is on the basis of an arms length transaction as between unrelated parties. The balance owing by related parties at 31 March 2010 was \$2.66 million (31 March 2009 \$1.99 million). More detailed information in respect of loans made to related parties is set out in the attached schedule.

The Company also accepts deposits from related parties. These deposits are on the basis of arms length transactions between unrelated parties. The deposit balance owing to related parties as at 31 March 2010 was \$1,571,789 (31 March 2009 \$710,025). Interest paid on those deposits totalled \$73,724 for the financial year ended 31 March 2010 (\$100,982 for the financial year ended 31 March 2009).

John A Wheelans and Andrew M Oorschot, who are directors of the Company, are also directors and shareholders of Mutual Credit Asset Management Limited (formerly National Credit Corporation Limited).

Sale of Receivables

Mutual Credit Asset Management Limited (*MCAM*) (formerly National Credit Corporation Limited), a commonly owned company, is a business with expertise in debt collection. From time to time, the Company sells to MCAM parcels of non-performing debts. The Company has entered into the following receivables purchase agreements with MCAM in the two years preceding the date of this Investment Statement:

- (a) on 29 July 2009, under which MCAM agreed to acquire receivables with a face value of \$515,669 at a purchase price of \$1 which was paid on the date of the agreement (these loans having been fully provided for and therefore having no future value to the Company); and
- (b) on 19 August 2009, under which MCAM agreed to acquire receivables with a face value of \$249,298 at a purchase price of \$1 which was paid on the date of the agreement (these loans having been previously fully provided for and therefore having no future value to the Company).

Purchase of Receivables

From time to time, the Company buys from MCAM parcels of loans that have regular payment arrangements. The loans acquired from MCAM represent loans that have previously been written off by the Company or by a third party who MCAM has acquired the loan from, but in respect of which MCAM has been able to put in place repayment arrangements with the debtor. The performing loan is then sold to the Company at fair value, based on the present value of the future cashflows.

In the two years preceding the date of this Investment Statement, further parcels of loan receivables were purchased by the Company from MCAM on a similar "fair value" basis on:

- (a) 26 November 2008, being receivables with a face value of \$136,595, purchased for \$100,819 (which was paid on 26 November 2008);

- (b) 15 May 2009, being receivables with a face value of \$164,076, purchased for \$104,167 (which was paid on 15 May 2009); and
- (c) 31 August 2009, being receivables with a face value of \$86,529, purchased for \$37,570.67 (which was paid on 31 August 2009);
- (d) 12 February 2010, being receivables with a face value of \$129,701, purchased for \$86,514 (which was paid on 12 February 2010);
- (e) 23 April 2010, being receivables with a face value of \$173,530, purchased for \$106,580 (which was paid on 26 April 2010);
- (f) 15 June 2010, being receivables with a face value of \$93,313, purchased for \$45,142.45 (which was paid on 16 June 2010);
- (g) 16 August 2010, being receivables with a face value of \$135,838, purchased for \$78,029 (which was paid on 16 August 2010); and
- (h) 21 September 2010, being receivables with a face value of \$57,862.79, purchased for \$21,900 (which was paid on 23 September 2010).

The purchase price of the above receivables were the fair value of the loan receivables based on the present value of future cashflows. The purchase price of the receivables is the value initially recorded in the relevant accounts of the Company. As the loans are subject to repayment arrangements, there is money being received regularly to be applied to these loans. At the end of each month, the outstanding loan balance is re-valued to the then present value of the future cashflows in line with the purchase price calculation.

Management fee

The Company paid a management fee of \$20,000 to MCAM during the year ended 31 March 2010 in respect of collection work that MCAM performed on a number of the Company's loans.

Earthquake

Following the large earthquake experienced in the Canterbury region on 4 September 2010 and the numerous aftershocks, a full review of all major exposures has been completed. This has not identified any major borrower who has had their cash flow impacted or where the Company's securities have suffered major damage. It is anticipated that a small number of our consumer borrowers may have been affected but as this early stage it is not possible to accurately gauge the level. The Company intends to make reasonable efforts to accommodate any borrower adversely impacted by this event without jeopardising the Company's prospects of recovering the debt due. In addition, as a result of the earthquake there is a possibility that investors may require access to their funds which could impact on reinvestment rates or result in requests to access their funds earlier than the maturity date of their investments. As at the date of this Investment Statement, the Company has not had any request for early repayment or to alter reinvestment instructions previously provided arising as a result of the earthquake.

SCHEDULE
LOANS TO RELATED PARTIES

John A Wheelans (a director of the Company) and John W Wheelans (who was a director of the Company until November 2009), are directors of Mutual Credit Leasing Limited, and are trustees of trusts which own the shares in Mutual Credit Leasing Limited which borrows funds from the Company to fund its leasing business. This lending is on normal commercial terms.

Philip L Wheelans (who was a director of the Company until March 2007) is a director of Phil Wheelans Commercials Limited in which more than half of the share capital is owned by P L Wheelans and/or the P L Wheelans Family Trust. This company has secured commercial borrowings from the Company pursuant to normal commercial terms.

John A Wheelans and Andrew M Oorschot who are directors of the Company are also directors and shareholders of Mutual Credit Asset Management Limited (formerly National Credit Corporation Limited) which has a secured loan on normal commercial terms repayable on demand at an interest rate of 12.15% p.a.

The total amount outstanding as at the end of the two most recent financial years of the Company with respect to loans to related parties is as follows:

	31-Mar-10	31-Mar-09
	\$	\$
Loans to directors	-	-
Loans to entities controlled by directors	2,335,847	1,601,036
Other short term amounts owed by entities controlled by directors under receivables purchase agreements	-	-
Loans to entities controlled by family members	322,156	392,327
	<u>2,658,003</u>	<u>1,993,363</u>

All related party loans are on normal commercial terms with interest payable at rates between 11.75% and 18.00% per annum as at 31 March 2010 (11.75% to 18% as at 31 August 2010).

No amounts owed by related parties have been written off or forgiven during the year ended 31 March 2010, or are within the impaired asset categories (31 March 2009 \$Nil).

Total interest earned from related party transactions for the year ended 31 March 2010 was \$318,767 (31 March 2009: \$201,471).

Application Form

For Secured Debenture Stock

I/We have read the Mutual Credit Finance Limited Investment Statement dated 6 October 2010. I/We apply to invest in Secured Debenture Stock as set out below under the terms of the Prospectus dated 6 October 2010.

Investor Details

Investor Mr/Mrs/Miss/Ms/Dr/Trustee First names in full _____
(Please circle)

Surname _____ Gender _____ Date of birth / / _____

IRD no. Investor _____

Joint Investor Mr/Mrs/Miss/Ms/Dr/Trustee First names in full _____
(Please circle)

Surname _____ Gender _____ Date of birth / / _____

IRD no. Joint Investor _____

Company/Club/Society/Trust (if applicable) _____
(Please circle)

IRD no. Company/Trust _____

Residential Address _____

City or Town _____ Post Code _____

Please note: If we do not have your IRD number on file, we are required to deduct resident withholding tax (RWT) at 33%.

Mailing Address (if different from above) _____

City or Town _____ Post Code _____

NZ residents, please indicate your choice of RWT rate below. If exempt, please provide copy of exemption certificate.

Email Address _____ Phone No. (Home) () _____

Phone No. (Mobile) () _____ Phone No. (Work) () _____

10.5% 17.5% 33.0% or exempt

Non-residential please indicate

NRWT AIL

Investment information

New Reinvestment

Enter the amount you wish to invest and the interest rate from our current rate chart beside your selected term.

Amount (minimum \$1000.00)	Term	Interest rate
\$	Months	%
\$	Years	%
\$	Specific maturity date	%
	/ /	

Interest payment options

Please tick one box to show how your interest is to be paid. (All interest is payable quarterly on the last days of March, June, September and December, and on maturity).

Quarterly compounding

Quarterly cheque

Quarterly direct credit to:

Bank _____ Branch _____

Account name _____

Bank Branch Account Suffix

Signatures

I/We agree to accept the secured debenture stock investment applied for or any lesser amount that may be allotted to me/us.

Signature _____ Dated / / _____

Signature _____ Dated / / _____

Notes

- Joint applications must be signed by all applicants.
- If the application is signed by an attorney, please attach a copy of the power of attorney. By signing, the attorney declares that they have not been notified of the death of the donor or of the revocation of the power of attorney.

Advisor/Broker details

- Do you have an Advisor/Broker? Yes No

- If yes: My Advisor/Broker for this investment is: **Canopus Investments Limited**

This application form should be read in conjunction with the prospectus dated 6 October 2010, copies of which are available from the company. For applicable rates for amounts in excess of \$100,000.00 please refer to the Manager. Matured investments will be held on current 'at call' interest rates until new instructions are received.

How to invest with Mutual Credit Finance limited

Select the Mutual Credit Finance Limited investment product or products that best suit your needs and choose from the terms and interest rates available. Complete the application form overleaf. You can obtain further copies by calling us on (03) 968 8800.

Paying your investment amount

- For payments by cheque, please make it payable to Mutual Credit Finance Limited and cross it 'not transferable'.

Post to

Send the application form with your completed cheque to:

Mutual Credit Finance Limited
PO Box 130178
Christchurch 8141

Deliver to

5/127 Armagh Street
Christchurch 8141

Or you can give the application form and payment to your financial advisor for forwarding to us.

Accepting your investment

After we have received your application we will send you a Mutual Credit Finance Limited Debenture Investment Certificate and a letter of acknowledgement in your name(s), recording details of your investment with us.