



Unsecured Subordinated Convertible Capital Notes

INVESTMENT STATEMENT & APPLICATION

July 2010

SUMMARY OF THE OFFER

Asset Finance Limited (“Asset Finance” or “the Company”) is offering an opportunity to invest in a maximum of NZ\$6,000,000 of Unsecured Subordinated Convertible Capital Notes (“Unsecured Notes”). Funds received will be pooled together and used to support and grow the Company’s loan portfolio.

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

> Term of Investment

Investors have the option of investing in Unsecured Notes with a Conversion Date of 2, 3 or 4 years. The different Unsecured Notes have varying rates of return which are provided on our rate card.

Until the relevant Conversion Date the Unsecured Notes will bear interest on their principal amount at the rate provided on the rate card. At the Conversion Date the Company shall provide a written notice to the Noteholder confirming the conversion of the Unsecured Notes into the equivalent value of ordinary shares in the Company.

The Company may redeem the Unsecured Notes at any time prior to the Conversion Date through a redemption notice providing at least one month’s notice of redemption to the Noteholder.

> Investment Amount

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

>Interest Payments

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

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

>Credit Rating

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

The Company has received a credit rating of ‘B’ from Standard & Poors. Further information and detail on the credit rating may be found at page 19.

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 –

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

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

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

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

COMPANY PROFILE

INTRODUCTION

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

All lending is secured, with the majority of loans secured by real estate and/or freehold motor vehicles. More information about security is contained on page 5 under the heading “How we secure our funds to account for risk”.

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

BACKGROUND

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

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

PRESENT DAY

The head office of Asset Finance remains in Whakatane where the business first originated; however the Asset Finance network has grown considerably since 1997. There are currently 9 Asset Finance offices and 13 agencies throughout New Zealand, concentrated mainly in the North Island. Our organisational hierarchy on page 12 has a complete list of branches and agencies, current as at the time of printing.

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

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

INVESTOR FUNDING AND GOVERNMENT GUARANTEE

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

Effective 12 October 2008, the New Zealand Government announced a retail deposit guarantee. Asset Finance applied and was duly accepted into the Crown Guarantee Scheme in November 2008. Asset Finance requested withdrawal from the Crown Guarantee Scheme prior to the expiry of the guarantee period, with effect from 6 November 2009.

OUR NICHE LENDING MARKET

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

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

TYPES OF LENDING

Loans can be grouped into two main categories: personal loans (consumer lending), and business lending.

When Asset Finance began operating, the majority of advances it made were personal loans, however in more recent years; the proportion of business loans has grown significantly. While the number of personal loans still far outweigh the number of business loans, the percentage of our total loan book comprised of business loans has increased to be roughly half of our loan book. See the concentration of credit exposure note in our financial statements for more information.

LOAN PAYMENTS AND ROLLOVERS

The majority of personal loans are standard principal and interest loans in which the client makes their weekly payments, and the principal debt is reduced. Many clients will approach the Company before their loan is fully repaid and request a top-up. We will assess their application, and if account is up to date and their payment history is good, we are likely to view it favourably.

Business loans consist of both principal and interest loans, and interest-only loans with a final lump-sum payment. Interest-only loans have no right of rollover at the expiry of initial term, which can be between 3 and 18 months. If a client wishes to extend the term of their interest-only loan, they submit an application prior to its maturity. Applications for extensions are assessed on a case by case basis and are declined or approved subject to the security on the loan, payment history, reason for the extension, and the future cash flow requirements of the Company.

HOW WE SECURE OUR FUNDS TO ACCOUNT FOR RISK

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

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

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

Motor vehicles: Secured by specific security agreement and registered on the Personal Property Securities Register (PPSR).

Machinery, equipment and other securable assets: (e.g. boats, trailers, life insurance policies with cash surrender value, etc). Secured by general security agreement (commonly known as a “fixed or floating charge”) or specific security agreement, with a registered charge on the PPSR.

Extensive use is made of guarantors, particularly where the borrower is not able to provide sufficient security. In these cases the guarantor must provide an asset as security, using the same criteria set out above as if it were the borrower. Company Directors are usually required to personally guarantee advances made to their company. However if the company is providing sufficient security, the directors may not be required to provide an asset as security to support their guarantee.

One of the keys to the success of the Company to date has been that the maximum amount advanced to any one entity is dependent on the value of the security provided for that loan, on a case by case basis.

As at 31 March 2010, the percentage of the loan book and average loan size for each security type is as follows:

TYPE OF SECURITY	PERCENTAGE OF LOAN BOOK	AVERAGE LOAN SIZE
First mortgage	10.72%	\$104,245
Second mortgage, agreement to mortgage supported by registered caveat	31.86%	\$9,497
Specific charge over motor vehicle, boat, plant, machinery or other assets, registered on PPSR	45.77%	\$3,138
General charge over assets, registered on PPSR	11.53%	\$26,540
No assets as security	0.11%	\$1,999
Combined Total	100%	\$5,395

RECENT FINANCIAL PERFORMANCE

The Company made a pre tax profit of \$659,408 in the financial year ending 31 March 2010, a marked improvement over the pre tax loss of \$367,299 in the 2009 financial year.

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

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

THE LOANS PROCESS

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

Currently, this means that we aim to have a decision on applications in around an hour, with documents ready for signing at the branch or agency another hour after approval.

APPLICATIONS

Applications are primarily sourced from our network of branches and agencies. We advertise in each region via a range of mediums including newspaper, television, Internet and by having well branded shop signage and Asset Finance cars.

Clients can apply for a loan by:

- telephone via a toll free number or the local telephone number we advertise.
- walking into one of our Asset Finance branded offices or agencies
- Using the online application form located on our website

PROCESSING & ASSESSING

We perform various checks on the proposed security, each borrower, and each guarantor (if any).

The security provided

We need to determine:

- the owner(s) of the security; and
- whether or not the security is freehold; and
- whether the security provided is sufficient given the loan amount and client's credit history

We perform checks via various government and non-government agencies to help answer these questions.

These agencies & services include:

- Land Transport Safety Authority (LTSA)
- Personal Property Securities Register (PPSR)
- Land Information New Zealand (LINZ)
- Terranet/Terralink (property information online)

All checks are performed online electronically in real time, allowing us to gather the information we need in order to make a decision with minimal delays.

The borrowers and guarantors

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

In addition, we look at the person's stability in their work and living situation based on the information they provide with their loan application. We don't require proof of income as a rule because most repayments are of a "reasonable amount" for the average person. However, if we believe the loan repayment amount is questionable given the persons employment details, proof of income will be required.

LOAN APPROVAL AUTHORITY

Approval authority is limited to an experienced team based at head office, with at least two of this team on-site at any given time during business hours. Loans of \$10,000 or more require the sign off of two approval officers, with loans larger than \$20,000 requiring at least one of those two to be a Director.

Once a loan is approved, loan and security documents are created using a purpose written software system. Documents are checked for accuracy and immediately sent electronically to the appropriate branch, agency or in the case of a mortgage loan, to the solicitor.

PAYING LOAN PROCEEDS

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

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

LOAN MONITORING AND COLLECTION

Once the loan proceeds have been paid to the client, we begin the process of monitoring the account. We electronically import, process and reconcile our bank account transactions each day, then follow up on any accounts with missed payments. Most accounts are setup with weekly or fortnightly payments to fit in with the clients pay period. Weekly or fortnightly payments have the added advantage of allowing us to identify any problems and deal with them early on, before they have a chance to get out of hand.

When dealing with accounts in arrears, our primary objective is to work with the client and have them make an extra payment to bring the account up to date. If they are unable to bring the account up to date with a single payment, we prefer to enter into an arrangement whereby the client pays a little extra each week to bring the account up to date over time.

Failing this, we fall back to the loan security and begin action with the aim of selling the collateral to recover the amount owed to us. However we are not in the business of selling collateral, so this is always a last resort.

IMPAIRED LOANS AND BAD DEBT WRITE OFFS

Even with all the controls and security in place, a percentage of loans will become impaired or need to be written off as bad debts. This is a reality of any financing operation – there is no reward without risk. The important part for any financier is the early identification of the potentially bad loans so they can be recorded in the financial statements and dealt with appropriately.

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

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

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

LOAN TOP-UPS AND REFINANCES

Much more common than bad loans, are good loans where the client comes to us before their initial loan had been repaid and requests a loan “top-up”. This top-up request begins the entire loans process again from scratch, with a new application, processing and assessment. When assessing top-up requests, we pay particular attention to the client’s payment history with us and we place a lot of weight on this history.

SO WHAT IS DIFFERENT ABOUT INVESTING WITH ASSET FINANCE?

We are security focused so that we minimise risk.

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

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

All lending is secured, with the majority of loans secured by real estate and/or freehold motor vehicles. More information about security is contained on page 5 under the heading "How we secure our funds to account for risk".

We are overseen by a trustee company to minimise risk.

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

It is the trustee company's role, to set out in the trust deed, the parameters in which the finance company will operate. For example they may stipulate that for every dollar invested by the public the company shareholders must contribute a certain amount of their own money. If the finance company was wound up the investor money would be paid out before the shareholder funds were released.

The trustee company must be supplied with audited financial reports including liquidity reports; their job is to help protect the money you invest. If they believe your investment is at undue risk they can and will cease the company's trading ability.

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

Our shareholders have to invest too which means we share the risk.

For every dollar of investment from the general public, the shareholders have to invest a certain amount too which means we share the risk. This means we don't take any risks with your money that we wouldn't take with ours.

COMPANY DIRECTORS AND OFFICERS

David Houldsworth

(Independent Chairman)

David Houldsworth has been appointed as a director and chairman of the Company.

David was Managing Director of NZX listed investment company Hellaby Holdings Ltd for almost ten years to July 2007. Prior to this he gained extensive corporate and investment banking experience with international banks Chase Manhattan, Citibank and Westpac.

David is a director of NZAX listed N.Z. Wool Services Ltd and the S.O.E. Metservice.

Clive George

(Managing Director)

Clive has over 25 years of experience in business management, with approximately 10 years of this time spent creating & developing Asset Finance into the successful business it is today. As the founder and major stakeholder of Asset Finance, he has a vested interest, both personally & financially, in its continued success.

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

Nicola Andresen

(Administrative Director)

As a key founding staff member of the Company, Nicola brings her 10 years of experience and knowledge of Asset Finance's history to her primary roles of heading the loan approvals and administration departments.

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

Nicola's other key role centres around the management of the head office staff as well as the Asset Finance offices & agencies.

Bryan Heapy

(Independent Director)

Bryan has 22 years experience in the finance and business banking industry, where he has held several senior positions in a variety of leading institutions. These positions have covered a spectrum of roles including client relationship management, lending, credit, and regional management.

These roles have exposed Bryan to a broad range of industry sectors including finance, manufacturing, fishing, tourism, commercial property, vehicle retailing, heavy equipment and civil engineering (to name a few!). Bryan is currently an executive for one of NZ's larger private commercial companies.

Dennis Hodgetts

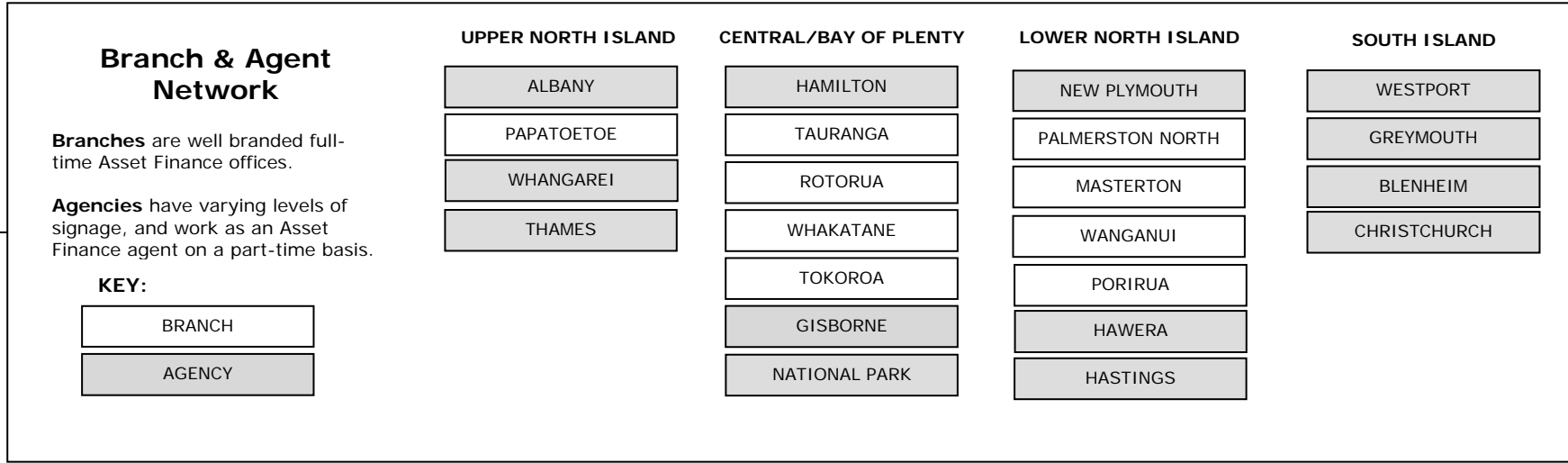
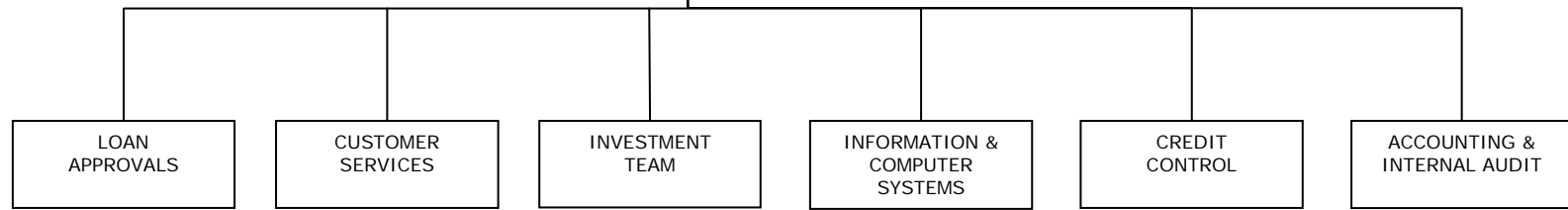
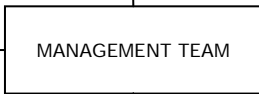
(Director)

Dennis has an extensive general management background having joined Allrig Limited in 1972. In 1979 Dennis purchased the entire business. Dennis recently sold the business to Steel & Tube Holdings Limited.

Dennis's role as Operations Manager during the 33 years of employment exposed him to a broad range of industry sectors. He brings the knowledge and experience garnered during this time to his role as Director of Asset Finance.

ORGANISATION HIERARCHY

BOARD OF DIRECTORS



STATUTORY INFORMATION

1. What sort of investment is this?

This Investment Statement contains an offer by Asset Finance Limited for you to invest in up to NZ\$6 million of unsecured, subordinated convertible capital notes (“Unsecured Notes”).

The Unsecured Notes are for a term of two, three or four years, bear interest at the rate provided on the rate card and upon maturity will convert into ordinary shares in Asset Finance Limited. Asset Finance also has the right to redeem the Unsecured Notes for cash at any time prior to the maturity date.

The Company shall convert the Unsecured Notes by issuing such number of ordinary shares which have an aggregate value equal to the principal amount of Unsecured Notes to be converted.

The value of the ordinary shares shall be determined by an independent valuation. More information on the conversion of the Unsecured Notes can be found in Appendix 6 to the Prospectus.

An ordinary share in the Company gives the holder the following rights:

Dividends – Holders of ordinary shares are entitled to dividends equally with all other ordinary shareholders as and when declared subject to the rights of holders of any other shares that entitled to special or prior rights to dividends.

Voting Rights – A holder of ordinary shares is entitled to attend all meetings of ordinary shareholders (other than meetings of holders of a specific class of shares) and is entitled to one vote per share on all resolutions put before such meetings.

Winding Up – In the event of a winding up of the Company, after payment of all outstanding debts including Debenture Stock Holders, Noteholders, payments under both of the Trust Deeds and subject to the prior rights attaching to any shares from time to time ranking in priority to ordinary shares, the remaining assets of the Company would be applied to paying the ordinary shareholders in proportion to the number of such shares they hold.

Information – ordinary shareholders are entitled to be sent the Company’s annual report and certain other information.

2. Who is involved in providing it for me?

> Issuer

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

38 Richardson Street
Whakatane

> **Trustee**

Covenant Trustee Company Limited (“Trustee”) is the trustee for the purposes of the Securities Act 1978.

The Trustee’s address is:

Level 34, Vero Centre,
48 Shortland Street
Auckland

The Trustee does not guarantee the repayment, redemption or conversion of the Unsecured Notes offered under this Investment Statement, or the payment of any interest thereon.

The Trustee is also trustee under the Company’s Debenture Trust Deed under which the Company has created a first ranking security interest over its assets in favour of the Trustee for the benefit of stockholders. Where there is any conflict of interest between the rights of the Trustee and the stockholders under the Debenture Trust Deed and the rights of the Trustee and the Noteholders under the Trust Deed for the Unsecured Notes (“Trust Deed”), the rights of the Trustee and the stockholders under the Debenture Trust Deed shall prevail and the Trustee is entitled to exercise its rights and powers under the Debenture Trust Deed and the Trust Deed for the Unsecured Notes accordingly.

> **Directors**

The Directors of the Company are:

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

Further details on the Directors of Asset Finance are available on page 11.

> **Business Activities**

The two primary activities of the Company are:

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

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

More information on the Company can be found in the company profile beginning on page 4 of this Investment Statement.

3. How much do I pay?

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

All payments should be made to Asset Finance Limited, 38 Richardson Street, PO Box 497, Whakatane 3158. Payments may be made by cheque or direct credit to Asset Finance, or by regular automatic payment.

4. What are the charges?

You pay no fees or charges for the right to invest with Asset Finance. The Company pays all trustee, administration and management charges as part of its operational costs. In the ordinary course of its business, none of these charges have any effect on the returns to investors.

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

5. What returns will I get?

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

Unsecured Notes will attract a fixed rate of interest the amount of which depends upon the length of term invested. The Company offers Unsecured Notes with a 2, 3 or 4 year maturity date.

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

> Monthly Direct Credit

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

> Quarterly Direct Credit

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

> Quarterly Compounding

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

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

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

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

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

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

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

> Withholding Tax

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

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

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

Asset Finance does not accept responsibility, nor do we give any undertaking or warranty that withholding tax deductions will not be made from any interest paid to any person who holds or is entitled to hold a valid

Certificate of Exemption, where a copy of that Certificate has not been forwarded to Asset Finance. There is no undertaking or warranty given that non-resident deductions will not be made from interest remitted to any address outside New Zealand, irrespective of whether or not the recipient of the interest is or may become a tax resident in New Zealand.

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

6. What are my risks?

Unsecured Notes are an unsecured subordinated investment. Unsecured Notes rank for repayment behind all other creditors of Asset Finance but ahead of ordinary shareholders.

Consistent with the nature of subordinated convertible notes, the Trustee has limited rights of enforcement in the event that the Company breaches the terms of the Trust Deed. In particular, the Trustee is not entitled to claim, demand, sue, prove for, compel or enforce payment or repayment in respect of the Notes except following the Commencement of Liquidation of the Company (as that term is defined in the Trust Deed).

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

> General Risks

- *Economic, social and political conditions*

At the most general level, changing economic, social and political conditions in New Zealand and overseas may affect the demand for the type of finance offered by Asset Finance. Periods of declining economic activity or financial uncertainty may see a downturn in demand for the type of loan facilities offered by Asset Finance. Any poor performance by other finance companies may also cause an erosion of public confidence in the market Asset Finance operates in. This may affect the level of public funds being deposited with Asset Finance.

- *Operation Risk*

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

- *Liquidity Risk*

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

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

> Specific Risks

- *Recovery from Borrowers*

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

- *Interest Rate Fluctuations*

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

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

> Insolvency

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

Asset Finance could become insolvent where:

- Due to any of the reasons outlined above a significant amount of its loan portfolio was not repaid and security taken for those loans proved inadequate to recover the borrowers' outstanding indebtedness to Asset Finance; or
- its investments could only be realised at a loss;

and because of those principal risks or otherwise, Asset Finance is unable to meet its debts as they fall due.

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

> Consequences of insolvency

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

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

- All of the Trustee’s costs, charges, expenses and liabilities, and all of its remuneration together with interest;
- Claims given priority by operation of law (for example, unpaid wages or taxes);
- Claims given priority by the Debenture Trust Deed; and
- Claims of all creditors of the Company.

Holders of Unsecured Notes would rank equally with all other holders of Unsecured Notes (including those who invested pursuant to an earlier or later prospectus and investment statement). More information of ranking of securities is contained in note 8 of the Prospectus.

Shares

Shareholders of ordinary shares are ranked behind all creditors (including Noteholders) in the event of insolvency, and equally with all other ordinary shareholders. If the Company is placed in liquidation the principal risk for ordinary shareholders is whether the value of the assets of the Company are sufficient to meet the claims of all creditors. In the event of a shortfall an ordinary shareholder may not receive the full value of their investment.

Ordinary shares are fully paid up upon conversion and there will be no requirement to pay any further money in the event of liquidation.

> Credit Rating

The Company has a long term counterparty credit rating of ‘B’ / Outlook Negative, issued by Standard & Poor’s (Australia) Pty Limited (“S&P”). This is an issuer rating and is based on local currency (ie New Zealand dollar). S&P is a ratings agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989.

A credit rating is a statement of opinion about the creditworthiness of the issuer, and central to this, is a view of the likelihood of default. Below is a table showing the ratings provided by S&P and the relative ranking in terms of their view as to the likelihood of default:

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

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

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

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

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

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

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

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

7. Can the investment be altered?

Unsecured Notes are fixed term investments which cannot be altered by you. The Unsecured Notes will convert upon maturity but can be redeemed by the Company at any time up to the maturity date.

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

The terms and conditions attached to ordinary shares can only be altered with the approval of a special resolution of shareholders of the Company.

8. How do I cash in my investment?

Unsecured Notes will be converted to ordinary shares in the Company at the maturity date selected on your application form unless redeemed by the Company prior to this date.

There are no rights for you, or any other person to terminate, cancel, surrender or otherwise make or obtain payment of the returns from the Unsecured Notes, other than the redemption of the Unsecured Notes by the Company.

> Right to sell Securities

Investors may, without fee, transfer Notes to a third party through a written instrument of transfer signed by the transferor and transferee, provided such a transfer does not allow a Noteholder to hold less than 500 Notes. It should be noted that there is no established market for transferring investments of this type.

Shares

Ordinary shares may be sold or transferred pursuant to the requirements of the Companies Act 1993. The Company does not consider that there is an established market for the sale of ordinary shares.

9. Who do I contact with enquiries about my investment?

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

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

In the first instance, any complaints you may have about your investment can be made to the Managing Director of Asset Finance. Contact details are in the Directory on page 24.

Trustee

If you still believe that your complaint has not been resolved, you can then direct it to the Trustee, Covenant Trustee Company Limited. The Trustee's contact details are in the Directory on page 24.

There is no Ombudsman to whom complaints can be made.

11. What other information can I obtain about this investment?

For more information about investing in Secured Deposits, our most recent Prospectus and Investment Statement, the Trust Deed, our annual report, Company constitution and the most recent financial statements of the Company are available from our offices during normal business hours free of charge. Asset Finance's contact details are in the Directory on page 24.

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

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

On Request and Annual Information

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

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



APPLICATION FORM FOR UNSECURED CAPITAL NOTES

Please ensure the application is completed in full and all fields are correct. Once complete, sign and return with a cheque (or details of direct credit payment) to Asset Finance Ltd. Please contact us if you have any questions.

Ph: 0800 657 800 Fax: (07) 306 0274 Email: invest@assetfinance.co.nz

1. FULL NAME, IRD NUMBER AND CONTACT DETAILS

Investor Mr / Mrs / Miss **Full Name** _____
 Ms / Dr / Trustee

Joint Investor Mr / Mrs / Miss **Full Name** _____
 Ms / Dr / Trustee

Company/Trust/Club **Full Name** _____

IRD Number

IRD Number

IRD Number

Physical Address _____ Town or City _____

Work Phone _____ Home Phone _____ Mobile Phone _____

Email Address _____ Fax Number _____

Postal Address (if different to physical) _____

2. INVESTMENT DETAILS

Enter the amount, term and applicable interest rate at which you would like to invest. You can specify multiple investments each for a different term and earning at a different interest rate.

Amount (min \$500)	Term or maturity date	Interest rate (% p.a)	Interest Payments		
<i>example only</i>	<i>3 years</i>	<i>12.50%</i>	<input checked="" type="checkbox"/> Compound Quarterly	<input type="checkbox"/> Direct Credit Quarterly	<input type="checkbox"/> Direct Credit Monthly
\$			<input type="checkbox"/> Compound Quarterly	<input type="checkbox"/> Direct Credit Quarterly	<input type="checkbox"/> Direct Credit Monthly
\$			<input type="checkbox"/> Compound Quarterly	<input type="checkbox"/> Direct Credit Quarterly	<input type="checkbox"/> Direct Credit Monthly
\$			<input type="checkbox"/> Compound Quarterly	<input type="checkbox"/> Direct Credit Quarterly	<input type="checkbox"/> Direct Credit Monthly

3. BANK ACCOUNT DETAILS

Specify the bank account to which you would like interest and maturity funds paid. Please attach a bank verified deposit slip for this account.

Bank/Branch _____

Bank Branch Account Number Suffix

4. WITHHOLDING TAX

If you do not supply your IRD number, we are required to deduct RWT at 38%

12.5% 21% 33% 38%

Exempt (please attach copy of certificate)

Non resident AIL approved issuer levy

5. SIGNATURES

Having received and read the Investment Statement of Asset Finance Limited, I/We hereby apply for unsecured convertible capital notes of the Company as set out above upon the terms and conditions of the trust deed and in the registered prospectus to which this document relates.

Signature (Investor) _____ Date _____ / _____ / _____

Signature (Joint Investor) _____ Date _____ / _____ / _____

OFFICE USE ONLY

Date Rcvd: _____ / _____ / _____

Entered by: _____

IMPORTANT NOTES 1. Joint applications must be signed by all applicants. For applications on behalf of trusts, trustees only must sign. 2. Please make cheques payable to Asset Finance Limited and cross 'non transferable'. Direct credit payments to Asset Finance, National Bank Whakatane. Account No. 060489-0107275-25. 3. If signed by attorney, please attach power of attorney. If signed under power of attorney the attorney hereby declares that they have not had notice of the death of the donor or the revocation of the power of attorney. 4. The current registered Prospectus and Investment Statement may be obtained from Asset Finance Limited at 38 Richardson Street, Whakatane

COMPLETE, ATTACH PAYMENT & SEND TO: Asset Finance Limited, PO Box 497, Whakatane

DIRECTORY

> Issuer and Securities Registrar

Asset Finance Limited
38 Richardson Street
PO Box 497
Whakatane

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

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

> Directors of the Issuer:

David Houldsworth
Principal place of residence: Auckland

Clive Nelson George
Principal place of residence: Whakatane

Nicola Ann Andresen
Principal place of residence: Whakatane

Bryan John Heapy
Principal place of residence: Hamilton

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

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

> Solicitors to the Issuer:

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

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

> Trustee:

Covenant Trustee Company Limited
Level 34, Vero Centre
48 Shortland Street
Auckland

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

> Auditors:

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

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

> Bankers:

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

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

> Companies Office:

Registrar of Companies
Private Bag 92061
Auckland Mail Centre

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