

Investment Statement

IN RESPECT OF THE ISSUE OF FIRST RANKING
SECURED DEBENTURE STOCK

24 September 2015



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.

The Financial Markets Authority regulates conduct in financial markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check—

- the type of adviser you are dealing with
- the services the adviser can provide you with, and
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

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CREDIT RATING

The creditworthiness of Finance Direct Limited is not rated by a rating agency approved by the Reserve Bank of New Zealand under section 86 of the Non-bank Deposit Takers Act 2013.

RESTRICTION ON THE DISTRIBUTION OF THE INVESTMENT STATEMENT

This Investment Statement is intended for use only in connection with the Offer in New Zealand. This Investment Statement must not be distributed or given to any person outside New Zealand in circumstances in which the distribution or use of this Investment Statement would be unlawful.

SECURITIES MARKETS

The Debenture Stock offered under this Investment Statement is not tradable on a securities market. Nor has any application been made or any approval been granted for trading on any securities market operated by any registered exchange.

DEFINED TERMS

Capitalised terms used in this Investment Statement have a special meaning and are defined in the Glossary of this Investment Statement.

All legislation referred to herein may be viewed online at www.legislation.govt.nz

This Investment Statement is an important document and should be read in its entirety. If you have any questions about any part of this Investment Statement, you should obtain the advice of your solicitor, accountant or a licenced financial adviser.

Chairman's Report

Dear Investor

We are pleased to invite you to participate in this issue of Debenture Stock by Finance Direct Limited ("the Company").

The Company offers competitively priced, flexible products, and provides a speed of service not always met by other lending institutions. The Company attracts its customers through a network of introducers, press, internet and radio advertising.

The Company has always adopted a conservative approach to lending and any loans that do not meet the Company's lending criteria are brokered to a more appropriate lender, this minimising the risk to the Company. Loans which are brokered to other financial institutions are on a non-recourse basis meaning the Company has no residual credit risk liability to those financial institutions in the event of a default by the respective borrower. This formula has helped Finance Direct Limited successfully navigate challenging economic times by switching its activities between lending and brokering. The advantage of having multiple income streams from its lending and its third party brokering activities has served the Company well.

Finance Direct has arranged or brokered over \$175 million worth of loans since its inception. The Directors are committed to maintaining the Company reputation as a niche lender with its core business predominantly being principal and interest loans secured by assets. Our focus has been and will continue to be on exceptional service and quality rather than growth for growth's sake.

This Investment Statement provides for the issue of Secured Debenture Stock at competitive interest rates while providing an opportunity to invest in a wholly New Zealand owned company. The Secured Debenture Stock is secured by a first ranking charge in favour of the Trustee (Covenant Trustee Services Limited) who represents the interests of Investors.

The Company has a proud history to date and continues to take its responsibilities to its Investors very seriously. I encourage you to read this Investment Statement to find out more about Finance Direct Limited and the details of the Debenture Stock Offer. If you require additional information or explanation of information about the Company or this Investment Statement please contact us.

Yours faithfully



Josh de Jong

Chairman

Key Information

This section highlights the main Offer terms, the main benefits and risks of the Investment and any other factors likely to be particularly material to an Investor's investment decision.

The information contained in this section is not exhaustive. Further details about the issues addressed in this section are disclosed elsewhere in this Investment Statement.

Offer Terms

Overall nature of the Investment

DEBENTURE STOCK

This Offer comprises the issue of first ranking secured Debenture Stock by Finance Direct Limited ("the Company").

The securities being offered are secured first ranking Debenture Stock, subject to the registration of prior charges and preferential claims. Debenture Stock offered in this Investment Statement are debt securities for the purposes of the Securities Act 1978.

The Debenture Stock shall be issued for fixed terms ranging between three months and five years. Fixed interest rates are applicable to Debenture Stock and will vary depending upon the fixed term selected. Details of the current fixed interest rates are available upon request from the Company

SECURITY FOR THE DEBENTURE STOCK

The obligations of the Company to Investors in respect of the Debenture Stock are secured by a security interest in all of the Charging Group's Personal Property and a charge over the Charging Group's Other Property pursuant to a Debenture Trust Deed granted by the Charging Group in favour of Covenant Trustee Services Limited. The charge created by the Trust Deed in respect of the Other Property is a floating charge over the Other Property in respect of which a fixed charge is not legally and fully effective and a fixed charge over all Other Property.

The Debenture Stock issued by the Company is first ranking because there are no other charges registered over all of the Company's assets that rank ahead of the charge granted in favour of the Trustee pursuant to the Trust Deed except for permitted prior charges.

USE OF PROCEEDS FROM DEBENTURE STOCK

The issue of the Debenture Stock will provide the Company with funds to on-lend for loan advances and selected financial transactions including personal loans, hire purchase arrangements and loan advances to both companies and individuals.

In addition to the provision of loan advances, the Company also facilitates third parties to lend money to parties who approach the Company seeking assistance in raising loan finance.

Aside from the Company's own advertising and marketing which generates business for the Company directly, the Company also retains the services of several contracted financial brokers to generate loan applications from members of the public:

- to whom the Company may resolve to lend to directly, or
- which the Company may elect to broker out to third party finance companies to lend to, in consideration for the payment of a fee.

The Company will invest funds in loans made through a peer to peer lending platform "the Platform" operated by a related subsidiary company. See page 11 and 24 of this Investment Statement for more detail on the nature of the Platform.

How the Investment can be sold

NO ESTABLISHED MARKET FOR THE SALE OF THE DEBENTURE STOCK

There is no currently established market for the sale of the Debenture Stock. The Debenture Stock will not be quoted on any NZX market or any other recognised stock exchange or registered securities market. Accordingly, Debenture holders will not be able to trade their Debenture Stock on a recognised trading platform. The only way in which a Debenture Stock holder may sell Debenture Stock is by private contract arranged by that Debenture Stock with a willing purchaser. At this time, the Company does not believe that a secondary market for the Debenture Stock will exist or will necessarily develop over time.

Key Information (cont)

REDEMPTION OF THE DEBENTURE STOCK ON MATURITY

Debenture Stock is issued for fixed terms. On maturity, Stockholders will be paid the face value of their Investment together with any interest then due, upon presentation of the relevant documentation to the Company. About 14 days before the date that the Investment is due to mature, the Investor will be sent a letter which sets out the options available for reinvestment or repayment of the Investment.

If the Investor has no immediate use for the Investment, the Company will, at the Investor's request, accept the Investment for a further period nominated by the Investor at whatever is the current interest rate at that time.

The Investor may request that repayment is made. If so, the Investor will need to return the Investment Certificate held in respect of the Investment. Payments will be made to the Investor by cheque or deposited into the Investor's bank account at the election of the Investor.

If at the Maturity Date the Company has not received any instruction from the Investor regarding either the reinvestment or repayment of the Investment, the Company may at its sole discretion:

- hold that Investment "at call", with seven days' notice, at the Company's "at call" rate until it receives the Investor's instructions
- reinvest the Investment for the same term (and the same payment terms) as the original Investment of Debenture Stock. The Investment will accrue interest at the interest rate applicable to Investments of the same term as the Investment as at the date of the reinvestment, or
- repay the Investment together with all accrued but unpaid interest by cheque to the Investor's last known address or by direct credit to the Investor's last nominated bank account.

EARLY REPAYMENT – DEBENTURE STOCK

The Investor has no right to require the Company to repay the Investment to the Investor prior to the expiry of the fixed term of the Investment. However, the Company reserves the ability at its absolute discretion to permit the early repayment of Debenture Stock before the Maturity Date for the respective Investment in the event of death or financial hardship. Requests for early repayment of Debenture Stock must be made to the Company in writing. In the event that the Company agrees to repay the Investment to the Investor prior to the Maturity

Date, the Company reserves the right at its discretion to adjust the interest rate applicable to the Investment to the current rate offered by the Company for the nearest term upon which those funds have been held by the Company. The Company may also charge an investment break fee set by the Company from time to time (currently \$150).

EARLY REPAYMENT OF THE DEBENTURE STOCK AT THE ELECTION OF THE COMPANY

The Company reserves the absolute discretion to repay the Investment prior to the expiry of the fixed term of the Investment, provided that the Company:

- provides the Investor with not less than one month's notice of the early repayment in writing to the Investor; and
- must repay all principal and interest accrued to the date of the early repayment on the date of the early repayment.

Financial benefits

INTEREST – DEBENTURE STOCK

The returns to an Investor from their Investment in Debenture Stock will be interest on the Debenture Stock. The Company will pay the Investor interest on the sum invested as Debenture Stock at the fixed rate advertised by the Company for Debenture Stock of that term on the date the application is received by the Company. Subject to an Investor's application being accepted, interest will begin accruing on the day the application money is received in cleared funds by the Company. The interest will accrue on a daily basis from that date (on the basis of a 365-day year) and will be paid at quarterly intervals and the rates as set out in the Application Form on which the Investment was made or as otherwise agreed with the Company.

Current interest rates for Debenture Stock are set out on the rate sheet accompanying the Application Form. From time to time market conditions alter and interest rates on Debenture Stock are changed to suit those conditions. The Company may vary the interest rates offered at any time. Any alteration in interest rates will not apply to Investments received before that alteration is made. Once accepted, Debenture Stock will continue to earn the interest rate agreed on when the Investment is made and is fully protected from any later fluctuation.

If the Application Form is received after an interest rate has been changed, the Company will advise the Investor of such a change. In the event that the Investor does not confirm within 10 Business Days that the Investor accepts the new interest rate, the Company will refund the deposit to the Investor. No interest will be paid on moneys refunded.

Payment of interest

The key factors that will determine your returns are:

- the term of the Investment
- the interest rate applicable to the term of the Investment, and
- the interest payment option selected.

Interest on the Investment may be compounded or paid to the Investor by direct credit or cheque at the Investor's option. The Company pays interest quarterly during the term of the Investment from the date of the deposit with the Company. Once the Debenture Stock has been allotted to the Investor for a fixed term, the interest rate at which that Debenture Stock has been issued to the Investor will be fixed during the term of the Investment and will not be varied.

The amount of returns an Investor will receive is not quantifiable as at the date of this Investment Statement due to the options available to the Investor. Nor is it possible to state the exact dates on which, or the frequency with which, the returns on your Debenture Stock will be paid. The amount can be calculated once these options have been selected, and that amount is enforceable by an Investor.

Key risks

There are a number of material risks relating to an Investment in the Debenture Stock.

This section summarises the significant material risks associated with an Investment in Debenture Stock:

The principal risk of an Investment in Debenture Stock not being recovered in full by an Investor, or of not receiving the possible returns on the Debenture Stock, is if the Company becomes insolvent. This could occur if:

- a significant number of loans made by the Company were not repaid and security taken for those loans proved inadequate for any reason and the Company was otherwise unable to recover those loans in full from the borrowers

- the value of the Company's assets fall and those assets were realised for less than the acquisition cost of those assets, or
- the Company, because of those principal risks or otherwise, is unable to meet its debts as they fall due.

DEBTOR RISK

As with most finance companies, the most significant risk faced by the Company is the risk that the Company is unable to recover loans in full from those parties borrowing funds from the Company.

CONTINUITY OF SUPPLY

The Company is in the business of lending funds that have been deposited with it together with other moneys that it has access to. Some of these secured debenture funds are received via a number of financial intermediaries. The ability of the Company to lend relies upon the support of these intermediaries and the investing public. If for any reason the continuing support of a number of advisers and financial intermediaries, or the investing public, ceases to occur or were to significantly reduce then the Company may not have the funds available to on-lend to prospective borrowers. This event may adversely impact upon the growth and financial performance of the Company.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not have sufficient funds to meet its ongoing obligations. A risk exists that the Company could encounter difficulty in raising funds at short notice to meet its lending and repayment commitments due to the Company principally raising funds from the issue of Debenture Stock.

INTEREST RATE RISK

Interest rate risk arises as a result of mismatches between the Company's interest bearing assets (i.e. loans) and its interest bearing liabilities (i.e. Debenture Stock). Movements in interest rates may impact upon the Company's financial results by affecting interest margins as a result of such mismatches

REAL ESTATE AND PROPERTY MARKET

As at 31 March 2015, approximately 65.53% of the Company's loans were secured by the Company taking security by way of an agreement to mortgage over real estate owned by the borrower, which agreement is secured by a caveat registered

Key Information (cont)

against the certificate of title for the borrower's property. Generally, the caveat registered to secure the agreement to mortgage will be registered subsequent to a first and/or a second mortgage. As a consequence:

- In the event that the conditions in the real estate market deteriorate materially causing a depreciation in real estate values, this may adversely impact on the value of the security underlying certain of the Company's loans which it may realise in the event that it is required to enforce its security.
- In the event the Company sought to enforce its securities through the registration of a mortgage and/or the exercise of the power of sale under that mortgage, then the Company's ability to realise the proceeds of sale of the mortgaged property would be subject to the claims of any prior ranking security interest registered over the mortgaged property in question, i.e. a first or second mortgage or prior ranking caveat. Subject to the extent of the borrower's indebtedness at the time of enforcement, there may not be sufficient residual funds available to the Company to repay the indebtedness of the borrower to the Company.

Further detail regarding the above risk factors and factors which may mitigate those risks, together with information about less significant risk factors, and more generic risk factors are provided in pages 23-27.

Costs

The fees and other costs that are payable which may affect the cost of, and value of the Debenture Stock are as follows:

MINIMUM INVESTMENT

You may select the amount you wish to invest ("Application Moneys"). The minimum amount that may be invested however is \$1,000. There is no maximum investment amount.

FEES AND CHARGES

You are not required to pay any fees or charges during the term of your Investment other than those statutorily imposed (if any) and the money paid for the Debenture Stock applied for. However, in the event that the Company agrees to repay the Investment to the Investor prior to the Maturity Date, the Company reserves the right at its discretion to adjust the interest rate applicable to the Investment to the current rate offered by the Company for the nearest term upon which those funds have been held by the Company. The Company may also charge an investment break fee set by the Company from time to time (currently \$150).

Charges payable by the issuer

The Company is liable to pay fees to the Trustee and may from time to time pay brokerage to certain financial advisers, intermediaries and brokers.

CHARGES PAYABLE BY THE ISSUER

The Company is liable to pay fees to the Trustee and may from time to time pay brokerage to certain financial advisers, intermediaries and brokers

COMMISSION

An Investor is not liable to pay any commission to the Company in respect of the Offer. However, the Company may, in certain circumstances, agree to pay commission or brokerage to Primary Market Participants and to the Company's agents calculated as a percentage of the amount invested.

Introducing the Board of Directors

The Directors of the Company are Wayne Croad, Richard Lott, Josh de Jong and Kirstin Poole. Details about the Directors and their roles within the business operations undertaken by the Company are as follows:

Wayne Croad

Dip Bus Finance

Wayne is the Managing Director of the Company. He is intimately involved in the day-to-day management and operations of the business of the Company. Wayne also carries out the role as credit manager for the business operations. Wayne has over 18 years' experience in the New Zealand banking, finance and insurance industries. As a founding director Wayne has been responsible for the implementation of systems, key appointments, lending standards and the strategic direction of Finance Direct Limited since inception. His background has included senior management positions for both privately held and public companies with responsibility for risk analysis, strategic planning, sales and marketing and general management.

Wayne holds a Diploma in Business Finance.

Wayne's family interests hold 70% of the shares on issue in the Company.

Wayne receives an annual salary of \$197,000 per annum. He also receives the use of a motor vehicle owned by the Company which is leased to Wayne's family interests. He also receives reimbursement of utilities for his home office and general expenses which had an aggregate value of \$22,000 during the financial year ended 31 March 2015. When deemed appropriate the Company pays Fringe Benefit Tax for this additional remuneration.

Richard Lott

ACA

Richard is a non-executive director of the Company.

Richard holds an Associated Chartered Accountants degree.

Richard is a Qualified UK Chartered Accountant with more than 20 years' experience in small and medium-sized businesses, both as an investor and a manager. He worked for Grant Thornton - Chartered Accountants, Lloyds Bank Plc and Close Brothers Group Plc in the UK before emigrating to New Zealand to be nearer his wife's family who are from Dunedin.

Richard is currently the Chief Executive Officer of Southern Spars.

Richard's family interests hold 30% of the shares on issue in the Company.

In exercising his role, Richard receives a director's fee of \$27,000 plus GST per annum.

Josh de Jong

BEd & Dip Tchg

Josh is a non-executive director of the Company and is also the Chairman of the Board of Directors of the Company.

Josh holds a Bachelor of Education and a Diploma of Teaching.

Josh is currently employed in a management position with Professionals Real Estate in Auckland, and was prior to that a contractor with the LIFE church.

Josh holds no interest directly or indirectly of the share capital of the Company.

In exercising his role as a non-executive director, Josh receives a director's fee of \$12,000 plus GST per annum.

Josh is an independent director.

Kirstin Poole

BCom & LLB

Kirstin Poole is a non-executive director.

Kirstin holds Bachelor of Commerce and Law degrees from University of Canterbury, New Zealand, and a Graduate Diploma in Wine Business from University of Adelaide, Australia.

Kirstin is a commercial lawyer with over 20 years' business experience. As well as working for legal firms both here and in the UK, she has held positions in banks and financial institutions in both jurisdictions. Her career to date also includes account and commercial management roles for New Zealand companies.

Kirstin is the founder and sole partner of kplegal Limited. She specialises in the corporate / commercial sector with a particular focus on specialised financial products and the Personal Property Securities Act 1999, in addition to providing general corporate and commercial advice to clients. She has acted for various entities particularly in the technology, wine and finance industries (including the Company). Kirstin is admitted as a lawyer in both New Zealand and England & Wales.

Kirstin holds no interest directly or indirectly in the share capital of the Company.

In exercising her role as non-executive director, Kirstin receives a director's fee of \$18,000 plus GST.

Kirstin is an independent director.

The Business of Finance Direct Limited

Finance Direct Limited was established in September 1999. To date, the Company has specialised in matching the requirements of its clients with appropriate financiers. With over \$175 million in loan business brokered and arranged since inception, the Company has maintained its own small loan book and brokered the remainder of business to other lending institutions.

Finance Direct Limited has recognised the competitive advantage it has by being in the position to broker business that does not fall into its own self-imposed lending criteria.

The Company currently generates its business via introducers, internet advertising and retail advertising in print, radio and television, and lends only on the security of vehicles, boats and property. In-depth risk analysis, credit checking and security valuations are obtained on all loans. We position ourselves to attract clientele who value speed of service, and an ongoing solutions-based approach to their finance requirements.

Funds received will be used to support the Company's lending operations directly to clients of the Company and also clients of its 76% owned subsidiary company Lending Crowd Limited which has made an application for a licence to operate a peer to peer lending service.

The Company has adopted strict and conservative lending guidelines and criteria with a view to minimising the credit risk of the Company on each loan it undertakes. In addition, the Company has sought to minimise its credit risk exposure by spreading its loans over a large number of smaller loans rather than focusing on a fewer number of larger transactions. The Company intends to continue this approach in the future to diversify its exposure to individual borrowers.

Peer to peer lending business

During the course of 2015, the Company intends to launch a peer to peer lending platform "the Platform" through a company called Lending Crowd Limited "Lending Crowd".

As at the date of this Investment Statement Lending Crowd is entirely owned by Wayne Croad (a director of the Company) but this is not intended to be the final ownership structure.

As at the date of this Investment Statement, it is intended that 76% of the shares in Lending Crowd will be owned by the Company and 24% by Oogaware Limited a Company owned by Bob Durrant.

As at the date of this Investment Statement Lending Crowd does not have a peer to peer lending licence under the Financial Markets Conduct Act 2013 and, as such, the Platform has not yet been launched.

However, once the Platform has launched, it is intended that the Company may invest funds in loans made through the Platform which will then be used by the Platform to fund its loans.

Lending Crowd will be a related party of the Company and as such the Investments through the Platform may constitute related party transactions. Finance Direct lends funds directly to a borrower via a special purpose trustee company Lending Crowd Trustee Services Limited. The trustee company's sole purpose is to hold the pooled funds provided by all Investors to lend directly to borrowers introduced via the Platform. Finance Direct can choose to lend or not to lend on an arms length basis to any borrower requesting funds on the Platform. All loans made directly to borrowers on the Platform are made in the normal course of Finance Direct's existing core business of lending money.

We are pleased to offer a range of attractive rates depending on the term of the Investment and believe the Offer will not only provide a steady rate of return to Investors, but also be an introduction to a well-managed business with good growth opportunities.



How to Invest

Minimum Investment

Investors may select the amount the Investor wishes to invest ("Application Moneys"). The minimum amount that may be invested however is \$1,000. There is no maximum amount that may be invested.

Application and payment

If an Investor wishes to make an Investment, the Investor must:

- complete the Application Form that accompanies this Investment Statement
- attach a cheque for the Application Moneys or direct credit the Application Moneys into our bank account, and
- send the Application Form together with the Investor's cheque for the Application Moneys made payable to "Finance Direct Limited" and crossed "Not Transferable" for the amount of the Application Moneys shown on the Application Form to Finance Direct Limited, to any Primary Market Participant or any agent appointed by the Company to receive such Application Forms.

Do not forward cash. Payment will only be accepted in New Zealand currency as follows:

- personal cheque drawn on and payable at any New Zealand bank
- bank cheque issued by and payable at any New Zealand bank
- bank draft drawn on and payable at any New Zealand bank, or
- by direct credit in cleared funds into the Company's bank account.

The Company is subject to the Anti Money Laundering and Countering Financing of Terrorism Act 2009. This legislation complements the Financial Transactions Reporting Act 1996 and aligns New Zealand's anti money laundering and countering financing of terrorism (AML/CFT) regime with global standards. It places obligations on New Zealand's financial institutions to detect and deter money laundering and terrorism financing. The legislation contains Customer Due Diligence (customer identification verification for all new customers from 30 June 2013) which means the Company is required to collect certain information about its customers. The Company has appointed Sarah Tia as the Company's Compliance Officer for AML/CFT.

Term – Debenture Stock

The Debenture Stock will be issued for fixed terms ranging between three months and five years. The Investor must select the appropriate fixed term on the Application Form.

The Company reserves the absolute discretion to repay the Investment prior to the expiry of the fixed term of the Investment. Please refer below to the section headed "Early repayment of the Debenture Stock at the election of the Company" for further information.

Interest rate – Debenture Stock

The Company will pay the Investor interest on the sum invested at the fixed rate advertised by the Company for Investments of that term on the date the application is received by the Company.

Current interest rates for Debenture Stock are set out on the rate sheet accompanying the Application Form. From time to time market conditions alter and interest rates on Debenture Stock are changed to suit those conditions. Any alteration in interest rates will not apply to Investments received before that alteration is made. Once accepted, Debenture Stock will continue to earn the interest rate agreed on when the Investment is made and is fully protected from any later fluctuation.

If the Application Form is received after an interest rate has been changed the Company will advise the Investor of such a change and, in the event that the Investor does not confirm within 10 Business Days that the Investor accepts the new interest rate, the Company will refund the deposit to the Investor. No interest will be repaid on moneys refunded.

Payment of interest

Interest on the Investment may be compounded or paid to the Investor by direct credit or cheque at the Investor's option. The Company pays interest quarterly during the term of the Investment from the date of the deposit with the Company. Once the Debenture Stock has been allotted to the Investor for a fixed term, the interest rate at which that Debenture Stock has been issued to the Investor will be fixed during the term of the Investment and will not be varied.

The Investor can choose to receive payments of interest in any one of three ways:

How to Invest (cont)

- **COMPOUND** – Rather than make a quarterly interest payment, the Company will add interest to the Investment automatically and send the Investor a notice of the Investor's balance. The Investor will then earn interest on the original Investment and on the interest which has been earned previously. If the Investor selects "compounding interest option" on the Application Form and then later decides that they would like to receive quarterly payments the Company will change the manner in which payments of interest are made in the future.
- **QUARTERLY DIRECT CREDIT** – The Company may pay interest direct to the Investor's bank account each quarter and mail the Investor an interest advice which shows details of the amount banked. This method avoids any postal delay which may occur if a cheque is mailed to the Investor.
- **QUARTERLY CHEQUE** – The Company may pay the interest by cheque each quarter. The cheque together with an interest advice is posted to the Investor.

New investment products

The Company reserves the right to offer new investment products, including savings accounts, not specified in this Investment Statement, and to offer different interest payment methods to Investors.

Repayment of the Investment

DEBENTURE STOCK

On maturity, Stockholders will be paid the face value of their Investment together with any interest then due, upon presentation of the relevant documentation to the Company. About 14 days before the date that the Investment is due to mature the Investor will be sent a letter which sets out the options available for reinvestment or repayment of the Investment.

If the Investor has no immediate use for the Investment, the Company will, at the Investor's request, accept the Investment for a further period nominated by the Investor at whatever is the current interest rate at that time.

The Investor may request that repayment is made. If so, the Investor will need to return the Investment Certificate held in respect of the Investment. Payments will be made to the Investor by cheque or deposited into the Investor's bank account at the election of the Investor.

If at the Maturity Date the Company has not received any instruction from the Investor regarding either the reinvestment or repayment of the Investment the Company may at its sole discretion:

- hold that Investment "at call", with seven days' notice, at the Company's "at call" rate until it receives the Investor's instructions
- reinvest the Investment for the same term (and the same payment terms) as the original Investment of Debenture Stock. The Investment will accrue interest at the interest rate applicable to investments of the same term as the Investment as at the date of the reinvestment, or
- repay the Investment together with all accrued but unpaid interest by cheque to the Investor's last known address or by direct credit to the Investor's last nominated bank account.

EARLY REPAYMENT – DEBENTURE STOCK

The Investor has no right to require the Company to repay the Investment to the Investor prior to the expiry of the fixed term of the Investment. However, the Company reserves the ability at its absolute discretion to permit the early repayment of Debenture Stock before the Maturity Date for the respective Investment in the event of death or financial hardship. Requests for early repayment of Debenture Stock must be made to the Company in writing. In the event that the Company agrees to repay the Investment to the Investor prior to the Maturity Date, the Company reserves the right at its discretion to adjust the interest rate applicable to the Investment to the current rate offered by the Company for the nearest term upon which those funds have been held by the Company. The Company may also charge an investment break fee set by the Company from time to time (currently \$150).

EARLY REPAYMENT OF THE DEBENTURE STOCK AT THE ELECTION OF THE COMPANY

The Company reserves the absolute discretion to repay the Investment prior to the expiry of the fixed term of the Investment, provided that the Company:

- provides the Investor with not less than one month's notice of the early repayment in writing to the Investor; and
- repays all principal and interest accrued to the date of the early repayment on the date of the early repayment

Investment Certificate

For Debenture Stock, the Company issues a Certificate containing full information about the Investment. This Certificate is the Investor's record of the terms on which the Investment has been accepted by the Company. When the Investment matures the Investor must return the Certificate to the Company together with the Investor's instructions for repayment or reinvestment.

Registers and transfers

A Register of the holders of Securities will be maintained by the Company.

An Investor may transfer its interest in the Investment at any time (not later than 30 days before Maturity Date) by

completion of a Transfer in such form as is customarily used to transfer shares in New Zealand ("Transfer"). More than one person can take ownership of the Investment. The Company is not bound to recognise trusts. Consequently no reference to trusts or trustees should be made in the Transfer. Joint Investment owners will be treated as joint tenants (unless some other form of ownership is indicated) so that on the death of one of them, ownership of the Investment will vest automatically with the survivor(s). To be valid the Transfer must be registered with the Company. There is currently no fee payable in respect of the Transfer of the Investment to another person, however, the Company reserves the right to charge a fee in the future.

Market

In the opinion of the Company there is no established market for the sale or transfer of the Securities.

Corporate Governance

The Board of Finance Direct Limited is committed to acting with integrity and expects high standards of behaviour and accountability from all its officers and staff. The Board recognises the need to continue to enhance its governance standards in line with developing best practice. In so doing, the Board has considered standards, guidelines and principles published by a range of interested parties in New Zealand. The governance principles adopted by the Board are designed to meet best practice, and strike a balance with what approach is practicable for a relatively small business. Principles are intended to ensure that the Directors observe and foster the highest possible ethical standards.

Role of the Board

The Board's primary objective is the enhancement of shareholder value by following appropriate strategies, and ensuring effective and innovative use of available Company resources. The Board is responsible for the management, supervision and direction of the Company. Day-to-day management of the Company is delegated to appropriate personnel by the Board.

Board meetings

The Board normally meets regularly during the course of the year for scheduled meetings. Additional meetings are held when specific matters require attention between scheduled meetings. Board meetings are used to monitor, challenge, develop and fully understand business and operational issues.

Composition of the Board

The NBDT Act requires that the Board of Finance Direct Limited has at least two independent directors. For the purposes of the Act, an "independent director" is a director who is not an employee, a director or employee of a related party and does not have an interest in more than 10% of the voting securities of the deposit taker or a related party. The Company has two directors who fully satisfy the independence requirements of the Act.

Criteria for Board membership

When a vacancy arises the Board will identify candidates with a mix of complimentary capabilities and perspectives considered necessary for the Board to carry out its responsibilities effectively.

Board committees

Given the relatively small size of the Company, the Board does not have any formal committees. Tasks which, in a larger or publicly listed company, may be performed by an Audit Committee, Remuneration Committee and Risk Committee are performed by the Board itself.

Investment Statement - Answers to Important Questions

What sort of investment is this?

DEBENTURE STOCK

This Investment Statement offers first ranking Debenture Stock of Finance Direct Limited, subject to the registration of prior charges. Debenture Stock offered in this Investment Statement are debt securities for the purposes of the Securities Act 1978.

The Debenture Stock shall be issued for fixed terms ranging between three months and five years. Fixed interest rates are applicable to Debenture Stock and will vary depending upon the fixed term selected. Current interest rates for Debenture Stock are set out on the rate sheet accompanying the Application Form.

The issue of the Debenture Stock will provide the Company with funds to on-lend for selected financial transactions including operating leases, hire purchase arrangements and loan advances to both companies and individuals.

The obligations of the Company to Investors in respect of the Debenture Stock are secured by a first ranking security interest in all of the Company's Personal Property and a charge over the Company's Other Property pursuant to a Debenture Trust Deed granted by the Company in favour of Covenant Trustee Services Limited. The Debenture Stock issued by the Company is first ranking because there are no other charges registered over all of the Company's assets that rank ahead of the charge granted in favour of the Trustee pursuant to the Trust Deed except for permitted prior charges.

The Trust Deed permits the Company to create prior security interests over any asset to secure any moneys to be borrowed, raised or otherwise owing in purchasing or acquiring such asset if at the time of such borrowing the aggregate of all moneys secured by existing prior security interests together with the money so proposed to be borrowed or raised or to be otherwise owing and secured would not exceed 2% of its Total Tangible Assets. There are currently no prior charges ranking ahead of the Debenture Stock.

Certain creditors may also be given preference under the legislation. These preferential creditors include liquidator's costs, taxes and certain payments to employees and to the Trustee.

The Debenture Stock ranks equally with all present and future Debenture Stock issued by the Company. As at 31 March 2015, the aggregate principal amount of Debenture Stock issued by the Company and which were outstanding was

\$7,662,000. This compares with the aggregate principal amount of \$7,226,000 of Debenture Stock issued by the Company and which was outstanding as at 31 March 2014.

The minimum amount that may be invested under this Offer is \$1,000.

NEW INVESTMENT PRODUCTS

Finance Direct Limited reserves the right to offer new investment products, including savings accounts, not specified in this Investment Statement, and to offer different interest payment methods to Investors.

Who is involved in providing it for me?

ISSUER

Finance Direct Limited is the issuer of the Debenture Stock.

The Company's registered office is Level 2, Finance Direct House, 88 Broadway, Newmarket, Auckland. The registered office may change from time to time and the current registered office can be obtained on the Companies Office website (www.business.govt.nz).

The Directors of the Company are:

Wayne Darrin Croad, Auckland
 Kirstin Poole, Auckland
 Richard James Huntley Lott, Auckland
 Josh de Jong, Auckland

The identity of the Directors may change from time to time and the current Directors can be contacted at the Company's registered office. The identity of the current Directors can be found on the Companies Office website (www.business.govt.nz).

TRUSTEE

The Trustee is Covenant Trustee Services Limited. The Trustee's address for service is Level 9, 191 Queen Street, Auckland and its registered office is Level 9, 191 Queen Street, Auckland. The addresses may change from time to time and the current address can be obtained on the Companies Office website (www.business.govt.nz). As at the date of this Investment Statement, the Trustee has a licence pursuant to section 16(1) of the Financial Markets Supervisors Act 2011 to act as a Trustee in respect of debt securities. The licence expires on 16 February 2018 and is subject to conditions. Further information on the Trustee's licence is available on the Financial Services Providers Register at www.business.govt.nz/fsp and on FMA's website at www.fma.govt.nz. A copy of the Trustee's licence is available on its website at www.covenant.co.nz.

Answers to Important Questions (cont)

BUSINESS ACTIVITIES

The Company was incorporated on 23 September 1999. Since the date of incorporation of the Company, the Company has been establishing itself as a multi-disciplined finance company. The Company's principal activity is the raising of money from the public by the issue of Debenture Stock and the advance of that money, together with the Company's own funds, to the consumer and retail finance sector. In addition, the Company also brokers third parties to provide loan facilities available to the Company's customers from which the Company takes a fee.

The Company has primarily been involved in sourcing financial solutions for the Company's clients, including sourcing lenders to make certain financial accommodation available to clients and in making certain loans and other financial accommodation to company and individual borrowers. The Company facilitates the loan advances and receives remuneration from the client and/or the lender for the provision of these services.

The Company currently generates its business via introducers and retail advertising in print, radio and television and lends only on the security of vehicles, boats and property. In 2015 the Company intends to generate additional business by lending directly to client loan requests on the lending platform proposed to be operated by Lending Crowd Limited. In-depth risk analysis, credit checking and security value estimates are obtained on all loans. As a mainstream lender, the Company seeks to position itself to attract clientele with a strong emphasis on speed of service and flexibility.

The Company's loans can generally be categorised as falling within the following three categories:

- to assist consumers with the funding of asset purchases (i.e. the purchase of motor vehicles and boats)
- to assist consumers with the refinancing or consolidation of existing indebtedness, or
- secured business and personal loans.

This lending comprises the provision of business loans and personal loans to individual consumers for general purposes or to specifically assist consumers with the purchase of motor vehicles and boats. These loans are predominantly secured with registered security interests over motor vehicles, boats, and agreements to mortgage real estate (secured by caveats registered over the relevant real estate) owned by the borrower. The Company takes a first or second ranking security interest over the assets which are provided to the Company as security for loans made.

At the time of granting a loan, all of the Company's loans by value are secured by first ranking security interests registered over motor vehicles, boats, real estate, household chattels and similar assets. However, during the term of a loan, the underlying security for a particular loan may be lost due to the secured property being destroyed or disposed of illegally, i.e. in the case of a motor vehicle or a boat. 65.53% of those loans are also secured by additional second ranking security interests. This second ranking security interest is predominantly an agreement to mortgage real estate, which agreement is secured by a caveat over the real estate in question which security ranks behind an existing registered mortgage over the property in favour of the borrower's principal lender.

This lending is generally:

- concentrated in Auckland and Northland
- represented by loans made for terms of 24 months (on average), and
- represented by loans of less than \$20,000.

The Company's loan documentation allows for loans to be varied during the course of loan facility agreements. This includes the ability to extend the Maturity Dates of loans and the rollover of loans into new agreements, where it is deemed beneficial to do so. Loan rollovers are considered based on their individual merits, bearing in mind the current economic climate and the additional period of time required to achieve recovery of the loan. All loan rollovers are assessed based on current credit policy and require in-depth risk analysis, credit checking, security valuations and third party guarantees (where applicable) to be provided by borrowers.

The Company does not lend to parties related to the Company.

BREAKDOWN OF BUSINESS ACTIVITIES

The exposure of the Company to the aforementioned lending sectors was as follows (as a percentage of the total receivables owned by the Company as at 31 March 2015):

Consumer Loans	\$7,099,000	89.26%
Business Loans	\$854,000	10.74%
Total	\$7,953,000	100.00%

COMPOSITION OF RECEIVABLES BY QUANTUM

At 31 March 2015, the Company had 556 open loans with an average balance of \$14,305. The following table illustrates the composition of the Company's loan receivables by quantum as at 31 March 2015:

Size of Loan	Number of Loans
\$0 to \$10,000	357
\$10,001 to \$20,000	82
\$20,001 to \$30,000	42
Greater than \$30,001	75
Total	556

Collateral held over loans and advances

The loans made by the Charging Group are secured by the following types of security (as a percentage of the total receivables owned by the Company as at 31 March 2015):

NATURE OF SECURITY	Consumer Loans % of total receivables secured	Business Loans % of total receivables secured
Security interest over:		
boat only	0.0%	0%
motor vehicle and boat	2.81%	0%
property only	1.49%	0%
motor vehicle only	30.38%	43.37%
property and motor vehicle	64.46%	44.42%
household chattel	0.21%	0%
property, boat & motorcycle	0.65	12.21%
Total	100.00%	100.00%

Geographical exposure

The majority of loans made by the Charging Group are made to borrowers residing in Auckland and Northland. The following table illustrates the geographic location of the borrowers to whom the Charging Group lends (as a percentage of the total receivables owned by the Charging Group as at 31 March 2015):

LOCATION OF BORROWER

Security interest over:	Consumer Loans % of total receivables secured	Business Loans % of total receivables secured
Auckland and Northland	75.68%	84.10%
Bay of Plenty	0.42%	4.71%
Central North Island	1.73%	1.32%
South Island	6.50%	0%
Waikato	7.37%	9.87%
Wellington	8.30%	0%
Total	100.00%	100.00%

Loans and Advances

PAST DUE LOANS

As at 31 March 2015 the total amount of past due loans, i.e. loans that are in arrears but not impaired amounted to \$144,000. This compares with a total of \$117,000 as at 31 March 2014.

IMPAIRMENT

The Company's total gross impaired assets as at 31 July 2015 were \$233,000. As at 31 March 2015, the Company's total gross impaired loans and advances were approximately \$215,000. This total represents approximately 2.70% of the Company's loans and advances as at 31 March 2015.

CREDIT MANAGEMENT

The Company has a designated team member responsible for the collection of loan repayments and arrears management. Where loans are considered to be past due and/or impaired, the loans require special focus to determine suitable options for recovery, and to implement and manage the recovery process. Credit management staff have expertise in credit recovery and consumer finance, having worked through a number of credit cycles. Additional consultants are engaged by the credit management team, from time to time, as the need arises.

NATURE AND USE OF PRINCIPAL FIXED ASSETS

The principal fixed assets of the Charging Group are the general office equipment assets which are charged pursuant to the Trust Deed. The general office equipment assets are used by the Company for its day-to-day operational requirements and are not the subject of obligations in favour of another person that modify the Company's ability to deal with those assets.

Answers to Important Questions (cont)

TRUST DEED

The Trust Deed is dated 30 September 2004 and entered into between the Company and Covenant Trustee Services Limited. The Trust Deed was amended by deeds of amendment dated 1 December 2010 and 27 September 2012.

The Trust Deed provides that the Company may from time to time borrow or raise money secured by Debenture Stock. Pursuant to the Trust Deed the Trustee has agreed to act as Trustee for the benefit of the Stockholders on the terms and conditions and with the powers and authorities contained in the Trust Deed.

GRANTING OF SECURITY INTEREST

Pursuant to the Trust Deed the Company has granted to Covenant Trustee Services Limited a security interest in all of the Company's Personal Property and a charge over the Company's Other Property. The charge created by the Trust Deed in respect of the Other Property is a floating charge over Other Property in respect of which a fixed charge is not legally and fully effective and a fixed charge over all Other Property

RANKING OF DEBENTURE STOCK

The Debenture Stock being offered under this issue will rank equally with all existing and future Debenture Stock which may be issued from time to time pursuant to the provisions of the Trust Deed.

How much do I pay?

MINIMUM INVESTMENT

You may select the amount you wish to invest ("Application Moneys"). The minimum amount that may be invested however is \$1,000. There is no maximum amount.

APPLICATION AND PAYMENT

If you wish to make an Investment, you must:

- complete the Application Form that accompanies this Investment Statement
- attach a cheque for the amount you wish to invest, and
- send your Application Form together with your cheque made payable to "Finance Direct Limited" and crossed "Not Transferable" for the amount of the Application Moneys shown on your Application Form to Finance Direct Limited, PO Box 17422, Greenlane, Auckland, to any Primary Market Participant or any agent appointed by the Company to receive such Application Forms.

- DO NOT forward cash. Payment will only be accepted in New Zealand currency as follows:
- personal cheque drawn on and payable at any New Zealand bank
- bank cheque issued by and payable at any New Zealand bank
- bank draft drawn on and payable at any New Zealand bank, or
- by direct credit in cleared funds into the Company's bank account.

What are the charges?

You are not required to pay any fees or charges during the term of your Investment other than those statutorily imposed (if any) and the money paid for the Debenture Stock applied for:

The Investor has no right to require the Company to repay Debenture Stock to the Investor prior to the expiry of the fixed term of the Debenture Stock ("Maturity Date"). However, the Company reserves the ability at its absolute discretion to permit the early repayment of Debenture Stock before the Maturity Date for the respective Investment in the event of death or financial hardship. Requests for early repayment of Debenture Stock must be made to the Company in writing. In the event that the Company agrees to repay the Investment to the Investor prior to the Maturity Date, the Company reserves the right at its discretion to adjust the interest rate applicable to the Investment to the current rate offered by the Company for the nearest term upon which those funds have been held by the Company. The Company may also charge an investment break fee set by the Company from time to time (currently \$150).

CHARGES PAYABLE BY THE ISSUER

The Company is liable to pay fees to the Trustee and may from time to time pay brokerage to certain financial advisers, intermediaries and brokers.

Commission

An Investor is not liable to pay any commission to the Company in respect of the Offer. However, the Company may, in certain circumstances, agree to pay commission or brokerage to Primary Market Participants and to the Company's agents calculated as a percentage of the amount invested. Brokerage will be paid by the Company in respect of applications accepted that bear the stamp of an approved broker of the Company at the following rates:

Investment Term	Brokerage Rate
3 months	0.125%
6 months	0.250%
9 months	0.375%
12 months	0.500%
18 months	0.750%
2 years	1.00%
3 years	1.50%
4 years	2.00%
5 years	2.50%

Brokerage (at the rate prevailing at the time of renewal) may also be paid by the Company on Investments which are reinvested, provided that the renewal bears the relevant broker's or agent's stamp.

None of the above fees are payable by an Investor and do not impact upon the amount of returns payable by the Company on your Investment.

What returns will I get?

INTEREST – DEBENTURE STOCK

The returns to an Investor from their Investment in Debenture Stock will be interest on the Debenture Stock. The Company will pay the Investor interest on the sum invested as Debenture Stock at the fixed rate advertised by the Company for Debenture Stock of that term on the date the Application is received by the Company. Subject to an Investor's application being accepted, interest will begin accruing on the day the application money is received in cleared funds by the Company. The interest will accrue on a daily basis from that date (on the basis of a 365 day year) and will be paid at the intervals and the rates as set out in the Application Form on which the Investment was made or as otherwise agreed with the Company.

Current interest rates for Debenture Stock are set out on the rate sheet accompanying the Application Form. From time to time market conditions alter and interest rates on Debenture Stock are changed to suit those conditions. The Company may vary the interest rates offered at any time. Any alteration in interest rates will not apply to Investments received before that alteration is made. Once accepted, Debenture Stock will continue to earn the interest rate agreed on when the Investment is made and is fully protected from any later fluctuation.

If the Application Form is received after an interest rate has been changed, the Company will advise the Investor of such a

change. In the event that the Investor does not confirm within 10 Business Days that the Investor accepts the new interest rate, the Company will refund the deposit to the Investor. No interest will be paid on moneys refunded.

PAYMENT OF INTEREST

The key factors that will determine your returns are:

- the term of the Investment
- the interest rate applicable to the term of the Investment, and
- the interest payment option selected.

Interest on the Investment may be compounded or paid to the Investor by direct credit or cheque at the Investor's option. The Company pays interest quarterly during the term of the Investment from the date of the deposit with the Company. Once the Debenture Stock has been allotted to the Investor for a fixed term, the interest rate at which that Debenture Stock has been issued to the Investor will be fixed during the term of the Investment and will not be varied.

The amount of returns an Investor will receive is not quantifiable as at the date of this Investment Statement due to the options available to the Investor. Nor is it possible to state the exact dates on which, or the frequency with which, the returns on your Debenture Stock will be paid. The amount can be calculated once these options have been selected, and that amount is enforceable by an Investor.

Because these factors vary between prospective Investors, the Company cannot promise a quantifiable amount of returns in this Investment Statement.

The Company may adjust the interest rate applicable to any Debenture Stock if the Stockholder seeks early repayment in the circumstances set out in the section "What are the charges?" The new rate will be a rate the Company determines is applicable for the period during which the Investment was held. The Company may also charge an investment break fee set by the Company from time to time. Further information on these charges is set out under the heading "What are the charges?" on page 16.

The Investor can choose to receive payments of interest in any one of three ways:

- **COMPOUND** – Rather than make a quarterly interest payment, the Company will add interest to the Investment automatically and send the Investor a notice of the Investor's balance. The Investor will then earn interest on the original Investment and on interest earned previously.

Answers to Important Questions (cont)

If the Investor selects “compounding interest option” on the Application Form and then later decides that the Investor would like to receive quarterly payments, the Company will change the manner in which payments of interest are made in the future.

- **QUARTERLY DIRECT CREDIT** – The Company may pay interest direct to the Investor’s bank account each quarter and mail the Investor an interest advice which shows details of the amount banked. This method avoids any postal delay which may occur if a cheque is mailed to the Investor.
- **QUARTERLY CHEQUE** – The Company may pay the interest by cheque each quarter. The cheque together with an interest advice is posted to the Investor.

Finance Direct Limited is the person legally liable to pay the returns on this Investment.

NO GUARANTEE

None of the issuer, its shareholders, the Trustee nor any of their directors, officers or employees, nor any other person or company promise or guarantee the performance of or returns from this Investment.

TAXATION

Under current legislation, the Company is required to deduct resident withholding tax (“RWT”) from interest paid to, or applied for, the benefit of New Zealand resident Investors and Investors who hold secured deposits through a fixed establishment in New Zealand in which the Investors are engaged in business in New Zealand. RWT will not be deducted by the Company where Investors hold a valid RWT exemption certificate that has been supplied to the Company.

Under the Income Tax Act 2007, the applicable RWT rates for individuals (including corporate trustees) are 10.5%, 17.5%, 30% and 33%. For trustee Investors, the 10.5% rate is only available for a trustee of a testamentary trust. Where an individual or trustee Investor has not elected an applicable RWT rate, RWT will be deducted at a rate of 33%.

The rates for companies are 28% and 33%. Where a company Investor has not elected an applicable RWT rate, RWT will be deducted at a rate of 28%.

In all cases, where no IRD number has been supplied by an Investor (regardless of whether the Investor is an individual, trustee or company), the Company must deduct RWT at the non-declaration rate of 33%. Non-resident withholding tax

(“NRWT”) will be deducted by the Company from interest paid to, or applied for, the benefit of an Investor who is not a tax resident of New Zealand unless the Investor holds secured deposits through a fixed establishment in New Zealand in which the Investor is engaged in business in New Zealand. The rates of NRWT deduction are currently 10% or 15% depending upon the Investor’s country of residence.

The Company will make the deductions referred to above and as required by applicable legislation unless it is satisfied by the Investor that such deductions are not required by law.

The Company has obtained “Approved Issuer” status and has registered the Debenture Stock as “Registered Securities” for the purpose of the approved issuer levy provisions in Part 6B of the Stamp and Cheques Duties Act 1971. The Company may, upon request, subject to being legally entitled so to do, and on any terms it requires, agree to deduct and pay an Approved Issuer Levy (currently 2%) on interest payments made to non-residents in lieu of NRWT.

New investment products

Finance Direct Limited reserves the right to offer new investment products, including savings accounts, not specified in this Investment Statement, and to offer different interest payment methods to Investors.

What are my risks?

The principal risk of your Investment not being recovered in full by you, or of not receiving the returns stated in the section entitled “What returns will I get?”, is if the Company becomes insolvent. This could occur if:

- a significant number of loans made by the Company were not repaid and security taken for those loans proved inadequate for any reason and the Company was otherwise unable to recover those loans in full from the borrowers
- the value of the Company’s assets fall and those assets were realised for less than the acquisition cost of those assets, or
- the Company, because of those principal risks or otherwise, is unable to meet its debts as they fall due.

In addition to the general risks associated with any investment in securities of this nature, there are numerous factors relevant to the Debenture Stock and to the Company, which may impact on the security position and performance of the Debenture Stock. Details of these specific risks are provided in this section below.

Specific risks

There are a number of specific risks that Investors should be aware of when deciding whether to invest in Debenture Stock.

DEBTOR RISK

As with most finance companies, the most significant risk faced by the Company is the risk that the Company is unable to recover loans in full from those parties borrowing funds from the Company.

In light of the fact that the Company:

- predominantly lends on the security of motor vehicles, boats (which are by their nature depreciating assets) and agreements to mortgage over real estate (which are in effect unregistered mortgages often ranking behind first registered mortgages and/or second mortgages, or other caveatable interests), and
- lends at a higher loan to value ratio than larger financial institutions, in respect of the amount that it will lend against certain assets,

the Company has potentially greater credit risk in the event that a borrower client defaults under a loan made by the Company as the Company may not be able to realise sufficient value from the sale of the assets pledged by the borrower as security for the loan.

The Company has a number of procedures in place to seek to reduce the risk of the Company being rendered unable to recover all the moneys owing to it by a borrower or borrowers under a loan, including:

- a rigorous loan application and credit approval process that each prospective borrower must complete to the satisfaction of the Company prior to a loan advance being made to that prospective borrower
- ensuring that the Company takes sufficient security to properly protect its position
- ensuring that the Company follows stringent policies of monitoring loan performance, including daily monitoring of the contractual position of all of the Company's debtors with immediate daily personal follow up if there is a breach of the terms of their loan facility documentation, followed up with enforcement action if the breach is not expeditiously remedied
- obtaining third party guarantees of the borrower's obligations to the Company where appropriate in the circumstances

- ensuring that loan securities are within prudent loan to valuation ratio percentages, and
- ensuring that the covenants in the Debenture Trust Deed, pursuant to which Debenture Stock is issued, are met.

In the vast majority of loans made by the Company, the Company requires that borrowers obtain payment protection insurance. Under these policies of insurance, the insurer will generally pay the borrower's payment instalments as they fall due under a loan upon the occurrence of death, certain accidents, sicknesses or redundancy/bankruptcy (if the borrower is self-employed).

In certain circumstances, the Company will require a borrower's obligations to the Company to be guaranteed by a third party. This will generally only be required where the security for a loan is owned by a person other than the borrower, in which case the owner of that property will be required to guarantee the obligations of the borrower to the Company. Also, in the case of borrowers under the age of 20, the Company normally looks for a third party to guarantee the obligations of that borrower to the Company depending upon the assessed value of the security given for the respective loan.

CONTINUITY OF SUPPLY

The Company is in the business of lending funds that have been deposited with it together with other moneys that it has access to. Some of these secured debenture funds are received via a number of financial intermediaries. The ability of the Company to lend relies upon the support of these intermediaries and the investing public. If for any reason the continuing support of a number of advisers and financial intermediaries, or the investing public ceases to occur or were to significantly reduce, then the Company may not have the funds available to on-lend to prospective borrowers. This event may adversely impact upon the growth and financial performance of the Company.

The collapse of many finance companies which previously issued Debenture Stock and the impact of the global financial crisis, has reduced the reinvestment and new investment levels compared to periods prior to those events.

The table below provides a summary of the concentration of the Company's secured Debenture Stock holdings by individual counterparties as a percentage of shareholder funds:

Answers to Important Questions (cont)

CONCENTRATION OF FUNDING % of Shareholder Funds	Number of Counterparties	
	2015 Audited	2014 Audited
0-9.99%	257	225
10-19.99%	3	4
20-29.99%	-	-
30-39.99%	1	1
40-49.99%	-	-
50-59.99%	1	1
	262	231

Reinvestment rates

The current average reinvestment rate (i.e. percentage of funds reinvested at the end of term) for the Debenture Stock for the 12 month period ended 31 July 2015 was 37.41%. Reinvestment rates vary greatly from month to month and are affected by a variety of market factors including media coverage on the global financial crisis, public perception of the industry and overall market confidence. As the rates are primarily driven by these factors, they often do not necessarily provide an accurate indication of the performance of the Company.

As part of the Company's financial modelling to satisfy itself that it will continue to meet its liquidity obligations, the Company has assumed an effective reinvestment rate of not less than 20% per month.

The table below provides an illustration of the reinvestment rates for the period 1 September 2014 through to 31 July 2015:

MONTHLY REINVESTMENT RATE	
Sept 2014	89.01%
Oct 2014	64.36%
Nov 2014	97.06%
Dec 2014	61.40%
Jan 2015	89.09%
Feb 2015	18.56%
Mar 2015	66.78%
Apr 2015	49.53%
Mar 2015	79.68%
June 2015	1.35%
July 2015	86.92%

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its ongoing obligations. A risk exists that the Company could encounter difficulty in raising funds at short notice to meet its lending and repayment commitments due to the Company principally raising funds from the issue of Debenture Stock. To mitigate this risk, the Company:

- prepares detailed financial forecasts and holds regular management meetings to discuss liquidity management issues
- maintains sufficient liquid funds to meet its commitments based on the forecast financial information
- obtains external expert advice as considered prudent from time to time, and
- generally makes sure the average actual term of the Company's loans is shorter than the average term of its debenture borrowings.

The Trust Deed requires that the Company will manage its liquidity so that, for each of the first three months of each monthly Liquidity Report, the Company's projected Liquidity Position is positive.

Quantitative Liquidity Model

Every month as part of the Company's reporting obligations to the Trustee, the Company is required to provide a Quantitative Liquidity Model which illustrates a prospective analysis of liabilities of the Company and when they fall due compared to expected cash flows from financial assets.

Interest rate risk

Interest rate risk arises as a result of mismatches between the Company's interest bearing assets (i.e. loans) and its interest bearing liabilities (i.e. Debenture Stock). Movements in interest rates may impact upon the Company's financial results by affecting interest margins as a result of such mismatches.

The Directors have a number of risk mitigation procedures in place to seek to reduce the impact of interest rate movements, including:

- the fact that the Company's loans are generally for terms shorter than the average term of its debenture borrowings means the Company generally knows funding costs for the duration of any lending at the time it enters into loan agreements, and

- interest rates for most Investments are fixed for the term of the Investment.

REAL ESTATE AND PROPERTY MARKET

As at 31 March 2015, approximately 65.53% of the Company's loans were secured by the Company taking security by way of an agreement to mortgage over real estate owned by the borrower, which agreement is secured by a caveat registered against the certificate of title for the borrower's property. Generally, the caveat registered to secure the agreement to mortgage will be registered subsequent to a first and/or a second mortgage. As a consequence:

- in the event that the conditions in the real estate market deteriorate materially causing a depreciation in real estate values, this may adversely impact on the value of the security underlying certain of the Company's loans which it may realise in the event that it is required to enforce its security, and
- in the event the Company sought to enforce its securities through the registration of a mortgage and/or the exercise of the power of sale under that mortgage, then the Company's ability to realise the proceeds of sale of the mortgaged property would be subject to the claims of any prior ranking security interest registered over the mortgaged property in question, i.e. a first or second mortgage or prior ranking caveat. Subject to the extent of the borrower's indebtedness at the time of enforcement, there may not be sufficient residual funds available to the Company to repay the indebtedness of the borrower to the Company.

EXPOSURE TO A PARTICULAR COUNTERPARTY

There is a risk that the Company may become too heavily exposed to one particular borrower. The Company mitigates this risk by ensuring that it is not exposed to one entity for an amount equal to or greater than 10% of the Company's Total Tangible Assets.

RELATED PARTY LENDING

As at the date of this Investment Statement, the Company has not made any loan advances to any Directors or shareholders of the Company, nor to any persons associated with the Directors and shareholders. In the event that the Company resolves to make a loan advance to a related party, the Company must ensure that the Aggregate Related Party Exposures of the Company do not exceed 15% of Capital, and that such lending is made in accordance with the Company's standard lending practices.

UNSUCCESSFUL MARKETING

It is possible that the Company's initiatives to market its financial services to prospective borrowers and its financial investments such as secured Debenture Stock will fail, or not produce the projected levels, which may have an adverse impact upon the financial position and performance of the Company.

PEER TO PEER LENDING INVESTMENTS

The Company intends to invest funds in loans made through a peer to peer lending platform "the Platform" operated by a related party. See the Prospectus for more detail on the nature of the Platform.

There are several risks related to investing in the Platform. These, in general terms, are:

- The principal risk of loss in investing in loans through the Platform is non-payment of amounts owing by borrowers who enter into loan agreements under the Platform.
- Operating the Platform requires a licence. This licence will be subject to conditions and those conditions may be changed at the discretion of the Financial Markets Authority (FMA) from time to time. Any breaches of any licence condition or any changes to conditions may lead to action by the FMA or a change in the manner in which the Platform is operated. The FMA also has other supervisory powers over financial services market participants which it may exercise at any time.
- Changes to law or regulation in this area may affect the way the Platform is able to operate.
- The highly automated nature of the Platform may make it an attractive target and potentially vulnerable to computer viruses, physical or electronic break-ins and similar disruptions.

Non-Bank Deposit Takers Act

The Company is licensed as a non-bank deposit taker under the Non-Bank Deposit Takers Act 2013 (NBDT Act).

NON-BANK DEPOSIT TAKERS ACT 2013

With the passing of the Non-Bank Deposit Takers Act 2013 there are a number of regulatory requirements placed on non-bank deposit takers. There are also additional powers and obligations for trustees of non-bank deposit takers.

Finance Direct Limited is a "non-bank deposit taker" (NBDT) as defined under the NBDT Act, and is, therefore, subject

Answers to Important Questions (cont)

to the requirements of that statute. A brief summary of the requirements follow:

- An NBDT must have a current credit rating from an approved rating agency. Under the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009, an exemption is available from this section if the consolidated liabilities of the borrowing group of the deposit taker are less than \$20 million. The exemption notice outlines certain conditions that a deposit taker must comply with in order to benefit from this class exemption. The Company qualifies for this exemption and satisfies its conditions.
 - An NBDT must have at least two independent directors on its board. Kirstin Poole and Josh De Jong are the two independent directors of Finance Direct Limited.
 - An NBDT must have and comply with a risk management programme. Finance Direct Limited does have a risk management programme in place which has been provided to and approved by the Trustee.
 - Regulations may impose requirements that the trust deed sets out a minimum capital amount and a capital ratio that an NBDT is required to maintain. The Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations ("2010 Regulations") came into force on 1 December 2010. The 2010 Regulations require that every deposit taker (defined therein as a licensed NBDT) and trustee must ensure that the trust deed includes the minimum capital ratio that the deposit taker must maintain. For deposit takers without a credit rating, the minimum capital ratio is to be not less than 10% of its capital (adjusted to take account of credit risk). The Trust Deed was varied on 1 December 2010 to give effect to these capital ratio requirements. The 2010 Regulations (available at www.legislation.govt.nz) contain further details on how the capital ratio is calculated. Finance Direct Limited meets this capital ratio requirement. However, if further capital is required by Finance Direct Limited to continue to meet the capital ratio requirements of the deposit taker regime in the future, there is a risk that Finance Direct Limited will be unable to access the requisite level of capital and, therefore, be unable to meet the requirements for carrying on business as a non-bank deposit taker in the future. The Board of Directors of the Company are currently exploring options to increase its capital base with a view to increasing its headroom within the capital ratios. Options being considered by the Board include the raising of new equity and/or capital notes.
 - The 2010 Regulations provide that every deposit taker and trustee must ensure that the trust deed includes a maximum limit on aggregate exposures to related parties that the deposit taker must not exceed. The limit is 15% of capital, calculated in the manner set out in the 2010 Regulations. The Trust Deed was varied on 1 December 2010 to give effect to this requirement.
 - The Deposit Takers (Liquidity Requirements) Regulations 2010 require that every deposit taker and trustee ensure that the trust deed contains liquidity requirements, including quantitative liquidity requirements appropriate to the deposit taker's business. The Trust Deed was varied on 1 December 2010 to give effect to this requirement. The variation requires the Company to manage its liquidity to ensure that, for each of the first three months of each monthly Liquidity Report, the Company's projected Liquidity Position is positive. How Finance Direct Limited currently manages its liquidity is set out under the heading "Liquidity Risk" in the "Risks" section on page 23.
 - The Reserve Bank may require the trustee to attest as to an NBDT's compliance with requirements under the NBDT Act and regulations.
 - The Trustee must report to the Reserve Bank, as soon as practicable, if it has reasonable grounds for belief in any material non-compliance or likely non-compliance by the NBDT with respect to the requirements of the NBDT Act or regulations.
 - The Reserve Bank has powers under the NBDT Act to obtain reports and other information from the NBDT.
- NBDTs and trustees which breach their obligations under the NBDT Act may be subject to prosecution, and if convicted, may be fined up to a maximum amount of \$2,000,000 in some circumstances.
- The summaries above are not a full representation of the legal effect of the NBDT Act, nor a full description of its terms.

Credit rating

The creditworthiness of Finance Direct Limited has not been rated by a rating agency approved by the Reserve Bank of New Zealand because it is operating under an exemption from the requirement under the NBDT Act to have a credit rating.

Under the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009, an exemption is available from the requirement to obtain a credit rating if the consolidated liabilities of the borrowing group of the deposit taker are less than \$20 million. The exemption notice outlines certain conditions that a deposit taker must comply with in order to benefit from this class exemption.

The exemption is available to Finance Direct Limited under the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 because its consolidated liabilities were less than \$20 million, making it unduly onerous and burdensome for it to comply with the requirement under the NBDT Act to have a credit rating.

On 30 April 2014, Finance Direct Limited received confirmation from the Reserve Bank that it met the requirements for exemption under the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 and was acceptable for the application of the exemption for the year ended 31 March 2015.

Whilst Finance Direct Limited remains unrated, the Company has met its payment obligations to its Investors since it first offered secured deposits in late 2004.

Capital management disclosures

During the year ended 31 March 2015 and up to the date of this Investment Statement, the Company complied with all externally imposed ratios.

As at 31 July 2015 the Company had the following headroom of capital in its Trust Deed and regulatory obligations:

- Under the NBDT Act the Company must maintain a Capital Ratio not less than 10%. As at 31 July 2015 the Company had a Capital Ratio of 12.22%. The available headroom is 2.22%.
- Related party exposures as at 31 July 2015 was nil. The available headroom to the Company of aggregate Related Party Exposures is 15% of its Capital.
- The Company is required to maintain a Capital Ratio of 12% under the Trust Deed, and a breach of this ratio would trigger an event of review by the Trustee. As at 31 July 2015 the Company had a Capital Ratio of 12.22%. The available headroom is 0.22%.

- The Company cannot at any time permit liabilities to exceed 86% of Total Tangible Assets under the Trust Deed. As at 31 July 2015 the Company had liabilities of 84.48% of Total Tangible Assets. The available headroom is 1.52%.

Foreign Account Tax Compliance Act (“FACTA”)

FATCA is specific United States (“US”) legislation that aims to reduce tax evasion by US citizens, US tax residents, and US entities. FATCA requires foreign financial institutions like the Company to register with the United States Internal Revenue Service (“IRS”) and report to the New Zealand Inland Revenue on details of financial accounts held by:

- US citizens
- US tax residents, and
- US entities that are specific US persons and certain non-US entities that are controlled by US tax residents or US citizens.

The Company is required to collect FATCA data to be reported to Inland Revenue which will then pass that data on to the IRS. The Company is compliant with its FATCA obligations as at 31 July 2015.

Risks relating to the Company

The following are some of the general risks associated with the Company:

BOARD PERFORMANCE

There is a risk that the performance of the Board of Directors does not meet required standards either individually or collectively. There is significant responsibility on the directors of a finance company to comply with prudent financial and corporate governance measures, and other legal requirements and responsibilities. The Company’s Board is aware of these responsibilities and requirements, and is continuing to develop its code of governance.

COMPETITION

The Company faces the risk of existing or new competitors or new products eroding the Company’s market share or margins.

LOSS OF KEY PERSONNEL

The Company has spent considerable time and effort in bringing together individuals into the Company who have the skills, experience and ability to work together effectively to achieve superior results. In the normal course of business, the Company faces the risk of the loss of one or more of those individuals for a variety of reasons.

Answers to Important Questions (cont)

Market risk

MARKET RISKS INCLUDE:

- a deterioration in the property market, and the values attributable to real estate that has been relied upon by the Company as security for its loans, and
- a reduction in the liquidity in the residential house market in New Zealand which may adversely impact upon the ability for the Company to realise the sale of a residential property that the Company may have relied upon as security for a loan advance.

The above risks could materialise as a consequence of domestic or geo-political economic factors which result in changes in market sentiment.

IT RISKS

The Company is dependent on its information technology (IT) systems to maintain its efficiency and to monitor the performance of its finance receivables and debenture stock ledgers. The failure of its IT systems could have a short-term, yet material, adverse impact on the Company's operations.

The Company is also exposed to the risks of new systems or upgrades introduced as part of the ongoing improvement failing to perform to expectations.

LITIGATION RISK

There is a possibility that future litigation could adversely affect the Company's financial position. The Company is not aware of any adverse litigation threatened or pending that may have an adverse effect on the financial position of the Company as at the date of this Investment Statement.

REGULATORY RISK

There could be substantial changes in laws and governmental policies affecting the Company's business. The introduction of the new Non-Bank Deposit Takers licensing regime is an example of such a change. This new regulatory requirement is addressed above.

CONSEQUENCES OF INSOLVENCY

You would not be liable to pay any money to any person as a result of the insolvency of the Company. Your principal risk is that you could suffer loss of some or all of the interest due to you, or your original Investment, if for any reason the Company becomes insolvent and is unable to meet its debts as they fall due. It is possible therefore that on termination of your Investment at any time you may receive less than the amount of your original Investment.

The Debenture Stock being offered under this issue will rank pari passu (or equally) with all existing and further Debenture Stock which may be issued pursuant to the Trust Deed. As at 31 March 2015, the aggregate principal amount of Debenture Stock issued by the Company and which were outstanding was \$7,662,000. The claims on the assets of the Company that will or may rank ahead of your claim if the Company is put into liquidation or wound up are:

- claims by preferential creditors. Preferential creditors are determined by reference to the Companies Act 1993. They include the fees and expenses incurred by any liquidator, certain claims by the Company's employees for unpaid remuneration, PAYE tax deductions and any Goods and Services Tax
- claims by holders of prior security interests. The Trust Deed permits the Company to create prior security interests over any asset to secure any moneys to be borrowed, raised or otherwise owing in purchasing or acquiring such asset if at the time of such borrowing the aggregate of all moneys secured by existing prior security interests together with the money so proposed to be borrowed or raised or to be otherwise owing and secured would not exceed 2% of its Total Tangible Assets. As at 31 March 2015, there were no prior charges ranking ahead of the Debenture Stock currently outstanding and Debenture Stock being offered. There was however \$35,000 of preferential liability that ranked ahead of the Debenture Stock as at 31 March 2015 – this amount related to the quantum of PAYE that was payable to the Inland Revenue Department as at 31 March 2015, and
- the Trustee's, or any receiver appointed by the Trustee, remuneration, costs, charges, expenses and liabilities.

The obligations of the Company to Investors in respect of the Debenture Stock is secured by a security interest in all of the Company's Personal Property and a charge over the Company's Other Property pursuant to a Debenture Trust Deed granted by the Company in favour of Covenant Trustee Services Limited ("the Trustee"). The charge created by the Trust Deed in respect of the Other Property is a floating charge over the Other Property in respect of which a fixed charge is not legally and fully effective and a fixed charge over all Other Property.

The Trustee does not guarantee the repayment of the Debenture Stock or the payment of interest thereon.

Can the Investment be altered?

EARLY REPAYMENT

The Investor has no right to require the Company to repay the Debenture Stock to the Investor prior to the expiry of the fixed term of the Investment ("Maturity Date"). However, the Company reserves the ability at its absolute discretion to permit the early repayment of Debenture Stock before the Maturity Date for the respective Debenture Stock in the event of death or financial hardship. Requests for early repayment of Debenture Stock must be made to the Company in writing. In the event that the Company agrees to repay the Investment to the Investor prior to the Maturity Date, the Company reserves the right at its discretion to adjust the interest rate applicable to the Investment to the current rate offered by the Company for the nearest term upon which those funds have been held by the Company. The Company may also charge an investment break fee set by the Company from time to time. Further information on these charges is set out under the heading: "What are the charges?" on page 16.

EARLY REPAYMENT OF THE DEBENTURE STOCK AT THE ELECTION OF THE COMPANY

The Company reserves the absolute discretion to repay the Investment prior to the expiry of the fixed term of the Investment, provided that the Company:

- provides the Investor with not less than one month's notice of the early repayment in writing to the Investor; and
- repays all principal and interest accrued to the date of the early repayment on the date of the early repayment.

TRUST DEED

The Trust Deed which governs the Debenture Stock does provide for the alteration of its terms in certain circumstances (which may include an alteration to the specific terms of the Debenture Stock) with the agreement of the Trustee. The Trustee may only agree to make the proposed alteration if the proposed alteration is:

- in the opinion of the Trustee, made to correct a manifest error or is of a formal or technical nature or is necessary in order to comply with any law or is convenient for the purposes of obtaining or maintaining a quotation of the Debenture Stock on any securities exchange and is not prejudicial to the general interests of the holders of Debenture Stock

- approved by an Extraordinary Resolution of the holders of Debenture Stock (being a resolution passed by not less than 75% of the votes given being in favour of the resolution), or
- in the opinion of the Trustee, clearly not or not likely to become prejudicial to the general interests of the holders of Debenture Stock.

The amendment criteria above are subject to the fact that no modification shall be made to the terms of any Debenture Stock or the rights of any Investors without their consent where such rights differ materially from the holders of other Debenture Stock.

How do I cash in my Investment?

REPAYMENT OF THE INVESTMENT

On Maturity Date, Stockholders will be paid the face value of their Investment together with any interest then due, upon presentation of the relevant documentation to the Company. About 14 days before the date the Investment is due to mature, the Investor will be sent a letter which sets out the options available for reinvestment or repayment of the Investment.

If the Investor has no immediate use for the Investment, the Company will at the Investor's request accept the Investment for a further period nominated by the Investor at whatever the current interest rate is at that time.

The Investor may request that repayment is made. If so the Investor will need to return the Investment Certificate held in respect of the Debenture Stock. Payments will be made to the Investor by cheque or deposited into the Investor's bank account at the election of the Investor.

If at the Maturity Date the Company has not received any instruction from you regarding either the reinvestment or repayment of your Investment, the Company may at its sole discretion:

- hold that Investment "at call", with seven days' notice, at the Company's "at call" rate until it receives your instructions
- reinvest the Investment for the same term (and the same payment terms) as the original Investment of Debenture Stock. The Investment will accrue interest at the interest rate applicable to investments of the same term as the Investment as at the date of the reinvestment, or

Answers to Important Questions (cont)

- repay your Investment together with all accrued but unpaid interest by cheque to your last known address or by direct credit to your last nominated bank account.

EARLY REPAYMENT

Debenture Stock is issued for fixed terms and for fixed interest rates during that term. This provides the Company with certainty in respect of the planning of its business operations. Accordingly, the Investor has no right to require the Company to repay the Debenture Stock to the Investor prior to the expiry of the fixed term of the Debenture Stock. However, the Company reserves the ability at its absolute discretion to permit the early repayment of Debenture Stock before the Maturity Date for the respective Debenture Stock in the event of death or financial hardship. Requests for early repayment of Debenture Stock must be made to the Company in writing. In the event that the Company agrees to repay the Investment to the Investor prior to the Maturity Date, the Company reserves the right at its discretion to adjust the interest rate applicable to the Investment to the current rate offered by the Company for the nearest term upon which those funds have been held by the Company. The Company may also charge an investment break fee set by the Company from time to time. Further information on these charges is set out under the heading “**What are the charges?**” on page 16.

EARLY REPAYMENT OF THE DEBENTURE STOCK AT THE ELECTION OF THE COMPANY

The Company reserves the absolute discretion to repay the Investment prior to the expiry of the fixed term of the Investment, provided that the Company:

- provides the Investor with not less than one month’s notice of the early repayment in writing to the Investor, and
- repays all principal and interest accrued to the date of the early repayment on the date of the early repayment.

RIGHT TO SELL

You may transfer your interest in your Investment at any time (not later than 30 days before Maturity Date) by completion of a Transfer in such form as is customarily used to transfer shares in New Zealand (“Transfer”). More than one person can take ownership of the Investment. The Company is not bound to recognise trusts. Consequently no reference to trusts or trustees should be made in the Transfer. Joint Investment owners will be treated as joint tenants (unless some other form of ownership is indicated) so that on the

death of one of them, ownership of the Investment will vest automatically with the survivor(s). To be valid, the Transfer must be registered with the Company. There is currently no fee payable in respect of the Transfer of the Investment to another person; however, the Company reserves the right to charge a fee in the future.

MARKET

In the opinion of the Company there is no established market for the sale or transfer of the Debenture Stock.

Who do I contact with enquiries about my Investment?

Enquiries about your Investment can be addressed to the Company at:

Investment Officer
 Finance Direct Limited
 Freephone 0800 399 666
 Telephone +64 9 529 5399
 Facsimile +64 9 529 5509
 Freefax 0800 104 200
 Email investments@financedirect.co.nz
 Level 2, Finance Direct House
 88 Broadway
 Newmarket
 Auckland
 PO Box 17422, Greenlane, Auckland

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

The Company operates an internal complaints procedure to investigate thoroughly any complaint.

If for any reason you are unhappy with any aspect of your Investment, you may wish to contact the Investment Officer of the Company; the contact details for whom are as follows:

Investment Officer
 Finance Direct Limited
 Freephone 0800 399 666
 Telephone +64 9 529 5399
 Facsimile +64 9 529 5509
 Freefax 0800 104 200
 Email investments@financedirect.co.nz
 Level 2, Finance Direct House
 88 Broadway
 Newmarket
 Auckland
 PO Box 17422, Greenlane, Auckland

If you have a complaint, you may also contact the Trustee; the contact details for whom are as follows:

Richard Spong
 General Manager
 Covenant Trustee Services Limited
 Freephone 0800 268 362
 Telephone +64 9 302 0638
 Facsimile +64 9 302 1037
 Email Richard@covenant.co.nz
 Level 9, 191 Queen Street, Auckland
 PO Box 4243, Shortland Street, Auckland 1140

If you have a complaint, you may also contact the Financial Markets Authority; the contact details for which are as follows:

Financial Markets Authority
 Telephone +64 4 472 9830
 Facsimile +64 4 472 807
 Level 2, Grey Street, Wellington
 PO Box 1179, Wellington 6140

The Company has registered as a financial service provider under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. As a finance service provider, the Company is also obliged to be a member of an approved dispute resolution scheme. The Company is a member of an independent dispute resolution scheme operated by Financial Services Complaints Limited (FSCL).

Complaints about the Company can be made to FSCL via its website www.fscl.org.nz or by contacting FSCL at:

Complaint Investigation Officer
 Financial Services Complaints Limited
 Level 13, 45 Johnston Street
 PO Box 5967, Lambton Quay
 Wellington 6145
 Telephone: (Call Free) 0900 347 257 or
 (Wellington) (04) 472FSCL (472 3725)
<http://www.fscl.org.nz>

There is no ombudsman to whom complaints about the Debenture Stock can be made.

What other information can I obtain about this Investment?

PROSPECTUS AND FINANCIAL STATEMENTS

Other information about the Debenture Stock or the Company is contained or referred to in the Prospectus and in the financial statements of the Company.

A copy of the Prospectus and of the most recent financial statements of the Company can be obtained free of charge at the registered office of the Company at the address stated in the Directory.

The Prospectus, the Company's financial statements, the Trust Deed, any material contracts required to be registered under the Securities Regulations 2009, and the Company's constitution are filed at the Companies Office of the Ministry of Economic Development and are available for public inspection by downloading a copy from the Companies Office website, www.business.govt.nz/companies, (or where those documents are not able to be viewed via the internet) upon request and payment of the current fee by submitting a search request form which may be obtained from the Companies Office at:

Level 18, 135 Albert Street, Auckland
 Ground Level, 33 Bowen Street, Wellington
 55 Wordsworth Street, Sydenham, Christchurch

Copies of the documents can also be obtained (on payment of the relevant fee) by telephoning the Ministry of Economic Development Business Service Centre on 0508 266 726.

ANNUAL INFORMATION

The Company does not send out any information to Investors on an annual basis.

ON-REQUEST INFORMATION

A copy of the Trust Deed, Prospectus, most recent financial statements of the Company required to be registered under the Financial Reporting Act 1993, together with all documents that are required to be registered with those financial statements, Annual Report and the latest Investment Statement, are available for inspection free of charge at the registered office of the Company. You can also request at any time, a copy of the Trust Deed on payment of a fee not exceeding 50 cents per page. Simply call the Company during normal business hours.

Glossary

“Aggregate Related Party Exposures” means the aggregate of exposures of the Company to Related Parties calculated in accordance with Regulations 24 to 27.

“Application Form” means the Application Form accompanying the Investment Statement upon which applications to invest are required to be made.

“Board” means the Board of Directors of the Company.

“Business Day” means a day on which the Company is normally open for business.

“Capital” means the capital of the Company calculated in accordance with Regulation 10.

“Certificate” means the Debenture Stock certificate to be issued to an Investor whose application to invest has been accepted by the Company.

“the Company”, “Finance Direct”, “we”, “us”, “our” means Finance Direct Limited.

“Charging Group”, “Borrowing Group” and “Group” means the Company and its Charging Subsidiaries (if any) as the context requires. As at the date of Investment Statement, the Company did not have any Charging Subsidiaries and therefore the **“Charging Group” “Borrowing Group” and “Group”** refers to the Company only.

“Credit Rating” means a rating of the Company's creditworthiness that complies with the requirements of the NBDT Act.

“Crown” means Her Majesty the Queen in right of New Zealand.

“Debenture Stock” means all Debenture Stock or other secured indebtedness by whatever name called, constituted and issued by the Company pursuant to the Trust Deed from time to time offered pursuant to this Investment Statement.

“Directors” and “Board” means the Board of Directors for the time being of the Company.

“Extraordinary Resolution” means a resolution passed at a meeting of Stockholders, in accordance with the Trust Deed, at which 75% of the votes given vote in favour of the resolution.

“Investment” means the subscription for Debenture Stock in accordance with the terms of this Investment Statement.

“Investor” means a Stockholder.

“Lending Crowd” means the peer to peer lending platform.

“Liquidity Position” means the position disclosed in the liquidity report (“Liquidity Report”) required by the Trust Deed (as amended) or disclosed by methodology agreed between the Trustee and the Company if the parties agree on a different form of liquidity report.

“Maturity Date” means the date agreed upon by the Company and the Investor; upon which date the Investor's Investment is due to be repaid to the Investor.

“NBDT Act” means the Non-Bank Deposit Takers Act 2013.

“NZ GAAP” means generally accepted accounting practice as defined in section 3 of the Financial Reporting Act 1993.

“Offer” means the Offer to subscribe for Debenture Stock.

“Other Property” means, in relation to any company, all of its Real Property and all other present and after-acquired property that is not Personal Property.

“Personal Property” means, in relation to any company, all of its present and after-acquired Personal Property.

“Platform” means Lending Crowd Limited.

“Prior Security Interest” means any security interest on the Secured Property, or any part thereof, ranking in priority to the security interests in favour of the Trustee created by or pursuant to the Trust Deed or as the case requires the principal moneys secured by such security interests.

“Prospectus” means the registered Prospectus relating to the Company and the issue of Debenture Stock.

“Real Property” means, in relation to any company, all of its present and after-acquired freehold and leasehold land, all estates and interests in land and all buildings, structures and fixtures (including trade fixtures) for the time being on that land.

“Regulations” means the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 and “Regulation” means any of the Regulations.

“Reserve Bank” means the Reserve Bank of New Zealand.

“Secured Property” means, in relation to any company, all of its Personal Property and Other Property, wherever situated.

“Securities” means Debenture Stock.

“Securities Regulations” means the Securities Regulations 2009 and includes any amendments.

“Stockholders” means the several persons from time to time entered in the Register of Stockholders as the holders of Debenture Stock and includes their personal representatives.

“Tangible Assets” means all assets except deferred tax assets and assets which according to NZ GAAP are considered to be intangible assets.

“Total Contingent Liabilities” means, at any time, the aggregate amount of all Contingent Liabilities of the Charging Group at that date other than any Contingent Liability:

- (a) that is secured to the Charging Group by a first ranking security interest over an asset in all respects acceptable to the Trustee, or
- (b) in respect of which the Charging Group has the benefit of a guarantee or indemnity from a bank, other financial institution or other person, in any case having a credit rating or credit worthiness acceptable to the Trustee.

“Total Liabilities” means, at any time, the aggregate of:

- (a) the amounts of all Liabilities of the Charging Group as would be disclosed in a statement of financial position if a statement of financial position was then prepared
- (b) Total Contingent Liabilities, and
- (c) the amount payable on redemption of redeemable shares

but does not include the principal amount of subordinated debt or convertible notes.

“Total Tangible Assets” means, at any time, the aggregate of:

- (a) 80% of the market value, as determined by the latest market valuation, of any Real Property and shares or other equity securities or units in any company, unit trust or other person, and
- (b) the book values of all other Tangible Assets of the Charging Group as would be disclosed in a statement of financial position if a statement of financial position was then prepared adjusted by excluding:
- (c) the book values of any Tangible Assets situated outside New Zealand in respect of which the Trustee is not satisfied that there is a valid and effective security interest in favour of the Trustee enforceable in accordance with the laws of the place where the relevant assets are situated, and
- (d) 15% of the principal amount of all development loans outstanding at that time.

“Trust Deed” means the Debenture Trust Deed entered into between the Company and the Trustee dated 30 September 2004 as amended on 1 December 2010 and 27 September 2012.

“Trustee” means Covenant Trustee Services Limited.

“You/your” means the Investor.

Note – A person (A) is a “Related Party” of the Company (B) if it satisfies the definition of a related party in section 6 of the NBDT Act.

Directory

Finance Direct Limited

Wayne Darrin Croad Dip Bus Finance

Executive Director
5 Tranquility Rise
Mellons Bay
Howick
Auckland

Kirstin Anne Poole BCom, LLB

Non-Executive Director
7 Elgin Street
Grey Lynn
Auckland

Richard James Huntley Lott ACA

Non-Executive Director
35 Takutai Avenue
Bucklands Beach
Auckland

Josh de Jong BEd & Dip Tchg

Chairman & Non-Executive Director
34B Oakwood Grove
Eastern Beach
Auckland

COMPANY NUMBER

981004

DATE OF INCORPORATION

23 September 1999

REGISTERED OFFICE

Level 2, Finance Direct House
88 Broadway
Newmarket
Auckland

Freephone 0800 399 666

Telephone +64 9 529 5399

Facsimile +64 9 529 5509

Freefax 0800 104 200

Email sales@financedirect.co.nz

P O Box 17422, Greenlane, Auckland

THE SECURITIES HOLDERS REGISTER

The register of holders of securities is kept at:

Finance Direct Limited

Level 2, Finance Direct House

88 Broadway

Newmarket

Auckland

SOLICITORS

Sean Joyce, Corporate Counsel
3 Heather Street
Parnell
Auckland

TRUSTEE

Covenant Trustee Company Limited
Level 18
48 Emily Place
Auckland

AUDITORS

Grant Thornton
152 Fanshawe Street
Auckland

BANKERS

ANZ Bank Limited
154 Kitchener Road
Milford
North Shore City

www.financedirect.co.nz

