

## **UDC INVESTMENT FUNDS**

### **UDC CALL MAXIMISER FUND UDC TERM MAXIMISER FUND**

#### **PROSPECTUS**

**21 September 2011 (as amended by Memoranda of Amendments  
dated 2 December 2011 and 15 December 2011)**

The offer of units covered by this Prospectus is limited as follows:

- Only existing investors in the UDC Call Maximiser Fund have the opportunity to invest further in that Fund.
- No further applications for investment are being accepted for the UDC Term Maximiser Fund

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This prospectus is dated 21 September 2011. The information set out in this prospectus is required by Schedule 4 of the Securities Regulations 2009 and is set out in the same order as that Schedule. Listing of the securities which are the subject of this prospectus is not sought on any stock exchange. A copy of this prospectus has been delivered to the Registrar of Companies for registration under section 42 of the Securities Act 1978. All legislation referred to herein may be viewed at [www.legislation.govt.nz](http://www.legislation.govt.nz).

## **1 DESCRIPTION OF THE UNIT TRUST**

### **1.1 Name of the Funds**

This prospectus relates to the offer of Units in the UDC Call Maximiser Fund and the UDC Term Maximiser Fund (each a "**Fund**" and together, the "**Funds**"). Units in the Term Maximiser Fund are divided into Classes attributed to particular Pools of assets. Note that UDC is currently offering Units in the Call Maximiser Fund to existing investors only and is no longer offering Units in the Term Maximiser Fund.

### **1.2 Year and place of establishment of the Funds**

The Funds were established in Auckland, New Zealand on 9 April 2008.

### **1.3 Duration of the Funds**

Each Fund or (if applicable) Class will wind up on the earliest of the following events:

- (a) if UDC Finance Limited (the "**Manager**") and Trustees Executors Limited (the "**Trustee**") agree that it should be wound up;
- (b) if the Manager gives notice to the investors of the relevant Fund or Class setting out details of the reasons for the winding up of the Fund or Class except if investors holding more than 10% of the Units of the relevant Fund or Class provide notice of their objection to the winding up within 30 days of the date of the Manager's notification;
- (c) if an Extraordinary Resolution of the investors of the relevant Fund or (if applicable) Class is passed resolving to wind up the Fund; and
- (d) if the Fund or (if applicable) Class is wound up by operation of law (after 80 years at the latest).

### **1.4 Description of the Units being offered**

Each Fund is a unit trust under the Unit Trusts Act 1960. Each Unit in each Fund confers on the holder an undivided equal beneficial interest in that Fund or the relevant Pool. No Unit confers any interest in any particular part of the Funds (other than a relevant Pool), and no investor is entitled to require the transfer to him or her of any of the investments of the Funds.

The Manager intends that each Fund will maintain its current status as a Portfolio Investment Entity ("**PIE**") for the purposes of the Income Tax Act 2007. What this means for investors is described in section 20.1 of this prospectus.

#### *Call Maximiser Fund*

The objective of the Call Maximiser Fund is to provide investors with an investment opportunity in a unit trust which is a PIE, where the investment is similar to an investment in a call account. Investors may redeem their investment on demand (subject to the restrictions described in section 6.2(f)(**Suspension and deferral**)). To achieve this, the Call Maximiser

Fund will invest in New Zealand dollar secured call deposits<sup>1</sup> with UDC Finance Limited (“**UDC**”) (which is also the Manager). Units in the Fund are unsecured. However, the underlying investment of the Fund in New Zealand dollar secured call deposits with UDC means that the underlying investments enjoy the same first ranking security stock priority as UDC’s other first ranking security stock holders. The interest rate payable on the Call Maximiser Fund's call deposits with UDC will be set by UDC from time to time. An investment in the Call Maximiser Fund is not a direct investment in UDC secured call deposits. As such, the return on the Call Maximiser Fund may not mirror the return on a direct investment in UDC secured call deposits, as the applicable interest rate and taxation treatment may be different. The interest rate may change at any time without notice.

Subject to the restrictions described in sections 6.2(f) (**Suspension and deferral**) and 6.2(d) (**Unit price and issue of Units**), investors may make contributions to the Call Maximiser Fund, or withdrawals from the Call Maximiser Fund, at any time. Note that UDC is currently offering Units in the Call Maximiser Fund to existing investors only.

#### *Term Maximiser Fund*

The objective of the Term Maximiser Fund is to provide investors with a fixed term investment opportunity in a unit trust which is a PIE. To achieve this, the Term Maximiser Fund will invest in New Zealand dollar secured term investments<sup>2</sup> with UDC. Units in the Fund are unsecured. However, the underlying investment of the Fund in New Zealand dollar secured term deposits with UDC means that the underlying investments enjoy the same first ranking security stock priority as UDC’s other first ranking security stock holders. The interest rate payable on the Term Maximiser Fund's secured term investments with UDC will be set by UDC from time to time before the start of the relevant term. An investment in the Term Maximiser Fund is not a direct investment in UDC secured term investments. As such, the return on the Term Maximiser Fund may not mirror the return on a direct investment in UDC secured term investments, as the applicable interest rate and taxation treatment may be different. The interest rate paid by UDC to a Class of the Term Maximiser Fund for one term will most likely be different from the interest rate for another term. Note that UDC is no longer offering Units in the Term Maximiser Fund.

Each term investment offered by the Term Maximiser Fund will comprise a separate Class of Units in the Fund and the underlying investments of the Fund derived from the proceeds of the offer of such Classes of Units will be attributed to a specific Pool of that Fund.

If an investor invests in the Term Maximiser Fund at different times, each investment will be in a different Class of the Fund. Each Class is, in turn,

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<sup>1</sup> Under the Debenture Stock Trust Deed, the trustee is granted a security interest in all assets of UDC. The security interest is first ranking except that certain prior security interests and charges are permitted to rank in front of the security interest in favour of the trustee.

<sup>2</sup> As per footnote 1 above.

invested in a different Pool. An investor's initial investment will be held in the Call Maximiser Fund for the period before the Class begins by issuing Units in the Call Maximiser Fund. On the start date of the term investment, funds being held in the Call Maximiser Fund for investment in the term investment will be switched to the relevant Class in the Term Maximiser Fund and the term investment will begin. Units are subscribed for when the term investment is made. Any income earned (through the issue of further fully paid Units) minus tax deducted (cancellation of Units) while the initial investment is held in the Call Maximiser Fund will be repaid to the investor at the time of switching by way of redemption of Units.

Investors in the Term Maximiser Fund may only withdraw on maturity of their investment (except in limited circumstances where the Manager may permit early withdrawal upon receipt of a Withdrawal Notice by the Manager, subject to the ability to break the underlying investment). If the Manager does permit early withdrawal, it has the right to charge the Fund or Pool an Early Repayment Fee which will be allocated to the investor. This fee will be equal to the amount deducted by UDC from the return on the underlying investment as a result of it being broken early. This amount will be calculated at the time the Manager agrees to permit early redemption and will be based on prevailing market conditions, any costs associated with early repayment and any other relevant factors. The Manager will advise investors, if requested, at any time, of the likely Early Repayment Fee if early withdrawal is permitted. Any such fee will be deducted from the balance of the investment as at the date it is redeemed (by cancelling Units).

#### **1.5 Maximum number or amount of Units**

There is no maximum number or amount of Units in a Fund. However, in order to maintain each Fund's status as a PIE, no investor is permitted to hold more than 20% of the Units in a Fund or Class of Units of a Fund, unless the Manager agrees otherwise. Units in a Fund held by any associated person of a particular investor (for the purposes of the Income Tax Act 2007) are aggregated with the Units held by that investor for the purpose of determining compliance with the 20% limit, and the Manager has powers to require redemption of Units and distribution of the resulting income to the relevant investor where this limit is breached.

#### **1.6 Price of Units**

An investment in the Funds is made by subscribing for Units in the relevant Fund. The issue price for Units in the Funds is \$1 per Unit (with fractions rounded down to 2 decimal places) and is fixed at that price. Income distributions to investors will be made by way of a quarterly issue (or on exit from the Funds) of further fully paid Units in the Fund, and not by the payment of money.

#### **1.7 Fees or deductions**

All fees are detailed under section 13 ("**Interested Persons**").

## 1.8 **Opening and closing of offer**

The offer of Units in the Call Maximiser Fund opened on 29 April 2008. Note that UDC is currently offering Units in the Call Maximiser Fund to existing investors only. The offer of Units in each Class in the Term Maximiser Fund opens on the date determined by the Manager. Note that UDC is no longer offering Units in the Term Maximiser Fund. For the purposes of the Call Maximiser Fund, there is currently no closing date. UDC continues to consider the long term future of the Funds.

## **2 MANAGERS AND PROMOTERS**

### 2.1 **Manager**

The Manager (and issuer) of the Funds is UDC Finance Limited, Level 2, 107 Carlton Gore Road, Newmarket, Auckland.

As at 21 September 2011, the names and addresses of the directors of the Manager are:

Stuart James McLauchlan of Dunedin, New Zealand;

Paul James Norris of Brisbane, Queensland, Australia;

Graham David Turley of Auckland, New Zealand;

Richard Arthur Wilks of Auckland, New Zealand;

Bruce William Anderson of Auckland, New Zealand; and

Penelope Jane Ford of Auckland, New Zealand.

The directors may change from time to time.

The directors of the Manager can be contacted c/- UDC Finance Limited, Level 2, 107 Carlton Gore Road, Newmarket, Auckland.

UDC was incorporated in New Zealand under the Companies Act 1933 on 1 April 1938 and was reregistered under the Companies Act 1993 on 23 June 1997.

UDC is a wholly owned subsidiary of ANZ National Bank Limited. ANZ National Bank Limited does not guarantee the Units in the Funds. The ultimate holding company of UDC is Australia and New Zealand Banking Group Limited, which is incorporated in Australia.

Neither the Manager nor any director of the Manager has during the five years preceding the date of registration of this prospectus been adjudged bankrupt or insolvent, convicted of any crime involving dishonesty, prohibited from acting as a director of a company or placed in statutory management, voluntary administration, liquidation, or receivership.

### 2.2 **Promoters**

There is no promoter of the Funds.

### **2.3 No administration manager or investment manager**

No separate administration manager or investment manager has been appointed in respect of the Funds. These functions are carried out by the Manager.

## **3 REGISTRAR, CUSTODIAN, AUDITORS, AND ADVISERS**

### **3.1 No registrar**

No separate registrar has been appointed in respect of the Funds. This function is carried out by the Manager.

### **3.2 Custodian**

The Trustee has appointed its wholly owned subsidiary TEA Custodians Limited as Custodian of the Funds.

### **3.3 Auditor**

The Auditor of the Funds is KPMG, Level 9, 10 Customhouse Quay, Wellington.

### **3.4 Solicitors**

The solicitors to the Manager involved in the preparation of this prospectus are Minter Ellison Rudd Watts.

## **4 INDEPENDENCE OF UNIT TRUSTEE AND ANY CUSTODIANS**

The Trustee and the Custodian are independent of the Manager.

## **5 UNIT TRUSTEE**

The Trustee of the Funds is Trustees Executors Limited, Level 5, 10 Customhouse Quay, Wellington. Directors of the Trustee can be contacted at this address.

As at 21 September 2011, the name and address of the directors of the Trustee are:

James Brendan Bolger of Te Kuiti, New Zealand;

Deepak Kumar Gupta of Wellington, New Zealand;

Paul Raymond Shelley Hocking of Martinborough, New Zealand; and

Peter Andrew Metz of Great Neck, New York, USA.

The Trustee was incorporated in New Zealand in 1881 under the Joint Stock Companies Act 1860. On 1 May 2002 in New Zealand, Trustees Executors Limited's status as a statutory trustee company was reconfirmed under its own Act of Parliament, the Trustees Executors Limited Act 2002.

The Trustee's ultimate holding company is Sterling Grace (NZ) Limited, incorporated in New Zealand on 30 July 2003.

The Trustee is indemnified out of each Fund for all liabilities the Trustee may suffer or incur in its capacity as trustee of the Fund except for liabilities

arising from its failure to exercise the degree of care required under section 24 of the Act.

The Trustee does not guarantee repayment of the Units nor the payment of any earnings on the Units.

## **6 DESCRIPTION OF UNIT TRUST AND ITS DEVELOPMENT**

### **6.1 Trust Deeds**

The Funds are constituted by the UDC Investment Funds Master Trust Deed dated 9 April 2008 (as amended by an amendment deed dated 20 February 2009) and, for each Fund, an Establishment Deed, each dated 9 April 2008, between the Manager and the Trustee (collectively the "**Trust Deeds**").

### **6.2 Principal terms of the Trust Deeds**

Following is a brief description of the principal terms of the Trust Deeds which are not otherwise set out in this prospectus.

#### **(a) Constitution of each Fund**

The Trust Fund of each Fund consists of all Assets for the time being held by the Trustee in respect of that Fund.

Each Fund is a separate and independent Trust Fund with separate Assets and Liabilities, and the Trustee and the Manager shall in all respects act so as to give effect to this intention.

A Fund is not responsible for the Liabilities of any other Fund formed under the Master Trust Deed.

#### **(b) Pools of investments**

The Manager may divide the Assets of a Trust Fund into Pools and, where the Manager does so, the Manager will issue and attribute a Class of Units for each such Pool. Notwithstanding the division of a Trust Fund into Pools, the relevant Fund shall comprise a single Trust Fund.

As the Pools do not constitute separate and independent trust funds, where the Assets attributable to a particular Pool are insufficient to meet the Liabilities attributable to that Pool, those Liabilities (other than any Liability to an investor in that Class) may be met from the Trust Fund in such equitable manner as the Manager with the approval of the Trustee sees fit.

#### **(c) Units**

The beneficial interest in each Trust Fund is divided into Units. Subject to the relevant Trust Deed:

- (i) in a Fund which only has one Class, each Unit confers an equal interest in the Trust Fund; and
- (ii) in a Fund with multiple Classes, each Unit confers an equal individual interest in that part of the Trust Fund (and the

relevant Pool) to which the Class relates. While unlikely, as each Pool is not a separate Trust, in extreme circumstances, Assets (other than distributions to be made to investors in that Class) from one Pool will be available to meet Liabilities (other than any Liability to an investor in that Class) from another Pool.

**(d) Unit Price and issue of Units**

Each Unit of each Fund shall be issued for \$1 (with fractions rounded down to 2 decimal places). The minimum investment to be held by an investor in the Call Maximiser Fund or in any Class of the Term Maximiser Fund is \$5,000 and the minimum amount of any subsequent additional investment (where permitted), withdrawal or switch is \$500, or such other amount in each case as determined by the Manager from time to time.

Investors wishing to apply for Units in a Fund or Class of a Fund apply to the Manager who accept the application and bank the Application Moneys on behalf of the Trustee.

The Manager may, in its sole discretion, accept or refuse to accept in whole or in part any application and the Manager is not required to give any reason for such refusal. If the Manager refuses any application (in whole or in part), the Application Moneys (or part of them, if the application is rejected in part) will be returned to the applicant without interest.

**(e) Redemption**

Investors may withdraw from the Call Maximiser Fund by giving the Manager a Withdrawal Notice (subject to the restrictions described in sections 6.2(f) (**Suspension and deferral**) and 6.2(d) (**Unit price and issue of units**)).

Investors in the Term Maximiser Fund may only withdraw on maturity of their investment (except in limited circumstances where the Manager may permit early withdrawal upon receipt of a Withdrawal Notice by the Manager, subject to the ability to break the underlying investment). If the Manager does permit early withdrawal, it has the right to charge the Fund or Pool, an Early Repayment Fee which will be allocated to the investor. This fee will be equal to the amount deducted by UDC from the return on the underlying investment as a result of it being broken early. This amount will be calculated at the time the Manager agrees to permit early redemption and will be based on prevailing market conditions, any costs associated with early repayment and any other relevant factors. The Manager will advise investors, if requested, at any time, of the likely Early Repayment Fee if early withdrawal is permitted. Any such fee will be deducted from the balance of the investment as at the day it is redeemed (by cancelling Units).

Upon receipt of a Withdrawal Notice, subject to any suspension or deferral of withdrawals in accordance with the Trust Deeds and subject to the restrictions set out above, the Manager must procure that on or within 20 Business Days of the date of receiving such notice, or if that day is not a Redemption Day, 20 Business Days after the next Business Day, the number of Units specified in the Withdrawal Notice are redeemed, or purchased by the Manager, or a party nominated by the Manager and the investor is paid the Withdrawal Amount. Notwithstanding the time frames in the Trust Deeds, the Manager will procure that within 5 Business Days of receiving such notice, or if that day is not a Redemption Day, 5 Business Days after the next Business Day, the number of Units specified in the Withdrawal Notice are redeemed, or purchased by the Manager or a party nominated by the Manager, and the investor is paid the Withdrawal Amount. The Manager may reduce the Withdrawal Amount by an amount representing any tax payable by the Fund on the investor's behalf as required by Subpart HM of the Income Tax Act 2007 or any equivalent provisions.

The Manager also has the power to cancel Units or refuse to redeem Units where to do so would cause, or threaten to cause, the Funds to cease to be eligible to be a PIE.

**(f) Suspension and deferral**

The Manager reserves the right to give notice ("**Withdrawal Suspension Notice**") if by reason of:

- (i) the suspension of trading on any Exchange; or
- (ii) financial, political or economic conditions applying in respect of any financial market; or
- (iii) the nature of any investment; or
- (iv) the occurrence or existence of any other circumstance or event relating to the relevant Fund or generally,

the Manager forms the opinion that it is not practicable, or it would be materially prejudicial to the interests of any investors to redeem, purchase or switch the Units. This has the effect of suspending withdrawals for a period of up to 90 days (which may be further extended without limit with the agreement of the Trustee).

The Manager and the Trustee reserve the right to defer immediate redemption or repurchase of Units requested where the Withdrawal or Switching Notices are received over a 3 month period which relate to 5% or more of the Units in a Fund or Class. Any deferral period will be agreed by the Manager and the Trustee (and is not subject to any maximum period under the Trust Deed) and withdrawals will be calculated at the end of that period.

The Manager also reserves the right to suspend the redemption or repurchase of Units requested where Withdrawal or Switching Notices are received over a 3 month period which relate to 10% or more of the Units in a Fund or Class, provided that the Manager notifies the Trustee of its intention to suspend and immediately summons a meeting of Unit Holders in the relevant Trust or Class to consider the winding up of the Trust or Pool.

**(g) Switching of Units**

An investor may give a Switching Notice to the Manager to the effect that the investor wishes to withdraw Units from one Fund or Pool and invest the proceeds of such withdrawal in another Fund or Pool. Note that UDC is no longer offering Units in the Term Maximiser Fund. Accordingly, no investor may invest the proceeds of any withdrawal in the Term Maximiser Fund.

The Manager will procure (subject to any suspension or deferral of withdrawals and any other restrictions in accordance with the Trust Deeds and any restriction of redemption) that the Units will be switched on or within 5 Business Days of the date of receiving such notice, or if that day is not a Switching Day, 5 Business Days after the next Switching Day.

**(h) Transfer of Units**

Units may be transferred by transfer in the form approved by the Manager. Every transfer must be registered in the relevant register and a transfer is not effective until it is registered.

The Manager may decline to register any transfer at its sole discretion, including where:

- (i) the provisions of the Trust Deeds or any applicable statutory provisions have not been complied with;
- (ii) registration of the transfer would result in less than the minimum investment or more than the maximum investment amount in the name of the transferee or transferor;
- (iii) registration of the transfer would result in the Fund ceasing to be eligible to be a PIE or would operate to threaten such eligibility;
- (iv) there are unpaid amounts owing from the transferor of the Units to the Trustee or the Manager; or
- (v) the certificates of the Units being transferred (if any) have not been delivered to the Manager.

Registration of transfers may be suspended at such times and for such periods as the Manager may determine, provided that registration may not be suspended for a period exceeding, in aggregate, 30 Business Days in any calendar year (unless approved by the Trustee).

**(i) Distributions**

Subject to the terms of the Trust Deed and any relevant Offer Document, it is intended that the income of each Fund will be distributed on each Quarterly Date.

An investor redeeming, switching or transferring all of the investor's Units in a Fund or Class may also receive a distribution of allocated income on the relevant date. Each investor's Entitlement on each Distribution Date will be distributed by way of an issue of fully paid additional Units (or a fraction of a Unit).

**(j) Authorised Investments**

Each Fund may only invest in Authorised Investments determined in accordance with guidelines and procedures agreed upon by the Manager and the Trustee. At the date of this prospectus, the Manager has invested 100% of the Trust Funds in secured investments with UDC.

**(k) Borrowings**

The Trustee, at the request of the Manager, may borrow on behalf of a Fund (including to fund withdrawals) if, at the relevant time, the aggregate of the principal moneys borrowed and outstanding in respect of the Fund or secured against the Assets of the Fund, together with the amount proposed to be borrowed, does not exceed 50% of the value of the Trust Fund of that Fund.

**(l) Related Party Transactions**

The Trustee may enter into any transaction with the Manager or any Related Party in relation to any investments or any other Assets of a Fund, provided, where reasonably required by the Trustee, the Manager certifies to the Trustee that the particular transaction is effected on reasonable arm's length terms.

The Trustee and/or the Manager may cause any investment to be invested or deposited with the Trustee or the Manager or any Related Party provided that, where reasonably required by the Trustee, the Manager certifies to the Trustee that the transaction is on reasonable commercial terms and provided that the transaction is within the investment strategy and objectives for the relevant Fund. For example, as at the date of this prospectus, the Manager intends to invest 100% of the Trust Funds in secured investments with UDC.

**(m) The Manager**

The Manager is responsible for the day-to-day management and administration of each Fund.

The Manager, with the consent of the Trustee, may delegate any of its functions but will remain responsible for the acts and omissions of its delegate whether or not the delegate is acting within the terms of its delegated authority.

The Manager may retire as Manager upon giving 90 days' prior notice to the Trustee subject to the appointment of a new Manager. The Manager may be removed from office if:

- (i) it is removed from office by the High Court or by such other means prescribed by law;
- (ii) the Trustee certifies that it is in the interests of the investors that the Manager should cease to hold office;
- (iii) the investors pass a Special Resolution; or
- (iv) a receiver is appointed or an order is made or a resolution passed for the liquidation of the Manager.

**(n) The Trustee**

The Trustee is appointed as trustee of each Fund and agrees to hold the Trust Fund of that Fund in trust for the investors of that Fund on the terms and conditions of the relevant Trust Deed.

The Trustee may be removed from office in accordance with the provisions of the Act or by the Manager giving not less than 90 days' notice (or such lesser period as they may agree) in writing.

The Trustee may retire upon giving 90 days' notice to the Manager, subject to the appointment of a new Trustee.

The power of appointing a new Trustee is vested in the Manager, but if the Manager fails or refuses to exercise this power then a new Trustee may be appointed by Extraordinary Resolution of the investors of all Trust Funds.

**(o) Protection of the Manager and Trustee**

In addition to fees and expenses, the Trustee and the Manager are indemnified out of the Trust Fund of each Fund or Class for any expense or liability that may be incurred in performing their duties or exercising their powers, except where they fail to show the degree of skill and care required under section 24 of the Act.

Neither the Trustee nor the Manager shall be responsible for any loss arising from the default of the other, or caused by its failure to check information provided by the other.

**(p) Financial Statements and Auditor**

Both the Manager and the Trustee are required to account to investors for all money received and expended having regard to their respective functions. At the end of each financial year, for a Fund, the financial statements of that Fund must be prepared by the Manager, audited and sent to investors and the Trustee.

The Auditor is selected by the Manager (after consultation with the Trustee) and may retire upon giving 90 days' notice to the Manager.

**(q) Registers and certificates**

The Manager must keep and maintain, or cause to be kept and maintained, an up-to-date register of investors in respect of each Fund and (if applicable) each Class. The Manager will arrange for the Auditor to audit the register at annual intervals. The Manager must issue a certificate or confirmation of issue of Units in accordance with relevant law or any reasonable requirements of the Trustee.

**(r) Meetings of investors**

The Manager is required to summon a meeting of investors and any Class of investors of a Fund upon the request in writing of the Trustee, or of one tenth in number of the investors of the relevant Fund, or Class or of an investor or investors holding not less than one tenth of the number of Units on issue in the relevant Fund or Class at the date of the request. The Manager may also convene a meeting of investors of a Fund.

Before convening a meeting of investors, the Manager shall give at least 10 Business Days' notice of the meeting to the investors and the Trustee. The notice of meeting shall specify the place, day and hour of the meeting and general nature of the business to be transacted but it shall not be necessary to specify in the notice the terms of the resolutions to be proposed.

The quorum for a meeting is investors present in person or by proxy, or by attorney or by authorised representative holding not less than 10% of the number of Units of the relevant Fund for the time being in existence.

Resolutions are determined by a show of hands unless a poll is demanded.

**(s) Amendments to Deed**

The Trustee and the Manager may at any time make any amendment to the Trust Deed if:

- (i) it is made to correct a manifest error or is of a formal or technical nature;
- (ii) it is necessary or desirable to comply with the Act or other legislation;
- (iii) it is necessary or desirable for the more convenient, economical or advantageous working, management or administration of a Fund or safeguarding or enhancing the interests of a Fund or investors and is not likely to become prejudicial to the interests of investors generally;
- (iv) it is authorised by an Extraordinary Resolution of investors of each Fund or Class which is materially affected;

- (v) it records certain variations as to fees (other than to holders of a Class during the term of the Term Maximiser Fund investment), minimum or maximum investments provided for under the Trust Deed; or
- (vi) 30 days' prior notice in writing is given to investors of the relevant Fund (provided the Manager may not make any such alteration in relation to any Class of Units during the term of a Term Maximiser Fund investment).

### **6.3 Restrictions on investments**

The Authorised Investments for each Fund are described in section (j) above.

### **6.4 Investment and other material activities**

The sole activity of the Funds since their inception has been to make Authorised Investments. To date, the Call Maximiser Fund has solely invested in New Zealand dollar secured call deposits with UDC and the Term Maximiser Fund has solely invested in New Zealand dollar secured term investments with UDC.

### **6.5 Investment objectives and policy**

The objective of the Call Maximiser Fund is to provide investors with an investment opportunity in a unit trust which is a PIE, where the investment is similar to an investment in a call account. To achieve this, the Call Maximiser Fund invests in New Zealand dollar secured call deposits with UDC. Units in the Fund are unsecured. However the underlying investment of the Fund in New Zealand dollar secured call deposits with UDC means that the underlying investments enjoy the same first ranking security stock priority as UDC's other first ranking security stock holders. The interest rate payable on the Call Maximiser Fund's secured call deposits with UDC will be set by UDC from time to time. An investment in the Call Maximiser Fund is not a direct investment in UDC secured call deposits. As such the return on the Call Maximiser Fund may not mirror the return on a direct investment in UDC secured call deposits, as the applicable interest rate and taxation treatment may be different. The interest rate may change at any time without notice. Note that UDC is currently offering Units in the Call Maximiser Fund to existing investors only.

The objective of the Term Maximiser Fund is to provide investors with a fixed term investment opportunity in a unit trust which is a PIE. To achieve this, the Term Maximiser Fund invests in New Zealand dollar secured term investments with UDC. Units in the Fund are unsecured. However the underlying investment of the Fund in New Zealand dollar secured term deposits with UDC means that the underlying investments enjoy the same first ranking security stock priority as UDC's other first ranking security stock holders. The interest rate payable on the Term Maximiser Fund's secured term investments with UDC will be set by UDC from time to time before the start of the relevant term. An investment in the Term Maximiser Fund is not a direct investment in UDC secured term investments. As such

the return on the Term Maximiser Fund may not mirror the return on a direct investment in UDC secured term investments, as the applicable interest rate and taxation treatment may be different. The interest rate paid by UDC to a Pool of the Term Maximiser Fund for one term will most likely be different to the interest rate for another term. Note that UDC is no longer offering Units in the Term Maximiser Fund.

From time to time, subject to the Trustee's approval, the Manager may review and revise the objectives of a Fund and such revision shall be notified to the Trustee and investors in writing as at the date on which the revision takes place. At the date of this prospectus, the Manager does not intend to review or revise the objectives of either Fund.

## 6.6 Investment performance

The Funds commenced business on 29 April 2008. The performance of the UDC Call Maximiser Fund for the period 1 April 2010 to 31 March 2011 was 3.44% per annum before tax, the performance for the period 1 April 2009 to 31 March 2010 was 3.48% per annum before tax and the performance for the period 29 April 2008 to 31 March 2009 was 7.58% per annum before tax. This is the weighted average of the pre-tax rates of return over the relevant period. The interest rate payable on the call deposits with UDC, in which the UDC Call Maximiser Fund is exclusively invested and which is the main factor that will affect an investor's return, is 3.00% per annum at the date of this prospectus but will change from time to time.

The aggregate return for the UDC Term Maximiser Fund for the period 1 April 2010 until 31 March 2011 was 4.77%, the aggregate return for the period 1 April 2009 until 31 March 2010 was 6.82% and the aggregate return for the period 29 April 2008 until 31 March 2009 was 7.99%, on an annualised basis. The aggregate returns described above were determined by calculating the total amount of interest earned by the Fund in the relevant period divided by the average balance of that Fund for that period.

The interest rate payable on the term investments with UDC, in which the UDC Term Maximiser Fund is exclusively invested, is the main factor that will affect an investor's return.

An investor's return is based on the return of the relevant individual Class of the UDC Term Maximiser Fund rather than the return of the UDC Term Maximiser Fund as a whole.

The UDC Term Fund classes as at the specified date 21 September 2011 are:

Class 5.50% p.a. 12 months	(opening date: 1 October 2010)
Class 5.50% p.a. 12 months	(opening date: 1 November 2010)
Class 5.50% p.a. 12 months	(opening date: 1 December 2010)
Class 5.75% p.a. 12 months	(opening date: 1 December 2010)
Class 5.50% p.a. 12 months	(opening date: 1 January 2011)
Class 5.30% p.a. 12 months	(opening date: 1 March 2011)
Class 5.55% p.a. 12 months	(opening date: 1 March 2011)

Class 5.10% p.a. 12 months	(opening date: 1 April 2011)
Class 4.85% p.a. 12 months	(opening date: 1 May 2011)
Class 5.00% p.a. 18 months	(opening date: 1 May 2011)
Class 4.50% p.a. 12 months	(opening date: 1 June 2011)
Class 4.75% p.a. 12 months	(opening date: 1 June 2011)
Class 4.40% p.a. 12 months	(opening date: 1 July 2011)
Class 4.65% p.a. 12 months	(opening date: 1 July 2011)

Each Class is invested in a fixed rate of return term investment. The rate of return varies for each Class. As at the date of this prospectus each matured and current Class in the UDC Term Fund has achieved its stated rate of return.

The interest rate for future classes will likely be different and may be lower.

### 6.7 Distribution policy

The Manager intends to make distributions in accordance with the Trust Deed for each Fund as set out in the summary of the principal terms of the Trust Deeds above.

### 6.8 Return of capital

No guarantee or undertakings are given to investors about the return of capital or income to be earned on an investment.

## 7 UNIT HOLDER LIABILITY

Investors do not incur any liabilities (including contingent liabilities) from holding Units in the Funds, other than the liability to pay the issue price, or where the investor has provided a Prescribed Investor Rate ("PIR") that is too low or to pay tax in certain circumstances (as set out in further detail in section 20.1).

## 8 SUMMARY FINANCIAL STATEMENTS

The financial statements for the Funds are shown below in summary form.

### *UDC Call Maximiser Fund*

\$ thousands

As at 31 March	2011	2010	2009 <sup>1</sup>
<b>Summary Balance Sheet</b>			
Total current assets	25,990	30,363	43,503
Total assets	25,990	30,363	43,503
Total current liabilities	54	69	142
Net assets attributable to Unitholders	25,936	30,294	43,361
Total Unitholders' funds	25,936	30,294	43,361
<b>Year ended 31 March</b>			
<b>Summary Statement of Comprehensive Income</b>			
Interest income	822	1,059	2,581
Profit before tax	822	1,059	2,581
Income tax expense <sup>2</sup>	-	-	-
Profit after tax	822	1,059	2,581
Other comprehensive income	-	-	-

Total comprehensive income	<b>822</b>	1,059	2,581
<b>Summary Statement of Changes in Unitholders Funds</b>			
Opening Unitholders' funds	<b>30,294</b>	43,361	-
Total comprehensive income	<b>822</b>	1,059	2,581
Subscriptions during the year	<b>54,534</b>	82,420	179,145
Redemptions during the year	<b>(59,493)</b>	(96,244)	(137,710)
Deductions on behalf of Unitholders	<b>(221)</b>	(302)	(655)
Closing Unitholders' funds	<b>25,936</b>	30,294	43,361
<b>Summary Cash Flow Statement</b>			
Net cash flows from operating activities	<b>837</b>	1,132	2,439
Net cash flows from investing activities	-	-	-
Net cash flows from financing activities	<b>(5,195)</b>	(14,199)	40,922
Net (decrease) / increase in cash held	<b>(4,358)</b>	(13,067)	43,361
Opening cash brought forward	<b>30,294</b>	43,361	-
Closing cash carried forward	<b>25,936</b>	30,294	43,361

1 These results include the operations of the Fund from 29 April 2008 to 31 March 2009.

2 As all taxable income of the Fund is distributed to Unit Holders of the Fund in accordance with the Trust Deed, for accounting purposes, the Fund has no income tax expense.

### ***UDC Term Maximiser Fund***

#### **\$ thousands**

<b>As at 31 March</b>	<b>2011</b>	2010	2009 <sup>1</sup>
<b>Summary Balance Sheet</b>			
Total current assets	<b>34,118</b>	46,626	91,171
Total assets	<b>34,118</b>	46,626	91,171
Total current liabilities	<b>115</b>	146	466
Net assets attributable to Unitholders	<b>34,003</b>	46,480	90,705
<b>Year ended 31 March</b>	<b>2011</b>	2010	2009 <sup>1</sup>
<b>Summary Statement of Comprehensive Income</b>			
Interest income	<b>2,059</b>	4,625	3,642
Interest expense	<b>(2,059)</b>	(4,625)	(3,617)
Other expenses	-	-	(25)
Profit before tax	-	-	-
Income tax expense <sup>2</sup>	-	-	-
Profit after tax	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
<b>Summary Statement of Changes in Net Assets Attributable to Unitholders</b>			
Opening net assets attributable to Unitholders	<b>46,480</b>	90,705	-
Interest earned by Unitholders	<b>2,059</b>	4,625	3,642
Subscriptions during the year	<b>38,081</b>	48,432	89,019
Redemptions during the year	<b>(52,080)</b>	(96,052)	(979)
Deductions on behalf of Unitholders	<b>(537)</b>	(1,230)	(977)
Closing net assets attributable to Unitholders	<b>34,003</b>	46,480	90,705
<b>Summary Cash Flow Statement</b>			
Net cash flows from operating activities	<b>2,090</b>	4,930	3,176
Net cash flows from investing activities	<b>12,477</b>	44,225	(54,826)
Net cash flows from financing activities	<b>(14,567)</b>	(49,155)	51,650
Net change in cash held	-	-	-
Opening cash brought forward	-	-	-
Closing cash carried forward	-	-	-

- 1 These results include the operations of the Fund from 29 April 2008 to 31 March 2009.
- 2 As all taxable income of the Fund is distributed to Unit Holders of the Fund in accordance with the Trust Deed, for accounting purposes, the Fund has no income tax expense.

## **Notes to the summary financial statements**

The information contained in the summary financial statements has been extracted from the Funds' audited full financial statements for the years ended 31 March 2011 and 31 March 2010 and the period ended 31 March 2009. The Funds' full financial statements were prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with New Zealand equivalents to International Financial Reporting Standards, as appropriate to profit-orientated entities. They contain explicit and unreserved statements of compliance with International Financial Reporting Standards. The full financial statements of the Funds for the years ended 31 March 2011 and 31 March 2010 and for the period ended 31 March 2009 were authorised for issue by the Directors of the Manager on 9 August 2011, 12 July 2010 and 9 July 2009, respectively, and an unmodified audit report was issued in respect of each set of full financial statements on the same date.

The information in the summary financial statements has been prepared in accordance with FRS 43 *Summary Financial Statements*, subject to clause 8(4) of Schedule 4 of the Securities Regulations 2009. The summary financial statements were authorised for issue by the Directors of the Manager on 22 August 2011.

Amounts contained in the summary financial statements are presented in thousands of New Zealand dollars. Certain prior period comparatives have been amended to reflect current period presentation.

Because of their summary nature, these summary financial statements cannot provide as complete an understanding of the Funds' financial position and results as provided by the full financial statements.

A copy of the Funds' full financial statements can be obtained or inspected free of charge from the office of UDC at Level 2, 107 Carlton Gore Road, Newmarket, during normal business hours or by mail to PO Box 91145, Victoria Street West, Auckland 1142 and is also available for public inspection on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz) by searching the Unit Trust register under "UDC Call Maximiser Fund" or "UDC Term Maximiser Fund".

## **9 MINIMUM SUBSCRIPTION**

There is no minimum amount that, in the opinion of the Manager, must be raised by the issue of Units in either of the Funds.

## **10 GUARANTORS**

Neither the Trustee, the Manager, nor any part of the Australia and New Zealand Banking Group Limited group of companies ("**ANZ Group**") or any other person guarantees the payment of any money payable from a Fund.

## **11 ACQUISITION OF BUSINESS OR EQUITY SECURITIES**

No business or equity securities have been acquired prior to the date of this prospectus, or are intended at the date of this prospectus to be acquired, for the purposes of the Funds.

## **12 OPTIONS AND UNITS PAID UP OTHERWISE THAN IN CASH**

No options to acquire Units in the Funds have been, or are proposed to be, issued. No Units in the Funds have been, or are proposed to be, issued for other than cash consideration, other than the issue of further fully paid Units distributed to the investor on each Distribution Date.

## **13 INTERESTED PERSONS**

### **13.1 Manager's fees**

The Manager is responsible for the management of the Funds as specified in the Trust Deeds.

Pursuant to the Master Trust Deed, the Manager may be paid certain types of fees out of the Trust Fund of each Fund or (if applicable) Pool in respect of its services. However, under the Establishment Deed for each Fund, the Manager is not currently entitled to receive any fee.

The Manager may at any time and from time to time after consultation with the Trustee alter the amount of any fee or deduction, or charge any new fee or deduction, payable to the Manager by an investor or in respect of any Fund or (if applicable) Class or deductible from any amount otherwise payable to an investor in the manner set out in the Trust Deed, including a requirement to give at least one month's prior notice of the change to all investors of the relevant Fund or Class.

As at the date of this prospectus, the Manager has no intention of introducing any new charges.

Where any fee is charged, the Manager may waive part or all of any fees in accordance with the Trust Deed.

### **13.2 Trustee's fees**

The Trustee is responsible for carrying out the Trustee's functions with respect to the Funds as specified in the Trust Deeds.

Pursuant to the Master Trust Deed, the Trustee must be paid for its services such fees as may be agreed from time to time in writing between the Trustee and the Manager. However, under the Establishment Deed for each Fund, the Manager must pay the Trustee's fees from the Manager's own funds (and not from the Trust Fund).

The Custodian does not receive any separate fee for its services.

### **13.3 Other fees**

There are currently no entry, exit, switching or other charges payable by investors in relation to the Funds or any Class of Units of the Funds (except for any Early Repayment Fee in respect of Units in the Term Maximiser Fund). No fees are payable by the Funds or the investors for investing in the underlying secured investments of UDC.

### **13.4 Reimbursement**

Pursuant to the Master Trust Deed, the Manager and the Trustee are entitled to be reimbursed for certain expenses. However, the Establishment Deed for each Fund provides that the Manager shall:

- (a) meet from its own funds (and not from the Trust Fund) those expenses the Manager would otherwise be entitled to be reimbursed for in accordance with the Master Trust Deed; and
- (b) reimburse the Trustee from the Manager's own funds (and not from the Trust Fund) for those expenses the Trustee is entitled to be reimbursed for in accordance with the Master Trust Deed, provided that the Manager will have no liability to reimburse the Trustee (and the Trustee may claim from the Trust Fund in accordance with the Master Trust Deed) for any such expenses or liabilities arising outside the ordinary course of the administration of the Trust which have not been previously approved in writing by the Manager. The amount recoverable by the Trustee from the Trust Fund under this provision is not limited.

### **13.5 Material interest in Funds or contracts**

All Assets of the Trust Funds will be invested in secured investments of UDC. None of the Manager, the Trustee, or the Custodian has a material interest in either of the Funds or any contract or arrangement entered into on behalf of a Fund as at the date of this prospectus.

The directors and employees of the Manager, the Trustee and the Custodian may from time to time hold Units in the Funds.

### **13.6 Securities**

The Fund has not acquired any business or equity securities as at the date of this prospectus. All assets of the Funds are securities the issuer of which is UDC Finance Limited.

## **14 MATERIAL CONTRACTS**

As at the date of this prospectus, no material contracts have been entered into at any time during the previous two years.

## **15 PENDING PROCEEDINGS**

There are no pending legal proceedings or arbitrations at the date of this prospectus that may have a material adverse effect on the Funds.

## **16 ISSUE EXPENSES**

The issue expenses incurred in relation to the Funds are estimated, at the date of this prospectus, to be up to \$29,397, including all legal, accounting, marketing and printing costs and applicable Trustee overhead expenses. These expenses will be paid by the Manager.

### **16.1 Brokerage**

No brokerage is payable by investors or from the Trust Funds. The Manager pays brokerage to its investment advisers on terms agreed between the Manager and an investment adviser from time to time. The standard rate of brokerage that the Manager pays to investment advisers is calculated on the nominal value of accepted investments or reinvestments at an annualised rate of 0.25% per annum. This brokerage is paid to investment advisers by the Manager on applications bearing the stamp of a UDC registered investment adviser on terms set by the Manager from time to time.

## **17 OTHER TERMS OF OFFER AND UNITS**

All terms of the offer and all terms of the Funds being offered, are set out in this prospectus except for those implied by law and those contained in the Trust Deeds.

## **18 FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

Financial statements for the year ended 31 March 2011 have been registered under the Financial Reporting Act 1993 on 22 August 2011. The auditor's report on the financial statements for the year ended 31 March 2011 was dated 9 August 2011, did not refer to a fundamental uncertainty and was not qualified in any respect. Please see Appendix 1 for the auditor's report on the summary of the financial statements included in this prospectus.

## **19 PLACES OF INSPECTION OF DOCUMENTS**

The Trust Deeds, audited financial statements for the Funds, any material contracts referred to in section 14 of this prospectus, and the latest annual report for the Funds (when available) may each be viewed, on request, between 9.00am and 5.00pm at the offices of the Manager at Level 2, 107 Carlton Gore Road, Newmarket, Auckland. No fee is charged by the Manager for any such inspection.

These documents will also be available for inspection, on payment of the appropriate fee, at the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz) by searching the Unit Trust register under "UDC Call Maximiser Fund" (2119363) or "UDC Term Maximiser Fund" (2119350). Where the relevant documents are not available online, they can be obtained (on payment of the relevant fee) by telephoning the Ministry of Economic Development Business Centre on 0508 266 726.

## **20 OTHER MATERIAL MATTERS**

### **20.1 Taxation**

Returns to investors will be affected by taxes.

The following is a general summary of the New Zealand tax implications arising for investors who make an investment in the Funds. The information contained in this summary is of a general nature only and is limited to the key tax implications for investors. It does not constitute legal or tax advice. It does not deal with all relevant considerations and possible situations. This summary is based on the Manager's understanding of tax legislation (current and prospective) and interpretation of tax legislation as at the date of this prospectus. Tax legislation, its interpretation and the rates and basis of taxation are subject to change. In addition, the personal circumstances of an investor may affect the tax consequences. As a consequence, prospective investors should obtain independent tax advice in relation to their own situation prior to investing in a Fund.

#### **(a) Portfolio Investment Entities**

Each Fund is a PIE and the Manager intends that each Fund will maintain its current status as a PIE for the purposes of the Income Tax Act 2007. The Manager will not elect that the Funds become foreign investment PIEs for the purposes of the Income Tax Act 2007. The tax rules relating to PIEs effectively allow each Fund to pay tax on behalf of its investors at each investor's PIR (with a current maximum tax rate of 28%). This occurs because each Fund's tax liability is calculated by reference to the individual PIRs of its investors and the amount of income allocated to each investor, as explained further below. Provided that an investor provides the Manager with their correct PIR and IRD number, the tax paid by the Fund on behalf of an investor is a final tax and the investor bears no further tax on income from the Fund, including on any distributions from the Fund.

#### **(b) Choosing the tax rate for an investor's PIE**

Each investor must determine his or her PIR and notify the Manager of that rate and provide his or her IRD number to the Manager. The Manager will request confirmation of an investor's PIR on an annual basis. The PIR that an investor notifies to the Manager will be used to calculate the amount of tax to be paid by each Fund in respect of income of the Fund that is allocated to the investor. It is important that each investor notifies the Manager of his or her correct PIR as requested annually. If an investor provides a PIR that is too low, the investor may be required to file a tax return and pay tax on income allocated to him or her by the relevant Fund at the investor's marginal tax rate, which may be higher than the maximum PIR. In this case the investor, not the Fund, will be personally liable to pay the tax shortfall and may also be subject to penalties and interest charges by the Inland Revenue. If an investor provides a PIR that is too high, the investor will not be able to claim a refund for any

excess tax paid by the relevant Fund in respect of income allocated to him or her.

The following table is intended to help an investor determine his or her correct PIR:

Type of investor	PIR
<ul style="list-style-type: none"> <li>• Individuals who are tax resident in New Zealand and who had, in either of the two income years (usually the period 1 April to 31 March) immediately before the tax year (a "tax year" is the period 1 April to 31 March) to which the PIR applies, both:               <ul style="list-style-type: none"> <li>- taxable income of \$14,000 or less; and</li> <li>- taxable income plus income allocated by PIEs of \$48,000 or less.</li> </ul> </li> <li>• Trustees of a testamentary trust (excluding trustees of charitable trusts) that choose to be subject to the 10.5% PIR</li> </ul>	10.5%
<ul style="list-style-type: none"> <li>• Individuals who are tax resident in New Zealand and do not qualify for the 10.5% PIR, and who had, in either of the two income years (usually the period 1 April to 31 March) immediately before the tax year (a "tax year" is the period 1 April to 31 March) to which the PIR applies, both:               <ul style="list-style-type: none"> <li>- taxable income of \$48,000 or less; and</li> <li>- taxable income plus income allocated by PIEs of \$70,000 or less.</li> </ul> </li> <li>• Trustees (excluding trustees of charitable trusts) that choose to be subject to the 17.5% PIR</li> </ul>	17.5%
<ul style="list-style-type: none"> <li>• Individual investors who do not qualify for the 10.5% or 17.5% PIR</li> <li>• Trustees (excluding trustees of charitable trusts) that choose to be subject to the 28% PIR</li> <li>• Non-New Zealand tax residents</li> </ul>	28%
<ul style="list-style-type: none"> <li>• Companies, PIEs and superannuation funds</li> <li>• Trustees that do not choose to be subject to the 17.5% or 28% PIR</li> <li>• Charities</li> </ul>	0%

If in doubt, prospective investors should seek their own independent tax advice on their applicable PIR.

If an investment in a Fund is made by two or more persons jointly, the correct PIR is the highest PIR applicable to any of the joint investors. All joint investors in the Funds are required to provide their PIR and IRD numbers to the Manager.

If an investor has provided a 0% PIR, the investor will be a "zero-rated investor" and the relevant Fund will not pay any tax on behalf of that investor in respect of income allocated to the investor. Each zero-rated investor will be required to calculate and pay his or her own tax in respect of income allocated to the investor by the relevant Fund.

An investor can notify the Manager of any change to his or her PIR at any time but, if this is a change in a previously notified PIR, that notification will be effective from the start of the quarter in which the notification is made.

If an investor does not notify the Manager of his or her PIR and/or IRD number, tax will be paid in respect of income allocated to the investor at the maximum PIR of 28%.

An investment in the Funds may not be appropriate for investors that have a PIR that is higher than their marginal tax rate.

Note that the Inland Revenue can instruct the Funds to disregard the PIR that an investor has notified to the Manager if it considers that the rate is incorrect and can substitute a PIR that the Inland Revenue considers appropriate.

**(c) Allocation of income and payment of tax by the Manager on behalf of the Funds**

The taxable income of each Fund or Class of a Fund will be allocated to the investors in that Fund or the relevant Class in accordance with the tax rules relating to PIEs on a daily basis, in proportion to each investor's interest in the Fund or Class. The tax payable on the taxable income allocated to each investor (other than zero-rated investors) at the investor's PIR will be paid by the Manager on a quarterly basis.

The amount of any tax on the taxable income of each Fund paid on the investor's behalf by the Fund will be reflected by the cancellation of Units in the Fund or Class held by that investor equal in value to the amount of the tax liability (or a fraction of a Unit).

When an investor withdraws part or all of his or her investment in a Fund or Class (including when switching between Funds or Classes), a tax liability may arise in respect of income that is derived in the period up to the time of withdrawal, and that is allocated to the investor in respect of the part of the investment being withdrawn in the form of an issue of further fully paid Units. The amount of that tax liability may be deducted from the amount payable to the investor (by way of a cancellation of Units or otherwise) and, where such a deduction occurs it will then be paid by the Manager to the Inland Revenue. To the extent that tax in respect of that income is not paid by the Manager, the investor may be required to pay that amount directly to the Inland Revenue.

Under the Trust Deeds, an investor can be liable to indemnify the Trustee or the Manager for tax on income that is allocated to him or her where that tax has been paid by or on behalf of the Manager to the Inland Revenue but has not for any reason been reflected by the cancellation of Units of the investor.

**(d) Interfund Data**

Each Fund is unable to provide daily Investment Savings and Insurance Association interfund data to investors that are themselves PIEs and proxies for investors in PIEs or "Proxies". Investors who are PIEs and Proxies will be provided, along with all other investors, with the statements for investors, as described below.

**(e) Statements for investors**

The Manager will provide a statement containing details of income allocated to an investor and tax paid by the Manager in respect of that income for a period shortly after:

- the end of each tax year to each investor; and
- the winding up of the Fund or Class to each affected investor.

**20.2 Risks**

An investment in the Funds is subject to investment risk including possible delays in repayment and loss of income and principal invested. The major risks to investors are an inability to recover some or all of their investment in the Funds through the reduction in the value of capital invested, and/or failure by the Funds to pay returns. The principal reasons this could occur are set out below:

**(a) Risk on underlying investment in UDC**

The Funds invest solely in New Zealand dollar secured investments with UDC. The Funds' investments are, therefore, not diversified. Any event or circumstance affecting the ability of UDC (such as the insolvency, receivership, liquidation or statutory management of UDC) to pay interest on, or repay the principal amount of, the Funds' investments will correspondingly affect the Funds' ability to make payments to investors.

UDC is a deposit taker for the purposes of the Reserve Bank of New Zealand Act 1989 ("RBNZ Act"). The new Non Bank Deposit Taker regime has been implemented under the Reserve Bank of New Zealand Amendment Act 2008.

As a deposit taker, UDC is required to comply with the requirements under the regime. These requirements include:

- having a risk management programme;
- being independently rated;
- meeting minimum capital requirements;
- limiting related party exposures;
- meeting certain governance requirements; and
- meeting liquidity requirements.

The Reserve Bank has granted UDC part exemptions from the minimum capital and related-party exposure requirements. These exemptions apply from 1 June 2011 until the close of 1 December 2015, and provide that:

- UDC's total exposure to related parties may be up to and including 75% of its capital; and
- UDC may use ANZ National Bank Limited's capital calculation model approved by the Reserve Bank, for the purposes of calculating its risk-weighted amount for credit risk purposes.

The Reserve Bank has granted UDC these part exemptions on the basis that UDC is already subject to regulation as a consequence of being owned by ANZ National Bank Limited, a registered bank regulated by the Reserve Bank.

The Non-Bank Deposit Takers Bill 2011 was introduced into Parliament on 3 August 2011. The position continues to be carefully monitored by UDC.

(i) Credit rating

UDC's creditworthiness is rated by a ratings agency approved by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989. The approved ratings agency is Standard & Poor's Ratings Services.

UDC's current long-term Standard & Poor's Ratings Services credit rating is AA- with outlook stable. Standard & Poor's Ratings Services defines its AA- rating to mean the obligor 'has a very strong capacity to meet its financial commitments. It differs from the highest rated obligors only to a small degree.' According to Standard & Poor's Ratings Services, an outlook of 'stable' indicates that UDC's credit rating is not likely to change.

UDC has held this credit rating since 1 December 2011. On 1 December 2011, the credit rating was downgraded by one notch from AA, along with the major trading banks in New Zealand. The reasons for the downgrade were described broadly by Standard & Poor's Ratings Services as a result of the application of their new criteria. Prior to this downgrade UDC held an AA credit rating since February 2007.

This is a local currency (New Zealand dollar), long-term issuer rating. This type of rating expresses an opinion about an issuer's overall capacity to meet its senior, unsecured financial obligations over a horizon that is not short-term.

Standard & Poor's Ratings Services base this rating on an independent review and analysis of UDC which includes a

review of UDC’s ownership, management and governance structures, loan book, credit quality, level of diversification, competencies and lending procedures.

Standard & Poor’s Ratings Services’ ratings range from AAA (extremely strong) to D (in default). This scale is set out in the table below together with the details of where UDC sits on that scale.

Standard & Poor’s Rating Scale:

Investment Grade Ratings	AAA Extremely Strong	
	AA+ AA Very Strong AA-	<-UDC FINANCE
	A+ A Strong A-	
	BBB+ BBB Adequate BBB-	
Speculative Grade Ratings	BB+ BB Less Vulnerable BB-	
	B+ B More Vulnerable B-	
	CCC+ CCC Currently Vulnerable CCC-	
	CC Currently Highly Vulnerable	
	D In Default	

Credit ratings are statements of opinion issued by Standard & Poor’s Ratings Services. A credit rating is not a statement of fact, an endorsement of the rated entity, or a recommendation to buy, hold, or sell securities. Further information is available on the website of Standard & Poor’s Ratings Services at [www.standardandpoors.com](http://www.standardandpoors.com).

It is important to note that the credit rating outlined above is not in respect of units in the Funds but rather the underlying investments with UDC.

The principal risks faced by UDC which could lead to the insolvency of UDC broadly fall into four categories - financial risk, operational risk, economic and regulatory risk and related party risk. These are discussed briefly below.

We encourage you to read the UDC Secured Investments Prospectus which has detailed information on the risks of the underlying investments and is available from UDC on request.

(ii) Financial risk

*Credit risk:*

UDC's core business is asset financing. UDC uses its secured investments to lend to its borrowing customers, primarily to finance assets such as vehicles, plant, machinery, IT & telecommunications equipment, agricultural equipment, forestry equipment, light and heavy industrial equipment, printing equipment, aircraft and boats, and other plant and equipment. UDC is therefore exposed to the credit risks that:

- its borrowing customers default in their repayment and other obligations to UDC;
- the realisable value of security that UDC has taken to secure such obligations is not sufficient to repay amounts owing to UDC; and
- the inability of any guarantor or the insufficiency of their assets to meet the obligations of the principal debtor to UDC.

*Liquidity risk:*

Liquidity risk is the risk that UDC does not have, or have access to, or the ability to raise at short notice, sufficient cash to meet its debts as they fall due including repayment of secured investments as they mature.

*Interest rate risk:*

Interest rate risk is the risk associated with fluctuations in interest rates. For example, UDC may be exposed to an interest rate risk where there is a mismatch in the fixed interest rates it offers investors as against the interest rates it applies to its borrowing customers in respect of their financing.

(iii) Operational risk

Operational risks are risks that UDC is exposed to as part of conducting its business. Operational risk include risks associated with a failure of internal processes and procedures, fraud, litigation, disruption to business caused by industrial disputes, competition, systems failures, pandemics, natural disasters and other unforeseen external events which might affect the operation of UDC's business.

(iv) Economic and regulatory risk

*Economic risk:*

UDC may be exposed to risk caused by economic downturn, particularly if such economic downturn has a negative impact on industries to which UDC has a concentrated credit exposure. For this reason, UDC maintains a diverse lending portfolio in terms of assets financed and the geography and industries in which its customers are active in.

*Regulatory risk:*

UDC may be exposed to risk and/or increased compliance costs in the event of a change in the regulatory environment in which it operates.

(v) Related party risk

ANZ Treasury, part of ANZ National Bank Limited ("**ANZ Treasury**") holds cash deposits from UDC from time to time as UDC's agent pursuant to an agency agreement. Any event or circumstance affecting the ability of ANZ Treasury (such as the insolvency, receivership, liquidation or statutory management of ANZ Treasury) to pay interest on, or repay the principal amount of, UDC's deposits will correspondingly affect UDC's ability to make payments to its investors.

Information as to how UDC mitigates these risks is available in the registered prospectus for UDC's secured investments, a copy of which can be obtained free of charge from the office of UDC at Level 2, 107 Carlton Gore Road, Newmarket during normal business hours or by mail to PO Box 91145, Victoria Street West, Auckland 1142 and is available for public inspection on the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz). Where relevant documents are not available on the Companies Office website, a request for the documents can be made by contacting the Ministry of Economic Development Business Centre on 0508 266 726.

**(b) Interest rate risk**

The interest rate payable on the Funds' deposits with UDC will be set by UDC from time to time with respect to the Call Maximiser Fund and at the commencement of the term of each Class in the Term Maximiser Fund. Over time, interest rates may increase or decrease. Interest rates are affected by a range of factors, including economic and regulatory conditions, market sentiment, political events, and environmental and technology issues.

**(c) Change of law risk**

The Funds are based on law in effect in New Zealand as at the date of this prospectus. No assurance can be given as to the impact of any possible judicial decision or change to such law after the date of this prospectus. In particular, a change in tax laws could affect the Funds' returns.

**(d) Credit risk**

The Funds or Pools may become insolvent and placed into receivership, liquidation or statutory management or otherwise become unable to meet their financial obligations. This might occur, without limitation, if there is a failure by the Manager or any other institution or entity in which a Fund or Pool has invested.

**(e) Liquidity risk**

The Funds or Pools may become unable to meet monetary obligations in a timely manner. The Manager manages this risk by investing in investments which can normally be realised reasonably quickly.

**(f) Risk of losing PIE status**

Although the Manager has processes in place to manage compliance with the PIE eligibility requirements, there is a risk that the Funds could lose their PIE status if there is a breach of those requirements which is not remedied within the time permitted by the Income Tax Act 2007. No compensation will be made to investors in the event PIE status is lost. If this occurs, the Funds will bear tax on income themselves and any distributions by the Funds to investors will also be taxed at the investor level – potentially at a higher tax rate (the 28% PIE capped rate will no longer be applicable).

**(g) Risk of providing the wrong PIR**

If an investor has provided a PIR that is lower than his or her correct PIR the investor will be liable for any consequential tax shortfall and may be required to file a tax return. Investors who provide a PIR that is higher than their correct PIR will not be able to claim back the excess tax paid.

**(h) Risk of a claim on the Funds**

Under the Trust Deeds, the Trustee and the Manager are, subject to certain exceptions set out in the Trust Deeds, indemnified by the Fund and Pools from and against any expense or liability that may be incurred in prosecuting or defending any action or suit in respect of the provisions of the Trust Deeds, the Investment Statement or this prospectus and may recover any loss suffered except to the extent that such expense or liability is caused by the failure of the Manager or the Trustee (as the case may be) to show the degree of care and diligence required by section 24 of the Act.

If a claim is made on a Fund or Pool by the Trustee or the Manager, this may affect the Fund's ability to make payments to investors.

Further, any Liabilities or expenses of the Term Maximiser Fund that are attributable to a particular Class shall be met at the first instance from the Assets of the relevant Pool. Where the Assets of the relevant Pool are insufficient to meet the Liabilities and expenses of the Fund attributable to that Class then those Liabilities (other than any Liability to an investor in that Class) and expenses will be met

from the Assets (other than distributions to be made to an investor in that Class) attributable to the other Classes in such equitable manner as the Manager and the Trustee approve.

Any of these risks may result in the value per Unit falling to below \$1, in which event an investor who redeems Units may receive less than \$1 per Unit on redemption.

**(i) Risk of not being able to withdraw**

Under the Trust Deeds, the Manager has the power to suspend or defer withdrawals in certain circumstances. This means there is a risk that an investor may not be able to withdraw from the Funds or that withdrawal may be delayed.

**21 MANAGER'S STATEMENT**

In the opinion of the directors of the Manager after due enquiry by them:

- (a) the values of the UDC Call Maximiser Fund and the UDC Term Maximiser Fund assets relative to their liabilities (including contingent liabilities); and
- (b) the ability of the UDC Call Maximiser Fund and the UDC Term Maximiser Fund to pay their respective debts as they become due and payable in the normal course of business –

has not materially changed between 31 March 2011 and the date this prospectus is delivered for registration.

**22 UNIT TRUSTEE'S STATEMENT**

Please see Appendix 2 of this prospectus for the Trustee's statement on the prospectus in relation to the year ending 31 March 2011.

**23 SIGNATURES**

This prospectus has been signed by each director of UDC Finance Limited or a person authorised in writing by him or her to sign this prospectus on his or her behalf.

**SIGNED by:**

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Signature of Stuart James McLauchlan  
or his authorised representative

**SIGNED by:**

---

Signature of Paul James Norris or  
his authorised representative

**SIGNED by:**

---

Signature of Graham David Turley or  
his authorised representative

**SIGNED by:**

---

Signature of Richard Arthur Wilks or  
his authorised representative

**SIGNED by:**

---

Signature of Bruce William Anderson or  
his authorised representative

**SIGNED by:**

---

Signature of Penelope Jane Ford or  
her authorised representative

## **GLOSSARY**

The following capitalised terms used in this prospectus have the following meanings. Some of these terms are summaries of definitions in the Trust Deeds. For complete definitions, reference should be made to the relevant Trust Deed.

**Act** means the Unit Trusts Act 1960.

**Application Moneys** means the aggregate moneys paid by a prospective investor in relation to an application for the purchase of Units in a particular Fund.

**Asset** means, in relation to a Fund, any one of the holdings of investments or other assets forming a constituent part of the Fund.

**Auditor** means the auditor of each Fund.

**Authorised Investments** means, in relation to a Fund, the category of investments which may be held by the Fund.

**Business Day** means a day other than a Saturday or Sunday upon which registered banks are open for business in Auckland.

**Class** means a class of Units having identical rights, privileges, limitations and conditions.

**Custodian** means TEA Custodians Limited.

**Debenture Stock Trust Deed** means:

the trust deed entered into between UDC, various of its then related companies and the Trustee dated 3 September 1974, as amended from time to time, which governed secured registered debenture stock; and

a further trust deed entered into between the same parties dated 5 February 1979, as amended from time to time, which governed unsecured notes,

which were together combined and restated as of 1 April 1998 in a document entitled Debenture Stock and Unsecured Notes Trust Deed dated 22 May 1986, as amended on 17 March 2006 and as further amended from time to time.

**Distribution Date** means, in relation to each Fund, each Quarterly Date or such date as the Manager may fix from time to time for the purpose of determining distributions of income from that Fund.

**Early Repayment Fee** means an amount payable on early redemption of Units in the Term Maximiser Fund.

**Entitlement** in relation to a Unit means the amount to be distributed to an investor in respect of that Unit including any unallocated income relating to that Unit.

**Establishment Deed** means, in respect of each Fund, the deed dated 9 April 2008 between the Manager and the Trustee by which the Fund is established.

**Exchange** means any official or formally constituted share, security, Unit or other equity ownership interest, futures or options exchange on which a relevant Investment is quoted in any country.

**Extraordinary Resolution** means a resolution of 75% of investors in a Fund voting at a meeting.

**Liabilities** in relation to any Fund or Pool means debts and other obligations of the Trustee acting in its capacity as trustee of that Fund or Pool payable from the Trust Fund of that Fund or the Assets of that Pool, as more fully defined in the Master Trust Deed.

**Manager** means UDC in its capacity as manager of the Fund and any successor manager appointed pursuant to the Master Trust Deed.

**Master Trust Deed** means the UDC Investment Funds Master Trust Deed dated 9 April 2008 (as amended by an amendment deed dated 20 February 2009) between the Manager and the Trustee.

**Offer Document** means a written document required by law to be issued or made available to any Person intending to subscribe for Units and includes an investment statement under section 38C of the Securities Act 1978 and this prospectus.

**Pool** means assets of a Fund attributable to a particular Class of Units of that Fund.

**Quarterly Date** means the last Business Days of March, June, September and December in each year.

**Redemption Day** means:

- (a) in relation to Units in the Term Maximiser Fund, the maturity date of the Units unless the Manager in its sole discretion permits an early redemption; and
- (b) in relation to Units in the Call Maximiser Fund, each Business Day.

**Related Company** has the meaning given to it in section 2(3) of the Companies Act 1993.

**Related Party** means:

- (a) the Manager and any company anywhere in the world that is a Related Company of the Manager; and
- (b) any unit trust, superannuation scheme, or other fund or, entity that is directly or indirectly owned or controlled by any company that falls within paragraph (a) of this definition including situations where the control is over the investment of funds beneficially owned by others.

**Special Resolution** means a resolution passed by 75% of investors in a Fund voting at a meeting, being investors holding at least 25% of the Units of the relevant Fund.

**Switching Day** means:

- (a) in relation to Units in the Term Maximiser Fund, each Redemption Day for a Unit or Class of Units in the Fund, provided that such day is

also an Issue Day for the Fund or Class into which Units are being switched; and

(b) in relation to Units in the Call Maximiser Fund, each Business Day.

**Switching Notice** means a notice to switch Units from a Fund or Class to another Fund or Class.

**Trustee** means Trustees Executors Limited.

**Trust Deed** means, in respect of each Fund, the relevant Establishment Deed and the Master Trust Deed.

**Trust Fund** means in relation to any Fund the assets of that Fund and, in relation to the Term Maximiser Fund, includes as part of the trust fund for that Fund each Pool and, unless the context otherwise requires and, also means each Pool individually.

**UDC** means UDC Finance Limited.

**Unit** means an undivided part or share in a Trust Fund and includes parts of a Unit, rounded down to the nearest 2 decimal places.

**Withdrawal Amount** means the amount payable upon the redemption or repurchase of a Unit.

**Withdrawal Notice** means a notice to withdraw Units from a Fund.

## Appendix 1



UDC Finance Limited  
The Fund Manager  
UDC Call Maximiser Funds and UDC Term Maximiser Fund  
PO Box 91145  
Auckland 1142

21 September 2011

### **Auditor's report for inclusion in a Prospectus**

As auditor of the UDC Call Maximiser Fund and UDC Term Maximiser Fund ("the Funds") we have prepared this report pursuant to clause 18 of Schedule 4 of the Securities Regulations 2009 for inclusion in the prospectus dated 21 September 2011.

#### **Report on the Financial Statements**

We have audited the financial statements of the UDC Call Maximiser Fund and UDC Term Maximiser Fund ("the Funds ") for the year ended 31 March 2011. We expressed unmodified audit opinions on those financial statements in our reports dated 9 August 2011.

#### **Report on the Summary Financial Statements**

The summary financial statements on pages 17 to 19 are derived from the audited financial statements of the UDC Call Maximiser Fund and UDC Term Maximiser Fund for the period/years ended 31 March 2009, 2010 and 2011. We expressed unmodified opinions on those financial statements in our audit reports for each of those period/years. The summary financial statements do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Funds.

#### ***Managers' Responsibility for the Summary Financial Statements***

The Manager is responsible for preparing a summary of the audited financial statements of the Funds for the period/years ended 31 March 2009, 2010 and 2011 in accordance with clause 8 of Schedule 4 of the Securities Regulations 2009.

#### ***Auditor's Responsibility for the Summary Financial Statements***

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810 *Engagements to Report on Summary Financial Statements*.



### ***Opinion on the Summary Financial Statements***

In our opinion, the amounts set out in the summary financial statements on pages 17 to 19 of this prospectus, derived from the audited financial statements of the Funds for the period/years ended 31 March 2009, 2010 and 2011, as required by clause 8 of Schedule 4 of the Securities Regulations 2009:

- are consistent, in all material respects, with those financial statements; and
- have been correctly taken from the audited financial statements of the Funds for the period/years ended 31 March 2009, 2010 and 2011.

### **Other Matters**

#### ***Responsibility for Updating***

We have no responsibility to update our opinion on any of the matters above for events and circumstances occurring after the date of this report.

#### ***Restriction on Use***

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 18 of Schedule 4 of the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the summary financial statements, for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

#### ***Auditor's Consent***

In accordance with regulation 18(1)(c)(ii) of the Securities Regulations 2009, we hereby give our consent to the inclusion of this report in the prospectus in the form in which it appears. We also confirm that we have not, before delivery of this prospectus, withdrawn our consent to the issue thereof.

KPMG  
Wellington

## Appendix 2