

UDC INVESTMENT STATEMENT

15 December 2011

Secured Term Investment // Capital Drawdown Term Investment



INVESTMENT STATEMENT

The date of this Investment Statement is 15 December 2011.

This Investment Statement is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised financial adviser service under the Financial Advisers Act 2008. It is recommended you seek advice from a financial adviser which takes into account your individual circumstances before you acquire a financial product.

2 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;
- 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.

WHAT SORT OF INVESTMENT IS THIS?

UDC Finance Limited (“UDC”, “us”, “we” or “our”) offers the following Secured Term Investment products under this Investment Statement:

Term Investment: A Term Investment is a secured term deposit with a tiered interest rate, fixed for the investment term. A choice of deposit terms, interest rates and interest payment options are available.

Capital Drawdown: A Capital Drawdown Investment is a secured term deposit with a tiered interest rate, fixed for the investment term that enables you to receive regular payments of both the principal invested and interest payments.

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All investments offered by us that are the subject of this Investment Statement are term debt securities which are secured as First Ranking Security Stock under the Trust Deed. The Trust Deed comprises what was originally two trust deeds, both between us, various of our then related companies and Trustees Executors Limited, one dated 3 September 1974 (as subsequently amended) which governed secured registered debenture stock; and the other dated 5 February 1979 (as subsequently amended), which governed unsecured notes. Together these deeds were combined and restated, in a document entitled Debenture Stock and Unsecured Notes Trust Deed dated 1 April 1998 (as amended on 17 March 2006 and as further amended from time to time) (the “Trust Deed”).

WHO IS INVOLVED IN PROVIDING IT FOR ME?

The Issuer: UDC Finance Limited. Our principal place of business is UDC House, Level 2, 107 Carlton Gore Road, Newmarket, Auckland. Our address may change. Our current address may be obtained from the Companies Office website at www.business.govt.nz/companies by searching against “UDC Finance Limited”.

As at the date of this Investment Statement, the names of the directors of the Issuer are:

- Stuart James McLauchlan (Independent);
- Bruce William Anderson;
- Penelope Jane Ford;
- Paul James Norris (Independent);
- Graham David Turley; and
- Richard Arthur Wilks.

The directors of the Issuer may change. The names of the current directors of the Issuer may be obtained from the Companies Office website at www.business.govt.nz/companies by searching against “UDC Finance Limited”.

The Trustee: Trustees Executors Limited, Level 5, 10 Customhouse Quay, Wellington.

The address of the Trustee may change. The current address of the Trustee may be obtained from the Companies Office website at www.business.govt.nz/companies by searching against “UDC Finance Limited”.

We were established in 1938 as a finance company to provide financial services to our customers. Our core business is asset finance. During the past 5 years, our principal business activities have included providing the products listed below:

- secured investment products – help New Zealand investors and savers earn a competitive return.
- asset finance products – including loans, leases and lines of credit – help New Zealand businesses buy or upgrade the vehicles, plant and equipment they need to grow and prosper.
- motor vehicle finance products (one of our asset finance specialities) – supplied directly or through a network of approved dealers – help New Zealand consumers and businesses get the cars, trucks, vans and other motor vehicles they want.

For more information about us, visit www.udc.co.nz

HOW MUCH DO I PAY?

To subscribe for a Secured Term Investment, the minimum deposit required (payable in one lump sum) is \$5,000. You may select any amount in excess of \$5,000 to deposit into your Term Investment or Capital Drawdown Investment.

Applications can be made by completing the relevant application form. Payments may be made:

- by completing the direct debit form, or if you elect to pay by cheque, by making your cheque payable to “UDC Finance Limited”, crossing it “account payee only”, and forwarding it with your application to UDC Finance Limited, PO Box 91145, Victoria Street West, Auckland 1142;
- by electronic transfer to our bank account: 01-0505-0128966-00 with your application number or customer number loaded as the ‘payee reference’;
- through any ANZ branch; or
- through any of our registered brokers or financial advisers.

By subscribing for a Secured Term Investment, you acknowledge and agree that:

- we may send you electronic communications in relation to your investment; and
- personal information about you provided to us may, in accordance with the Privacy Act 1993, be shared with ANZ National Bank Limited (“ANZ”) and its related companies (as defined in the Companies Act 1993) (“ANZ Group”), your financial adviser or any other entity that provides services in relation to Secured Term Investments. Personal information may be used for the purpose of administering Secured Term Investments. We and the ANZ Group may use personal information for the purpose of introducing other products or services to you. We may disclose personal information from time to time for regulatory purposes or if required by law.

If we do not accept your application for any reason we will contact you to inform you of that reason. If new terms cannot be agreed with you we will, within 10 days, refund your application money. No interest is payable on your application money if we do not accept your application. There is no cancellation fee.

WHAT ARE THE CHARGES?

We do not charge entry, exit or management fees on our Secured Term Investments. However, if we do permit early redemption of a Secured Term Investment, we may lower the interest rate on your investment and deduct this interest adjustment from the balance payable to you. This rate will be calculated at the time we agree to permit early redemption and will be based on prevailing market conditions, any costs associated with early repayment and any other relevant factors. We will advise you, if you ask us at any time, of the likely adjusted interest rate if early redemption is permitted.

WHAT RETURNS WILL I GET?

You are entitled to:

- Interest payments for both Term Investment and Capital Drawdown Investment products. The interest rate is fixed by us at the start of your investment. To determine the interest rate applicable to your Secured Term Investment we will consider:
 - the amount of your investment;
 - the term of your investment; and
 - how often interest is paid.
- Interest is calculated daily on the balance of your investment and may be paid or compounded monthly, quarterly, annually or deferred until maturity, according to the type of investment and payment option chosen by you (less any deduction for resident withholding tax ("RWT"), non-resident withholding tax or approved issuer levy, if applicable). Details of our current interest rates are available from our website www.udc.co.nz or by calling us on **0800 652 832**.
- Repayment of the principal amount of your investment for both Term Investment and Capital Drawdown Investment products. For the Term Investment, the principal amount of your investment is repaid at the expiry of the term of your investment. For the Capital Drawdown Investment, you have the option of receiving interim instalments (monthly or quarterly) of principal as agreed with us in addition to repayment of the principal amount of your investment at the expiry of the term of your investment.

UDC Finance Limited is the person legally liable to pay returns on your Secured Term Investment.

The amount of your return cannot be determined as at the date of this Investment Statement. However, once you have agreed terms of your Secured Term Investment with us, including the principal amount, term of your investment and applicable interest rate, you may legally enforce the investment against us. We may withhold the repayment of principal and the payment of interest payable on your Secured Term Investment where we are required by law to do so.

You should seek independent, professional tax advice tailored to your circumstances before investing.

The following is a general summary of the New Zealand tax implications of a Secured Term Investment. It does not deal with all relevant considerations and possible situations.

The interest earned from Secured Term Investments is taxable.

Under current tax laws, interest (including compounded interest) paid to all New Zealand tax residents is subject to RWT, unless you provide us with a valid certificate of exemption. On the application form, you may elect a RWT rate when you provide us with your Inland Revenue Department (“IRD”) Number. Your RWT rate should be determined by the amount of your taxable income.

If you are an individual or a trustee and you do not provide us with your IRD number and/or elect an RWT rate, we are obliged to deduct RWT at the highest RWT rate (currently 33%). If you are a company and you do not provide us with your IRD number, we are obliged to deduct RWT at the highest RWT rate (currently 33%). If you are a company that has provided us with your IRD number but you do not elect an RWT rate, we are obliged to deduct RWT at 28%.

Please visit the Inland Revenue’s website www.ird.govt.nz for further information on current RWT rates.

When you elect a RWT rate, that rate will only apply from the time you notify us. A higher RWT rate may be applied until you notify us of your RWT rate election. If you elect a lower RWT rate than applies to you, you may have a tax liability at the end of the tax year (1 April – 31 March). If you elect a higher RWT rate than applies to you, then you may be entitled to apply to the IRD to recover any overpaid RWT at the end of the tax year (1 April – 31 March).

If the IRD considers that you have elected an incorrect RWT rate, they may instruct us to apply another RWT rate. We must use the RWT rate provided by the IRD, unless you tell us to apply a different RWT rate.

If you are an overseas resident and you are not engaged in business in New Zealand through a fixed establishment in New Zealand, non-resident withholding tax will be deducted from the interest earned. The rate of non-resident withholding tax applied depends on your country of residence and can be up to 15%.

If you are a non-resident you can agree to have the cost of the approved issuer levy deducted, which is 2% of the interest paid or credited. In this case, we will deduct the approved issuer levy from the interest to be paid or credited to you and non-resident withholding tax will not be deducted. As a non-resident investor, you are required to provide us with your overseas address and where applicable, to complete an approved issuer levy application, which is available on request from us.

Our obligations to you are not guaranteed by ANZ, the Trustee or by any other person.

WHAT ARE MY RISKS?

The principal risks of investing in Secured Term Investment products, the subject of this Investment Statement, are disclosed in this Investment Statement as at the date of this Investment Statement.

As an investor, the principal risks you could face are that we become insolvent or we fail to manage our liquidity. Insolvency risk is the risk that we become insolvent and do not have enough assets to meet all of our liabilities. Insolvency might mean that you are not able to recover all or part of the returns on your Secured Term Investment (i.e. the principal amount of your deposit and accrued unpaid interest). You will not be liable to pay us any additional money in relation to your Secured Investment if we become insolvent. Liquidity risk is the risk that we are not able to raise enough cash at short notice to meet our debts as they fall due, including repaying Secured Term Investments as they mature.

Our 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.

Our 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 our credit rating is not likely to change.

We have 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 we held our 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 which is not short-term.

Standard & Poor's Ratings Services bases this rating on an independent review and analysis, including a review of our ownership, management and governance structures, our loan book, our credit quality, our level of diversification, our competencies and our lending procedures.

Standard & Poor's Ratings Services' ratings range from AAA (extremely strong) to D (in default). The table sets out this scale, and the details of where we sit on that scale.

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

Pursuant to the Trust Deed, your Secured Term Investment is secured as First Ranking Security Stock.

Creditors secured by prior charges that are permitted under the Trust Deed rank ahead of your Secured Term Investment.

STANDARD & POOR'S RATINGS SCALE*

			Approximate probability of default (over 5 years)
Investment Grade Ratings	AAA	Extremely Strong	1 in 600
	AA+	Very Strong	1 in 300
	AA		
	AA-		
	A+	Strong	1 in 150
	A		
A-			
Speculative Grade Ratings	BBB+	Adequate	1 in 30
	BBB		
	BBB-		
	BB+	Less Vulnerable	1 in 10
	BB		
	BB-		
	B+	More Vulnerable	1 in 5
	B		
	B-		
	CCC+	Currently Vulnerable	1 in 2
CCC			
CCC-			
CC	Currently Highly Vulnerable		
D	In Default		

* Taken From Reserve Bank Of New Zealand: Bulletin, V01.71, No. 3, September 2008

The Trust Deed provides for the concept of a Charging Group. However, as at the date of this Investment Statement, we are the only member of the Charging Group. Accordingly, references to “our”, “us”, or “we” in this section may reflect references in the Trust Deed to Charging Group.

The Trust Deed permits the prior charges listed below:

- the Trust Deed permits any charge granted to finance the cost of buying, building, developing, or improving any property or asset, as long as the amount secured is not more than two thirds of that cost, together with interest discounts and other financing charges and ancillary sums.
- the Trust Deed permits any charge granted before the date of the Trust Deed.
- the Trust Deed permits us to renew or extend the term, increase the interest rate, or vary or replace the provisions of any permitted prior charge, as long as the principal sum secured by the prior charge (or a prior charge given in replacement or renewal thereof) does not increase.
- the Trust Deed permits any charge granted to the Trustee to further secure Security Stock that ranks equally with the charges created by the Trust Deed.
- the Trust Deed permits any charge over a specifically charged asset to secure Money Market Secured Deposits, as long as the book value of the specifically charged asset does not at any time exceed 125% of the value of the monies secured, and as long as the Charge is given for, and in the normal course of business of, a money market dealer, merchant bank or other financial intermediary carrying on similar business in New Zealand. Money Market Secured Deposits are deposits or loans accepted by us at any time that are secured by such charges.
- the Trust Deed permits any charge that is a purchase money security interest we create in favour of a seller of goods to us, or a lease in favour of a lessor of goods to us, that does not in substance secure payment or performance of an obligation. In each case, the purchase money security interest must be created or provided for by a transaction that is in the ordinary course of business and for the purposes of carrying on the same.

Apart from operating leases in relation to cars for sales executives, there are no other prior charges at the date of this Investment Statement. Apart from further purchase money security interests granted in the ordinary course of our business, we do not intend to create any such other prior charges during the term of the current registered Prospectus.

In addition, in the event of our insolvency:

- any creditors with claims which are preferred by statute (such as employees' costs, certain taxes and liquidator's costs) will rank ahead of your Secured Term Investment;
- a claim to repayment of your Secured Term Investment will rank behind any claims in respect of Money Market Secured Deposits; and

- you would rank equally with other investors whose investments are also secured as First Ranking Security Stock under the Trust Deed (including all such existing investors as at the date of this Investment Statement and all such future investors).

The principal risks we face that could lead to our insolvency broadly fall into four categories – financial risk, operational risk, economic and regulatory risk, and related party risk.

Risk management is integral to the way we do business.

We maintain a range of internal corporate governance procedures and risk management strategies and protocols to ensure that risks are actively managed and to the extent possible, mitigated. Our Risk Management Programme sets out our framework for managing risk. Our Board of Directors and management team are committed to ensuring that the highest levels of corporate governance are maintained. This section summarises our key corporate governance and risk management strategies.

(A) FINANCIAL RISK

(i) Credit Risk:

Our core business is asset financing. We lend the money you invest in our Secured Term Investments primarily to finance assets such as vehicles, plant, machinery, IT and telecommunications equipment, agricultural equipment, forestry equipment, light and heavy industrial equipment, printing equipment, aircraft and boats, and other plant and equipment. We are therefore exposed to credit risks that:

- our borrowing customers default on their repayment and other obligations owed to us;
- the realisable value of security that we have taken to secure such obligations is not enough to repay amounts owing to us; and
- a guarantor is unable or does not have enough assets to meet the obligations of the principal debtor to us.

We reduce these credit risks by following established credit methodology and policies. All applications for credit are assessed and recorded in writing, and we use our internal credit policy and statistical risk-rating tools to assess each application.

At the heart of our credit policy are 'the 5 Cs of credit':

- capacity (whether a borrower is able to repay the finance);
- character (whether a borrower is willing to repay the finance);
- conditions (the conditions and stability of the industry in which a borrower operates);
- capital (how much of a borrower's capital is at risk in the transaction); and
- collateral (if a borrower is unable to repay the finance, what recourse we have by way of security or guarantees).

We use these five qualities to determine the value of assets, the creditworthiness of a borrower, and the extent of appropriate financing.

We use credit risk-rating tools to help assess credit applications. These tools use sophisticated statistical techniques to determine creditworthiness, and comply with the rigorous standards prescribed in the Basel II banking accords. Further information can be obtained from www.udc.co.nz

We require the assets we finance to be fully insured and our interest must be noted on the insurance certificate. Borrowers must notify us when their insurance policies lapse.

For each borrower, we will decide (based on our credit assessment of the borrower) whether we require a guarantor. We do not require guarantees for all credit applications.

We monitor changing credit risk, and our Risk Committee is given monthly reports on portfolio credit risk rating, high risk accounts and delinquencies.

We also have a robust framework for dealing with delinquent, high risk or impaired loans. Our collections team actively manages delinquent loans under \$250,000, while high risk or impaired loans over \$250,000 are managed by our specialist Asset Management and Recoveries teams. The Asset Management and Recoveries teams work with customers to manage our risk and maximise returns. External solicitors, accountants, insolvency firms and collections agencies provide specialist advice and services if we need them.

We are also exposed to credit risk on our deposits. ANZ Treasury (as our agent) makes these deposits with ANZ.

(ii) Liquidity Risk:

Liquidity risk is the risk that we are not able to raise enough cash at short notice to meet our debts as they fall due, including repaying Secured Term Investments as they mature.

We closely monitor and forecast our liquidity risk. We also maintain a number of banking facilities with ANZ including an \$NZ 800,000,000 committed facility, to assist in managing our liquidity profile. This facility has a two year term and the current facility expires on 30 September 2013. We have the option to extend the term of the facility subject to agreement with ANZ. See under "Related Party Risk" for more information.

(iii) Interest Rate Risk:

Interest rate risk is the risk associated with fluctuations in interest rates. For example, we may be exposed to an interest rate risk if there is a mismatch between the fixed interest rates we offer investors and the interest rates we charge to borrowers.

We closely monitor and forecast changes in interest rates. ANZ regularly informs us of current and forecast changes to market interest rates.

(B) OPERATIONAL RISK:

Operational risks are risks that we are exposed to as part of conducting our business. Operational risk includes 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 that affect our business operations.

We have sound policies and procedures for managing risk. These policies and procedures follow applicable ANZ policies and comply with the requirements laid out in the Basel II banking accords. Our policies include a comprehensive Business Continuity Plan to minimise the effect of any interruption to business that affects personnel, premises, or technology. As part of the plan, we have processes for keeping key elements of the IT infrastructure working, and we have an alternative operating site.

Our Risk Committee monitors and manages our exposure to operational risk.

We are a wholly-owned subsidiary of ANZ and have a Board of Directors which meets at least four times a year.

The Board of Directors delegates authorities to the Chief Executive Officer who further delegates certain authorities to his senior staff, as set out in our delegations manual.

(C) ECONOMIC AND REGULATORY RISK

(i) Economic Risk:

An economic downturn might expose us to risk, particularly if it negatively affected industries to which we have extended considerable credit. To reduce this risk, we keep our lending portfolio diverse in terms of assets financed, and the regions and industries in which our customers are active.

At 30 September 2011, our diversified lending portfolio was split between the following industries:

Transport & Storage	17.49%
Agriculture, Forestry & Fishing	17.20%
Personal & Other Services	16.76%
Retail & Wholesale	10.87%
Construction	9.82%
Manufacturing	8.14%
Business Services	6.39%
Education	4.20%
Finance, Investment & Insurance	3.34%
Entertainment, Leisure & Tourism	1.52%
Health & Community Services	1.30%
Communications	1.22%
Mining	0.66%
Accommodation, Cafes & Restaurants	0.55%
Government Administration & Defence	0.32%
Electricity, Gas & Water Supply	0.22%
Total	100.00%

We monitor how these industries are performing, and our Risk Committee monitors the concentration of risk in particular industries. We actively manage accounts in sectors suffering economic downturn.

(ii) Regulatory Risk:

A change in the regulatory environment in which we operate may expose us to risk and/or increased compliance costs. We closely monitor our regulatory environment, and we are in contact with our industry regulators.

We are a deposit taker for the purposes of the Non Bank Deposit Taker Regime implemented under the Reserve Bank of New Zealand Amendment Act 2008.

As a deposit taker, we are required to comply with certain requirements under the Non Bank Deposit Taker Regime. These requirements include:

- having a risk management programme;
- having an independent credit rating;
- meeting minimum capital requirements;
- limiting related party exposures;
- meeting governance requirements; and
- meeting liquidity requirements.

The Reserve Bank has granted us 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:

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

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

(D) RELATED PARTY RISK

Our cash deposits are held from time to time by ANZ Treasury as our agent pursuant to an agency agreement dated 23 September 2000 (as subsequently amended). The aggregate amount of those cash deposits as at 30 September 2011 was \$57,532,000. Though we remain the legal owner of those cash deposits, they are exposed to the credit risk of ANZ meaning that if ANZ became insolvent, those amounts may not be repaid. In addition, as ANZ is our sole shareholder, we could also be at risk if ANZ were to become insolvent. ANZ is a registered bank, and as such is regulated by the Reserve Bank. ANZ is subject to (amongst other matters) capital adequacy requirements and also has an AA- long-term credit rating from Standard & Poor's.

CAN THE INVESTMENT BE ALTERED?

The nature of your Secured Term Investment is that it is a fixed investment – for a fixed term at a fixed interest rate.

We retain a residual power under our Trust Deed to, on prior arrangement with you, change the terms of your Secured Term Investment including in relation to the maturity date, the applicable interest rate, the payment of a premium on the redemption of your investment or any of the other terms and conditions in respect of your investment. However, no such alteration may be inconsistent with any provisions of the Trust Deed.

We set our fixed interest rates on the assumption that your invested funds will remain with us until the maturity date of your Secured Term Investment. For this reason you are not able to withdraw your invested funds prior to maturity. However, in certain circumstances, such as the death of the investor or financial hardship, we may consider written applications for early redemption. Please note that if we do permit early redemption, we have the right to lower the interest rate on your Secured Term Investment and deduct this interest adjustment from the balance payable to you. We will advise you, if you ask us at any time, of the likely adjusted interest rate if early redemption is permitted.

HOW DO I CASH IN MY INVESTMENT?

The maturity date for your Secured Term Investment will be the date on which your chosen investment term expires. You can advise us in writing how you would like to deal with your Secured Term Investment on its maturity, or we will advise you in writing of the pending maturity date and offer you the options listed below:

- You can reinvest your Secured Term Investment for a further investment term at the applicable interest rates available at that time.
- You can reinvest the principal amount of your Secured Term Investment, and have the accrued unpaid interest (less any deduction for resident withholding tax, non-resident withholding tax, or approved issuer levy, if applicable) paid to your nominated bank account.
- You can transfer your Secured Term Investment to another person or investment.
- You can reinvest part of your Secured Term Investment and have the remainder repaid.
- You can have the principal amount plus any accrued unpaid interest (less any deduction for resident withholding tax, non-resident withholding tax, or approved issuer levy, if applicable), repaid to your nominated bank account.

If you have not advised us of your preferred option by the maturity date, we will without notice apply the On Demand Rate to your investment balance from that date. If we do not receive your advice within one month following the maturity date, we will reinvest your investment balance (including accrued interest) on your behalf in a new Secured Term Investment. The new Secured Term Investment will have the closest available term with the same interest payment option as your matured Secured Term Investment, at the interest rate applicable on the reinvestment date.

If you choose on your application form to automatically reinvest your Secured Term Investment on the maturity date, we will automatically reinvest it for the same term at the interest rate applicable on the reinvestment date.

We will notify you when you reinvest your funds, confirming:

- the amount reinvested;
- the applicable interest rate; and
- the new maturity date, and any change to our auto-renewal conditions for the new investment term (if it has been reinvested into a Secured Term Investment).

We retain a residual power under our Trust Deed to, on prior arrangement with you, alter the terms of your Secured Term Investment, including:

- the maturity date;
- the applicable interest rate;
- the payment of a premium on the redemption of your investment; or
- any of the other terms and conditions in respect of your investment. However, no such alteration may be inconsistent with any provisions of the Trust Deed.

(A) EARLY REPAYMENT

We set our fixed interest rates on the assumption that your invested funds will remain with us until the maturity date of your Secured Term Investment. For this reason you are not able to withdraw your invested funds prior to maturity. However, in certain circumstances, such as the death of the investor or financial hardship, we may consider written applications for early redemption. Please note that if we do permit redemption, we have the right to lower the interest rate on your Secured Term Investment and deduct this interest adjustment from the balance payable to you. Any such interest adjustment will be deducted from the balance of the investment as at the date it is repaid.

(B) TRANSFERRING YOUR INVESTMENT

You can transfer your Secured Term Investment to another person using the form in Schedule 1 of the Securities Transfer Act 1991. The transfer becomes valid when it is registered in accordance with our Trust Deed.

In addition, we do not believe that there is an established market for the re-sale of such investments.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Enquiries should be directed to:

UDC Finance Limited

PO Box 91145

Victoria Street West

Auckland 1142

(Attention: UDC Investor Services)

Telephone: 0800 652 832 or 09 359 5030

Alternatively, you may direct your enquiries to the financial adviser or investment broker through whom your investment was arranged.

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

You can refer complaints to:

- UDC Finance Limited, PO Box 91145, Victoria Street West, Auckland 1142.
Attention: UDC Investor Services
Telephone: 0800 652 832
- The Trustee - Trustees Executors Limited,
Level 5, 10 Customhouse Quay, Wellington.
Attention: Luiza Moran
Telephone: 04 495 0999
- the dispute resolution service to which we belong -
Financial Services Complaints Limited, PO Box 5967,
Lambton Quay, Wellington 6145.
Telephone: 0800 347 257.

There is no ombudsman to whom complaints can be made.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THE INVESTMENT?

This Investment Statement provides a brief summary of key information to potential investors about our Secured Term Investments. More comprehensive information about these investment products and us is available in our registered Prospectus and financial statements. Capitalised terms in this Investment Statement have the meanings as prescribed to them in the registered Prospectus.

Our current registered Prospectus is available online to download from www.udc.co.nz. Alternatively, a copy of our current registered Prospectus, the Trust Deed (incorporating all amendments) and our most recent financial statements (together with a copy of the auditor's report) can be requested and obtained free of charge from our address listed above. Requests for any of the information referred to in the section "Who do I contact with enquiries about my investment" should be in writing, identifying the document you require, and including your return address.

The current registered Prospectus, Trust Deed, financial statements and our other constitutional documents are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection. You can request copies online at www.business.govt.nz/companies by searching for 'UDC Finance Limited' or '3580'.

We will provide you with statements of interest and showing the balance of your Secured Term Investment either when interest is paid or compounded, or, if interest is paid or compounded more frequently than once a quarter, we will send you a statement monthly.

We will send you an annual tax deduction certificate detailing the resident withholding tax or non-resident withholding tax (excluding approved issuer levy) that we have deducted from interest earned on your Secured Term Investment.

In addition, you can call us on **0800 652 832** and request, free of charge, an interim statement of your Secured Term Investment, an additional copy of this Investment Statement and/or a copy of our registered Prospectus.



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