



**BROADLANDS  
FINANCE LTD**

# **Investment Statement**

**Secured Debenture Stock**

19 October 2007

## INVESTMENT STATEMENT

### 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:

	<b>Page</b>
▪ <i>What sort of investment is this?</i>	6
▪ <i>Who is involved in providing it for me?</i>	6
▪ <i>How much do I pay?</i>	7
▪ <i>What are the charges?</i>	8
▪ <i>What returns will I get?</i>	9
▪ <i>What are my risks?</i>	12
▪ <i>Can the investment be altered?</i>	18
▪ <i>How do I cash in my investment?</i>	18
▪ <i>Who do I contact with enquiries about my investment?</i>	19
▪ <i>Is there anyone to whom I can complain if I have problems with the investment?</i>	19
▪ <i>What other information can I obtain about this investment?</i>	20

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.

#### Choosing an investment advisor

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you-

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by one or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within one month of receiving the advice.

In addition-

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

## **BROADLANDS FINANCE LIMITED**

Defined terms that are used in this Investment Statement have the meaning set out in the glossary on page 24 of this Investment Statement.

Since 1995 Broadlands Finance Limited ("Broadlands" or "the Company") has specialised in providing hire purchase finance, personal loans and property finance to customers who fall outside the lending criteria of the banks and other major lending institutions.

The Directors of Broadlands appreciate that when making the decision to invest in securities offered by the Company, an investor should be aware of the business in which the investment is being made. To assist, they have prepared this summary of Broadlands' position and activities.

As at 31 March 2007 Broadlands had net assets of \$17.7 million, Debenture Stock of \$22 million and an equity ratio of 54%. The maximum amount of Debenture Stock that can be raised under the current Prospectus is \$30 million. Funds raised will be used to pay existing liabilities of the Company, principally those due between 1 October 2007 and 31 March 2008, to provide loans to customers of Broadlands in the normal course of its business as a finance company and to further expand the business of Broadlands.

Broadlands' principal operations involve the provision of hire purchase finance for the purchase of motor vehicles through motor vehicle dealers in the north of the North Island.

Retail branches in Auckland, Waikato, Tauranga and Rotorua also provide motor vehicle finance and secured personal loans, including finance for lifestyle products, debt consolidation and home improvements.

All advances over \$2,000 are secured by registered securities over motor vehicles, chattels, property or other assets, and Broadlands lending is subject to criteria which focus on the security available, and the credit history, character and ability of borrowers to make repayments.

Broadlands also provides a limited level of property mortgage finance for bridging and construction finance. Property mortgage finance is granted over residential and commercial property. These loans are assessed and administered by the Auckland Head Office of Broadlands.

To mitigate any loss, the Company's lending is spread across a large client base so there is no significant credit exposure to any one party. The Company's loans are, however, concentrated by type (motor vehicle), area of customer (upper North Island) and maturity dates (approximately 30 months).

As at 31 March 2007, Broadlands held a total of 6,247 motor vehicle/personal loans, at an average loan of \$6,638. Of the total advances, 99% in dollar value were for motor vehicle/personal loans and 1% in dollar value related to property loans.

Broadlands principally lends to people in the North Island, with a concentration of its lending being in the greater Auckland area. As at 31 March 2007, the geographic spread of loans held by Broadlands was:

Auckland	56.7%
Waikato/Bay of Plenty	24.5%
Rest of New Zealand	18.8%

Broadlands at present has only one Subsidiary, Beneficial Insurance Limited. Beneficial Insurance Limited provides consumer credit indemnity cover to limit Broadlands' exposure to the redundancy, sickness, injury, or death of its customers. Premiums are included by Broadlands in the loans to its clients. Beneficial Insurance Limited also provides insurance for veterinarian expenses in respect of family pets as part of its Pet-n-Sur product.

Beneficial Insurance Limited guarantees the Debenture Stock offered under this Investment Statement (see "Guarantee of Securities" on page 12).

## **1. What sort of investment is this?**

### **Description of the Securities**

The investments described in this Investment Statement are debt securities ("Debenture Stock") issued by Broadlands Finance Limited under the Trust Deed between Broadlands and Trustees Executors Limited (the "Trustee") dated 26 April 2001, as amended by a Deed of Modification dated 3 October 2002 and by a Supplemental Trust Deed dated 11 April 2005 (together, the "Trust Deed").

The Trust Deed provides that the Debenture Stock is secured by a first ranking security interest and charge over all the present and future assets of Broadlands and any charging subsidiaries. The Trustee holds this security on behalf of, and for the benefit of, all holders of Debenture Stock from time to time. At the date of this Investment Statement, Beneficial Insurance Limited, a wholly owned Subsidiary of Broadlands, is the only Charging Subsidiary.

Proceeds from the issue of Debenture Stock will be used to pay existing liabilities of the Company, principally those due between 1 October 2007 and 31 March 2008, to provide loans to customers of Broadlands in the normal course of its business as a finance company and to further expand the business of Broadlands.

The Debenture Stock will be issued under the terms of the Trust Deed. The Trust Deed is registered with the Companies Office of the Ministry of Economic Development. Copies of the Trust Deed and amending documents are available for viewing and copying on the Companies Office website [www.companies.govt.nz](http://www.companies.govt.nz) on payment of a nominal fee and copies are also available, free of charge, upon request from Broadlands.

The Trust Deed prohibits the Company and its Charging Subsidiaries from giving or permitting any security over their assets which ranks ahead of, or equally with, the Debenture Stock, except securities which are given for money borrowed or raised or otherwise owing to finance the purchase or acquisition of assets ("Prior Security Interests"), which the Trust Deed permits to be given provided the total of all money secured by existing Prior Security Interests plus the money to be borrowed or raised or otherwise owing and secured by Prior Security Interests will not exceed 2% of the total tangible assets of Broadlands and its charging subsidiaries.

As at the date of this Investment Statement there were no Prior Security Interests.

Certain creditors may also be given preference over the Debenture Stock by law, in the event of Broadlands becoming insolvent. Examples of these are liquidator's costs, unpaid taxes, certain payments to employees and the claims of owners of goods acquired by Broadlands under retention of title or lease arrangements.

## **2. Who is involved in providing it for me?**

The Debenture Stock is to be issued by:

Broadlands Finance Limited  
Level 3, 445 Karangahape Road, Newton, Auckland.

The Trustee for the issue is:

Trustees Executors Limited  
Level 12, Tower Centre, 45 Queen Street, Auckland.

## **Activities**

Broadlands is an established, privately-owned New Zealand finance company which has been involved in the consumer and property finance industry since 1995. Its principal operations involve the provision of finance for the purchase of motor vehicles through motor vehicle dealers in the north of the North Island.

Retail branches in Auckland, Waikato, Bay of Plenty and Hawkes Bay also provide motor vehicle finance and secured personal loans, including finance for lifestyle products, debt consolidation and home improvements.

Broadlands provides a limited level of property mortgage finance for bridging and construction finance. Property mortgage finance is granted only over residential or commercial property. All property loans are assessed and administered by the Auckland Head Office of Broadlands.

Broadlands policy is not to finance business loans, nor to make loans to Related Parties of Broadlands which are not parties to the Trust Deed.

Additional information and analysis of loans and advances is contained in the Company's current Prospectus. Further information on Broadlands is set out on page 4 of this Investment Statement.

Broadlands at present has only one Subsidiary, Beneficial Insurance Limited, which provides consumer credit indemnity cover to limit the exposure of Broadlands to the redundancy, sickness, injury or death of its customers. Premiums are included by Broadlands in the loans to its clients. Beneficial Insurance Limited also provides insurance for veterinarian expenses in respect of family pets as part of its Pet-n-Sur product.

## **3. How much do I pay?**

Applications for Debenture Stock must be for a minimum amount of \$500 and a maximum amount of \$250,000. Applications must be in accordance with the instructions set out on the Application Form.

The Company reserves the right to refuse any application, or to accept any application in part only, without assigning a reason.

The completed Application Form must be sent, together with payment for the amount of Debenture Stock applied for, to:

The Registrar:  
Broadlands Finance Limited, Freepost 155 106, Newton,  
Auckland.

Payment may be made by cash, cheque or direct credit.

If payment is made by cheque, the Company may delay issue of the Debenture Stock until the cheque is cleared.

If payment is not received in full, the application will not be accepted.

There are no other charges to an investor associated with making an investment.

## **How to invest**

To make an investment with Broadlands in Debenture Stock please take the following steps:

Select the most appropriate term and interest payment option. Complete and sign the Application Form which accompanies this Investment Statement and interest rate schedule, and attach identification as appropriate. This may be required in terms of the Financial Transactions Reporting Act 1996 if the drawer of the cheque differs from the person/party investing.

Write out a cheque for the amount you wish to invest, payable to "Broadlands Finance Limited" and crossed "Not Transferable", or make a direct credit payment to Broadlands' bank account, particulars of which are:

Bank: Westpac Bank, Otahuhu, Auckland

Account Name: Broadlands Finance Limited

Account No: 03-0219-0372116-03

Post the completed Application Form with your cheque and appropriate identification (as required) to:

Broadlands Finance Limited  
Freepost 155 106, Newton, Auckland

or deliver to:

Broadlands Finance Limited  
Level 3, 445 Karangahape Road, Newton, Auckland

Appropriate identification, where required, is a copy of a passport or driver licence.

Application Forms for investments made on a joint basis must be signed by all parties.

## **4. What are the charges?**

### **Types of charges**

An investor does not pay any entry or other fees or charges for investing money in Debenture Stock. No charges are payable for the transfer or sale of any Debenture Stock (although any applicable tax on such transfer or sale will be charged). At its discretion Broadlands may charge a fee for replacing a lost or damaged Debenture Stock Certificate.

In the case of an unexpected emergency, undue financial hardship or other circumstances at the discretion of the Directors, Broadlands is prepared to consider repayment of all or part of an investment before due date. No early repayment will be made if, in the opinion of the Company, the repayment may prejudice the Company's ability to pay call liabilities and scheduled maturing liabilities as they fall due. If early repayment is agreed, the rate of interest may be adjusted retrospectively to the rate applying to the period for which the funds were actually invested, instead of for the term originally agreed.

On the death of an investor, if requested, and subject to compliance with legal requirements and to Broadlands' liquidity constraints, Broadlands will pay to the personal representative of the deceased

investor, all or part of the amount of the investment, with interest to the date of the payment without any adjustment to the rate of interest.

Broadlands is liable under the Trust Deed to pay fees to the Trustee and it pays brokerage to sharebrokers, financial planners and agents of Broadlands who procure applications for Debenture Stock. These fees and brokerage are not payable by investors and do not affect the amount of returns payable on your investment.

Broadlands pays the following fees and expenses to the Trustee:

- Broadlands pays the Trustee a fee of approximately \$16,000 per annum; and
- Broadlands reimburses the Trustee's expenses, including but not limited to, costs incurred by the Trustee in relation to: any modifications of, or supplements to, the Trust Deed; the exercise, or contemplated exercise, by the Trustee of any power conferred on the Trustee by the Trust Deed or by law, including the taking of expert advice; any breach or default in the observance or performance by Broadlands or any of the Charging Subsidiaries of the Trust Deed; the convening and holding and carrying out of any directions or resolutions of any meeting of Stockholders; and any application under Trust Deed for the Trustees consent to or approval of any act or matter.

Broadlands will pay brokerage to sharebrokers, financial planners and agents of Broadlands on the value of applications lodged by them at the rates set out below. Brokerage will be paid at the same rates on deposits, which are reinvested at the end of their fixed term.

<b>Term</b>	<b>Rate%</b>
3 months	0.125%
6 months	0.250%
9 months	0.375%
12 months	0.50%
18 months	0.75% flat
2 years	1.00% flat
3 years	1.50% flat

### **Amount of charges**

Other than where a specific amount is stated above, the amount of the charges listed above cannot be determined at this time as the amounts depend on events or circumstances that have not occurred or are not in existence at the date of this Investment Statement. However, to the extent that such amounts are then known to the Company, an investor may ascertain the amount of any charge by making a request to the Company at or after the time of making an application for Debenture Stock under this offer.

### **5. What returns will I get?**

The return that you will get on your investment is the interest payable on the Debenture Stock.

Broadlands promises to pay a fixed rate of interest for the term of the investment selected by you in the Application Form.

Interest rates are set by the Company and are recorded on a separate schedule attached to the Application Form accompanying this Investment Statement. Interest is calculated (but not compounded) daily on a per annum basis. Interest rates payable on "at call" investments are subject to daily review by Broadlands and therefore do not appear on the rate schedule attached to the Application Form

The Company may vary interest rates offered for new investments or reinvestments in Debenture Stock at any time. However, once accepted, a term investment will continue to earn the rate agreed upon when the investment was made, until the agreed maturity date and neither you nor the Company can alter that rate.

If your application is received after a rate has been changed, you will be promptly advised of the change and unless you confirm within 10 days that you accept the new rate your investment will be refunded. Broadlands may retrospectively adjust the interest rate applicable to your Debenture Stock if it agrees to make early repayment to you in the case of unexpected emergency, undue financial hardship or other circumstances at the discretion of the Directors, as set out in Section 4 "What are the charges". The adjusted rate will be the rate applicable to the period for which the investment was actually held by Broadlands, instead of for the term originally agreed.

## **Taxation**

Under current New Zealand tax legislation, resident withholding tax ("RWT") must be deducted from all interest paid or compounded unless an investor supplies Broadlands with a current certificate of exemption.

Provided investors supply Broadlands with their IRD number, RWT will be deducted at 19.5%. However, investors can choose to have RWT deducted at the higher rate of 33% or 39%.

If an investor does not supply an IRD number to Broadlands, RWT will be deducted at the rate of 39%.

For non-resident investors, non resident withholding tax ("NRWT") or, if agreed with Broadlands, the cost of the Approved Issuer Levy ("AIL"), will be deducted from interest payments.

NRWT is required to be deducted from interest paid by Broadlands to non-resident investors at the rate of 15% of the gross interest payment. This rate is reduced to 10% under most double taxation agreements entered into between New Zealand and other countries. If the investor is not associated with Broadlands and has no other New Zealand income tax obligations, the NRWT will be a final New Zealand tax for the investor. An investor may be able to credit NRWT paid against taxes imposed in the investor's country of residence.

However, no NRWT would be required to be deducted if Broadlands paid a 2% AIL to the Inland Revenue Department in respect of the gross interest payment. AIL may only be paid in respect of interest paid to a non-resident investor who is not "associated" with Broadlands for tax purposes. Interest paid to a non-resident investor in respect of which AIL is paid is not subject to any further New Zealand tax. AIL is a duty and not a withholding tax, so it is unlikely that the levy could be credited against tax imposed on the interest payment in the investor's country of residence.

## **Payment of interest**

Interest accrues from the day the application money is received by Broadlands in cleared funds. Interest will be payable at the end of March, June, September and December, and on maturity or redemption.

You can choose to receive payment in any of the three following ways by selecting the relevant option on the Application Form accompanying this Investment Statement:

### **1. Compound**

Rather than send an interest cheque each quarter, Broadlands will reinvest your net interest automatically. You will then earn interest on that interest. If you select “compound” on the Application Form and then later decide you would like to receive quarterly payments, Broadlands will make the change for future interest payments once Broadlands has received your request in writing.

### **2. Quarterly direct credit**

Broadlands banks the interest direct to your account each quarter and mails you a notice, which shows details of the amount banked.

### **3. Quarterly payment**

You receive the cheque and notice from Broadlands each quarter through the mail. Debenture Stock which is not redeemed on maturity will accrue interest from the agreed maturity date at the Company’s “at call” rate applicable to the period until redemption or reinvestment.

Interest payments will only be made to the person(s) in whose name(s) the Debenture Stock is registered. Where there is more than one investor, interest will be paid to the investor whose name first appears on the register of Debenture Stock.

Broadlands is the entity legally liable to pay you the interest on your Debenture Stock and to repay your investment on maturity (see “Guarantee of Securities” on page 12). Repayment of the Debenture Stock and interest thereon, payment of any other money payable under the Trust Deed, and the performance by Broadlands of all its obligations under the Trust Deed is unconditionally guaranteed by Beneficial Insurance Limited, a wholly owned Subsidiary of Broadlands (and therefore an associated person of Broadlands). All payments will be made in New Zealand dollars.

### **Circumstances in which distributions can be withheld**

Distributions can only be withheld until any debts and liabilities having priority over the Debenture Stock are met. Payments to holders of Debenture Stock may be withheld if Broadlands breaches the Trust Deed and a receiver is appointed by the Trustee to administer the assets of Broadlands. In this case, no payments will be made to holders of Debenture Stock until the costs and expenses of the Trustee and the receiver are paid and until holders of Security Stock have been paid.

### **Factors affecting your returns**

The key factors that determine the amount of interest payable to you on the Debenture Stock are the interest rate, the term and the interest payment option that you select on the Application Form.

The applicable interest rate, terms and the interest payment options available are set out on the Application Form accompanying this Investment Statement (with the exception of the interest rates payable on “at call” investments as described above). Because these factors vary between prospective investors, Broadlands cannot promise a quantifiable amount of returns in this Investment Statement.

The exact date on which, or frequency with which, the returns on the Debenture Stock will be due and paid cannot be stated in this Investment Statement. This is because the date on which, or the frequency

with which, the returns on the Debenture Stock will be due and paid will depend on the relevant term and the interest payment option that you select on the Application Form.

### **Guarantee of securities**

Repayment of the Debenture Stock and interest thereon, payment of any other money payable under the Trust Deed, and the performance by Broadlands of all its obligations under the Trust Deed is unconditionally guaranteed by Beneficial Insurance Limited, a wholly owned Subsidiary of Broadlands (and therefore an associated person of Broadlands).

The guarantee is contained in the Supplemental Trust Deed dated 11 April 2005 granted by Beneficial Insurance Limited in favour of Trustees Executors Limited as Trustee. The guarantee is secured by a security interest and charge in favour of Trustees Executors Limited as trustee over all present and future assets of Beneficial Insurance Limited. None of the Trustee, the Directors or shareholders of Broadlands, nor any person other than Beneficial Insurance Limited, guarantees the repayment of the Debenture Stock or interest thereon.

## **6. What are my risks?**

### **Company risks**

Broadlands recommends that before applying for Debenture Stock you read in full all the information in the Prospectus to acquaint yourself with the business of the Company and its Charging Subsidiary, and to understand the risks involved in the business and the nature of the investment offered.

These risks may affect Broadlands' ability to make repayment in full of the Debenture Stock or payment of interest thereon. It is important that you are aware of these risks before investing in Debenture Stock.

The principal risks of your investment not being recovered in full, or you not receiving the return referred to in section 5 "What returns will I get?", are set out below.

### **Concentration of the Company's loan assets in automobile and personal loans expose the Company to increased credit risks**

The Company relies on the proceeds of repayment of the loans it makes to customers to make payments to Stockholders. If sufficient customers default on repaying loans in accordance with their terms, the Company may have insufficient funds to pay Stockholders.

Of the total advances, 99% in dollar value were for motor vehicle/personal loans and 1% in dollar value related to property loans. As at 31 March 2007, Broadlands held a total of 6,247 motor vehicle/personal loans, at an average loan of \$6,638.

In general, motor vehicle and personal loans generate higher returns but also pose greater credit risks than do, for example, owner-occupied residential mortgage loans - this is due to the asset security being lower initially than the loan and the accelerated depreciation of motor vehicles (resulting in the erosion in value of the Company's security over time) and the relative credit strength of customers attracted to motor vehicle loans.

The market value of motor vehicles and other assets held as security by the Company may vary depending on economic conditions. There may not be sufficient assets held as security in the event of customer default on the loans, particularly if the value of the Company's security decreases.

The repayment of motor vehicle and personal loans depends on the business and financial condition of borrowers and other factors outside the control of the Company.

The Company's provision for doubtful debts as at 31 March 2007 was \$2,794,294 (6.7%) (and was \$2,298,601 (6.1%) as at 31 March 2006). The Company's actual loss as a result of doubtful debts to the year ending 31 March 2007 was \$1,043,531 (2.5%) (and was \$1,645,193 (4.4%) as at 31 March 2006).

**Loans repaid by customers during some periods may be insufficient to service liabilities of the Company – if further funds from depositors are not raised, the Company will not be able to pay Stockholders during these periods**

Liquidity or funding risk is the ability to meet maturing liabilities from available resources.

Broadlands' ability to make payments to Stockholders and others during various periods depends upon:

- scheduled payments received on its loans to customers (which will be affected not only by the contractual repayment schedule in these loans but by the credit risk of each loan customer and the ability to enforce these loans against the underlying security);
- its ability to sell loans to third parties to raise sufficient cash to pay liabilities;
- its ability to raise further funds from depositors, including its ability to raise funds from Stockholders under this offer;
- any unused capacity to borrow; and
- its net loan growth through the relevant period (which will reduce the cash and other readily available assets available to meet liabilities).

Historically, Broadlands has not borrowed from banks (other than its normal overdraft facilities) or sold loans to third parties. The principal source of funds for Broadlands is deposits from Stockholders. If sufficient funds are not received then this will affect the Company's ability to pay Stockholders and make further loans.

There is no guarantee that Broadlands will not suffer from increased defaults on its loans. If loan defaults exceed levels anticipated the Company may have insufficient cash to repay Stockholders.

Broadlands has higher liquidity risk in the period between 1 October 2007 through 31 March 2008 when the value of assets maturing is approximately \$9.7 million. In the event that no Debenture Stock is issued by way of reinvestment, the value of liabilities maturing in this period (including liabilities to Stockholders of approximately \$9.3 million in principal amount and approximately \$0.9 million in respect of interest) may exceed the value of assets maturing by up to \$2.0 million. In this period, the Company anticipates that, if default rates on customer loans exceed historical averages, it may have insufficient funds to pay Stockholders and other liabilities.

The Directors expect to raise funds to meet liabilities in this period by: issuing further Debenture Stock with maturity dates after 31 March 2008; establishing a bank or other credit line; selling portions of its assets with maturity dates after 31 March 2008; and/or drawing on a \$2.5 million loan facility made available to Broadlands by Timberton Investments Limited (a company wholly owned by Anthony Radisich, the sole shareholder of Broadlands (Anthony Radisich does not guarantee the Debenture Stock)).

**The Company is not currently raising sufficient funds from depositors to fund its anticipated minimum ongoing level of loan origination – The Company needs to raise sufficient funds from depositors to fund its loan origination or, alternatively, restructure its business to cut operating costs.**

The Company's ability to pay Stockholders depends to a large extent upon its net interest income, which is the difference, or spread, between its gross interest income on interest-earning assets, such as loans to customers, and its interest expense on interest-bearing liabilities, such as liabilities to Stockholders and other borrowed funds.

As at 30 September 2007, the Company was originating loans at a rate of approximately \$1 million per month. These loans generate interest income which is used to service the Company's financial and operating liabilities. However, the recent collapses of several New Zealand finance companies has made it more difficult for the Company to attract deposits – both due to a general reluctance to extend money to non-bank institutions such as the Company and, even among non-bank institutions, a preference for institutions with a longer history and with larger and more diversified asset bases. Given the difficulty raising funds from depositors, these loans are not now being made using cash raised from depositors and therefore the current loan originations (which are necessary to generate interest income) are not sustainable. If the Company was to cut back its new loan origination (as it did following the expiry of the Company's prospectus dated 28 September 2006 and prior to the registration of this Prospectus) to a level at which it was sustainable from current assets maturing (which would be approximately \$300,000 per month) less liabilities due, its interest income may be insufficient to pay its current costs and expenses of doing business (including salaries, lease costs and other overhead expenses). The Company has instituted a number of cost savings initiatives, including a reduction of employee numbers, but may have to implement further cost reductions in the future. There is no guarantee that these measures, even if implemented, would reduce overheads without damaging the business of the Company and allow the Company to repay debentures as they fall due.

For further discussion on the Company's liquidity see note 14 to the financial statements of the Company in the Prospectus.

**Changes in market interest rates could adversely affect the Company's ability to pay Stockholders.**

The Company's ability to pay Stockholders depends to a large extent upon its net interest income, which is the difference, or spread, between its gross interest income on interest-earning assets, such as loans to customers, and its interest expense on interest-bearing liabilities, such as liabilities to Stockholders and other borrowed funds.

Accordingly, the Company's ability to pay Stockholders is influenced by movements in market interest rates and its ability to manage interest-rate-sensitive assets and liabilities in response to these movements. Changes in interest rates could have a material adverse effect on the Company's business and on its ability to pay Stockholders. Because, as a general matter, the Company's interest-bearing liabilities re-price or mature more quickly than its interest-earning assets, an increase in interest rates generally would result in a decrease in the Company's interest rate spread and net interest income resulting in a reduced ability to pay Stockholders.

Interest rates have generally trended upwards in New Zealand over the 12 month period to 30 September 2007 resulting in an erosion of the Company's net interest margins and a decreased ability to pay Stockholders.

The Company is also subject to reinvestment risk relating to interest rate movements. Decreases in interest rates can result in increased prepayments of loans, as borrowers refinance to reduce their borrowing costs. Under these circumstances, the Company is subject to reinvestment risk to the extent that it is not able to reinvest funds from such prepayments at rates that are comparable to the rates on the prepaid loans. On the other hand, increases in interest rates on adjustable-rate loans result in larger payments due from borrowers, which could potentially increase the Company's level of loan delinquencies and defaults.

### **The loans made by the Company are geographically concentrated resulting in greater exposure of the Company to regional conditions**

The Company's loans are made to customers concentrated in the Auckland and Waikato regions. As at 31 March 2007, 56.7% of the Company's loans by value were advanced to customers in the Auckland region and 24.5% of the Company's loans by value were advanced to customers in the Bay of Plenty or Waikato regions.

Economic events and changes in local market conditions which the Company and its borrowers cannot control could have an adverse impact on the cash flows generated by these loans and on the values of the collateral securing these loans. In addition, motor vehicles tend to decline in value more rapidly than land and buildings during economic recessions.

The Company's success depends primarily on the general economic conditions in the areas in which it conducts business. Unlike larger finance companies that are more geographically diversified, the Company provides loans to customers primarily in Auckland, the Bay of Plenty and Waikato. The local economic conditions in these market areas have a significant impact on the Company's loans, the ability of the borrowers to repay these loans and the value of the collateral securing these loans. A significant decline in general economic conditions caused by inflation, recession, unemployment or other factors beyond the Company's control will affect these local economic conditions and could adversely affect the Company's ability to pay Stockholders.

The Company's continuing concentration of loans in the Company's primary market areas may therefore increase the risk of non-payment to Stockholders due to defaults by the Company's customers.

### **Regulation of non-bank deposit takers may impair the Company's ability to operate effectively and pay Stockholders**

The New Zealand Government has recently promulgated new regulations that regulate the non-bank deposit taking industry and is currently considering legislation to further regulate the industry.

On 21 September 2007 new regulations amending the Securities Regulations 1983 came into force in respect of issuers, such as Broadlands, that continuously offer debt securities to the public and either lend money or provide financial services (but are not a building society, credit union, or co-operative company). Under the amended regulations, the Company must:

- provide regular reports to the Trustee about the Company's financial position and regularly certify compliance with the Trust Deed;

- keep the Trustee informed of matters relevant to the Trustee's duties;
- have the borrowing group's half-yearly financial statements audited or, if that requirement is waived by the Trustee, have them reviewed;
- provide the Trustee with copies of the borrowing group's annual and half-yearly financial statements;
- consult with the Trustee on the appointment of auditors and inform the Trustee if an auditor resigns or declines appointment or reappointment; and
- include specific conditions in the terms of appointment of auditors, which will give auditors responsibilities in relation to the Trustee.

The amended regulations will also give the Trustee the power to:

- appoint an independent auditor to audit the financial statements of the borrowing group; and
- appoint an expert to assist the Trustee to determine the true financial position of the Company, and recover the fees and expenses from the Company.

In addition to these regulations, the New Zealand Government is currently considering legislation to further regulate the industry. At the date of this Investment Statement the planned changes included a requirement that all finance companies, building societies and credit unions (known as non-bank deposit takers (**NBDTs**)) will be required to be licensed by a prudential regulator - The Reserve Bank. All NBDTs will be required to comply with minimum prudential, governance and fit and proper requirements at licensing and on an ongoing basis. NBDTs will also be required to obtain and publicly disclose a credit rating. It is also proposed that capital adequacy requirements will apply to NBDTs.

Prior to the enactment of the new regulations, the Company was not subject to extensive regulation, supervision or examination. By increasing the Company's compliance and operating costs, these changes to the regulations, and any changes in the laws applicable to the Company or banking regulators supervisory policies or examination procedures, could have a material adverse affect on the Company's business, financial condition, results of operations and cash flows, or its ability to raise funds from depositors to pay liabilities, and may affect the Company's ability to pay Stockholders.

### **Strong competition may limit profitability of the Company**

The Company faces significant competition both in attracting deposits and in the origination of loans. Finance companies, credit unions and commercial banks operating in the Company's primary market area have historically provided most of its competition for deposits. In addition, and particularly in times of higher interest rates, the Company faces additional and significant competition for funds from mutual funds, exchange traded funds and issuers of corporate and government securities. Many of the Company's competitors have substantially greater financial and other resources.

The recent collapses of several New Zealand finance companies has made it more difficult for the Company to attract deposits – both due to a general reluctance to extend money to non-bank institutions such as the Company and, even among non-bank institutions, a preference for institutions with a longer history and with larger and more diversified asset bases.

### **The loss of key personnel would adversely affect the Company**

Broadlands relies on an experienced management team and any loss of key personnel may negatively impact, in the short term, the Company's ability to execute its current business strategy and initiatives.

### **The failure to manage operational risks would adversely affect the Company**

Operational risk can arise from inadequate or failed internal processes, human error or systems failure and these could expose Broadlands to financial loss or damage. Significant losses might prevent the Company making payments to Stockholders.

The senior management team is responsible for identifying and measuring the size and scope of Broadlands risk exposures and implementing strategies to monitor and mitigate any aspect of operational risk. Control and reduction of these risks includes segregation of functions, delegated lending authorities and regular internal review and audit of systems, personnel and loans made.

### **Significant litigation would adversely affect the Company**

As at the date of this Investment Statement there are no known litigation risks facing Broadlands. The Company carries statutory liability and indemnity insurance in respect of those risks that are able to be insured on a commercially viable basis.

### **An economic recession would adversely affect the Company**

A recession in the economy would affect disposable incomes and job security and this would impact adversely on the ability of borrowers to meet their financial commitments to the Company. If default rates increased above historical averages and amounts reserved for, the Company may be unable to pay Stockholders.

Consumer credit indemnity contracts are required in respect of most loans, which provide only limited protection to the Company in the case of redundancy, sickness, injury or death of borrowers.

### **There is no market for Debenture Stock**

There is no active market for Debenture Stock. Accordingly, there is limited practical ability for Stockholders to sell Debenture Stock.

### **Consequences of insolvency**

There is no risk of you being obliged to pay any more money in respect of your Debenture Stock than the principal amount of your Debenture Stock (if not already paid in full), if the Company becomes insolvent.

All Debenture Stock from time to time issued by Broadlands, including the Debenture Stock offered under this Investment Statement, ranks equally and is secured by a security interest and charge over all present and future property of the Company and its charging subsidiaries, as set out in the Trust Deed.

The only claims that would rank ahead of the claims of holders of the Debenture Stock if Broadlands were to be liquidated are:

- claims of the Trustee, and any receiver appointed by the Trustee, for costs, liabilities and remuneration under the Trust Deed;

- claims of holders of prior charges permitted under the Trust Deed (limited to 2% of total tangible assets of Broadlands and the charging subsidiaries); and
- claims of various preferential creditors who are given priority by law under the Seventh Schedule of the Companies Act 1993.

In a liquidation of the Company, all claims of Debenture Stock holders rank equally and rank ahead of all other creditors of the Company other than those listed above.

## **7. Can the investment be altered?**

Once Debenture Stock is issued, the terms cannot be altered unless the Company agrees to an early redemption, in which case an interest rate reduction appropriate to the shorter term may be applied, or the Trust Deed, which governs your investment, is altered. The Trust Deed permits Broadlands to alter the terms of the Trust Deed (which may include an alteration to the specific terms of the Debenture Stock), but only with the agreement of the Trustee. The Trustee can only give its approval:

- if the alteration is approved by an Extraordinary Resolution passed by 75% of the votes cast by the holders of Debenture Stock who are present in person or by representative at a meeting of holders of Debenture Stock. (Prior notice of any meeting of holders of Debenture Stock to consider such a resolution must be sent to you and you will have the opportunity to vote on the resolution). An Extraordinary Resolution binds all holders of Debenture Stock, whether or not they are present at the meeting, or vote for or against the Extraordinary Resolution; or
- if, in the opinion of the Trustee, the alteration is made to correct a manifest error, or is of a formal or technical nature or necessary to comply with any law, or is not, and is not likely to become, prejudicial to the general interests of the holders of the Debenture Stock.

It is not likely that the Trustee would agree to any adverse alteration by the Company to the terms of your investment without prior notice to you.

## **8. How do I cash in my investment?**

### **On maturity**

Before your Debenture Stock matures, Broadlands will write to you, enclosing a current Investment Statement and Application Form where available and seeking your instructions for either reinvestment or repayment. You will need to return your Debenture Stock Certificate for cancellation with your instructions. Any amount you decide to reinvest will be reinvested at the then current interest rates and on such conditions as to term, interest payable and payment options as are offered by Broadlands at the time.

If Broadlands does not receive your instructions by the time your Debenture Stock matures, your investment will revert to the Company's "at call" rate of interest until receipt of instructions by the Company.

### **Early withdrawal**

Debenture Stock is a fixed term investment, and you do not have a right to require repayment before maturity. Broadlands will consider early withdrawal of your investment in cases of an unexpected emergency, undue financial hardship or other circumstances at the discretion of the Directors. No early repayment will be made if, in the opinion of the Company, the repayment may prejudice the Company's

ability to pay call liabilities and scheduled maturing liabilities as they fall due. If any early withdrawal is approved, it will be subject to an interest rate reduction to the rate applicable to the shorter investment term.

In the event of the death of an investor, Broadlands will, if requested by the personal representative of the deceased investor and subject to compliance with legal requirements, repay the investment to the representative of the deceased investor, together with interest to the date of repayment at the originally agreed rate.

Debenture Stock may be transferred by you at any time to another person but the Company is not obliged to register any transfer during the fourteen days preceding any interest payment date or the maturity date. No charges are payable for the transfer of any Debenture Stock (although any applicable tax on such transfer will be charged) (see "What are the charges" on page 8).

Listing of the Debenture Stock is not being sought on any stock exchange and, in the opinion of Broadlands, there is no market for the Debenture Stock on offer under this Investment Statement. No charges are payable for the sale of any Debenture Stock (although any applicable tax on such sale will be charged) (see "What are the charges" on page 8).

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

Enquiries about Debenture Stock should be directed to:

The Investment Manager  
Broadlands Finance Limited, Level 3, 445 Karangahape Road,  
Newton, Auckland. Telephone: (09) 363 8899.  
Email: [investments@broadlands.co.nz](mailto:investments@broadlands.co.nz)

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

Complaints about the Debenture Stock can be made to:

The Directors  
Broadlands Finance Limited, Level 3, 445 Karangahape Road,  
Newton, Auckland, Freepost 155-160.  
Telephone: (09) 363 8899. Email: [investments@broadlands.co.nz](mailto:investments@broadlands.co.nz)

Or:

The Trustee by contacting:  
The Manager  
Trustee Executors Limited, Level 12 Tower Centre , 45 Queen Street, Auckland.

There is no ombudsman to whom complaints can be made about your investment in Debenture Stock.

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

Other information about Broadlands and the Debenture Stock is contained in the Company's current registered Prospectus and financial statements.

Copies of the current Prospectus and latest financial statements are available free of charge on request by telephone, post or in person from Broadlands at:

Level 3, 445 Karangahape Road, Newton, Auckland. Freepost  
155-160. Telephone: 09 363 8899.  
Email: [investments@broadlands.co.nz](mailto:investments@broadlands.co.nz)

Copies of the current Prospectus, the most recent financial statements of the Company, and the Trust Deed and amending documents are filed with the Companies Office of the Ministry of Economic Development and are available for public inspection and copying on the Companies Office website [www.companies.govt.nz](http://www.companies.govt.nz) on payment of a nominal fee.

Debenture Stock holders may request from the Company in writing copies of any of the above mentioned documents and, in addition, copies of the Investment Statement and most recent annual report of Broadlands, which will be supplied free of charge.

Copies of the Company's current Investment Statement and Application Form can also be downloaded from the Company's website [www.broadlands.co.nz](http://www.broadlands.co.nz).

## FINANCIAL REVIEW - SUMMARY OF AUDITED FINANCIAL STATEMENTS

	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
	31/03/07	31/03/06	31/03/05	31/03/04	31/03/03
	\$	\$	\$	\$	\$
<b>Financial Performance</b>					
Total Operating Revenues	15,605,193	13,657,176	11,071,076	8,824,085	9,121,839
Total Interest Expense	1,998,786	2,407,984	1,744,507	1,669,738	1,124,579
Total Other Expenses	13,028,125	10,914,948			
<b>Operating Surplus Before Taxation</b>	<b>578,282</b>	<b>334,244</b>	<b>206,250</b>	<b>469,232</b>	<b>1,652,584</b>
Goodwill Amortisation	390,000	390,000			
Taxation Expense	250,084	116,393	(474,882)	163,135	290,678
Operating Surplus After Taxation	(61,802)	(172,149)	681,132	306,097	1,361,907
Dividends				-	-
Retained Surplus	3,677,993	3,739,795	3,911,944	3,230,812	2,924,716
Distribution to owners		-	-	-	-
Dollars/cents per share					
<b>Financial Position</b>					
Total Assets	49,442,021	49,273,193	41,643,211	27,232,792	24,514,192
Total Tangible Assets	42,415,271	41,856,443	33,836,461	27,232,792	24,514,192
Total Intangible Assets	7,026,750	7,416,750	7,806,750	-	-
Total Liabilities	31,764,028	31,533,398	23,731,267	19,001,980	16,589,477
Total Equity	17,677,993	17,739,795	17,911,944	8,230,812	7,924,715
Equity Ratio (%)	35.75%	36.00%	43.01%	30.22%	32.33%

Notes to the summary of financial statements

i) The summary includes extracts from the audited statements of financial performance and the statements of financial position for the past 5 years.

ii) Beneficial Insurance Limited became a wholly owned Subsidiary of Broadlands Finance Limited as at 31 March 2005 and therefore the acquisition has no effect on the statement of financial performance for the year ended 31 March 2005.

iii) Total Operating Revenues includes income earned from commission and fees and underwriting income (as well as bad debts recovered). Income earned from underwriting amounted to \$4,747,852 in the period from 1 April 2006 to 31 March 2007, a total of 30.4% of Total Operating Revenues. The underwriting income relates to income earned on insurance policies sold by the Company on behalf of Beneficial Insurance Limited, a Subsidiary of the Company. Underwriting income is recognised over the life of the policy in accordance with the incidence of risk expected under the policy. Income earned from commission amounted to \$2,379,761 in the period from 1 April 2006 to 31 March 2007, a total of 15.2% of Total Operating Revenues. The commission income relates to commissions earned by the Company on the sale of motor vehicle insurance to third parties. For third party policies sold by the Company the commission is recognised at the commencement of the policy.

iv) The Equity Ratio is calculated as a percentage on Net Assets over Total Assets.

## **DIRECTORY**

Registered Office & Registrar  
of the Company

Level 3, 445 Karangahape Road, Newton, Auckland

Directors of the Company

Anthony S Radisich, Auckland  
Nigel P Smith B.Com, M.Tax.S (Hons) C.A., Auckland  
Timothy I M Storey, B.A., LL.B., Auckland

Solicitors to the Company

Bell Gully, HP Tower, 171 Featherston Street, Wellington

Auditors

C.S.T. Nexia Audit, 22 Amersham Way, Manukau City

Trustee

Trustees Executors Limited, Level 12, Tower House, 45 Queen  
Street, Auckland

Bankers

Westpac Banking Corporation, Business Banking

Accountants

nsaTax Limited, 345 Queen Street, Auckland

## GLOSSARY

Following is a summary of the definitions as they appear in this Investment Statement.

Some of the following definitions have been taken (and in certain instances summarised) from the Trust Deed and any specific reference must be made to the Trust Deed itself. A copy of the Trust Deed may be inspected without fee at registered office of the Company, during business hours. Investors may also download a copy of the Trust Deed, upon payment of the prescribed fee, from the Companies Office website at [www.companies.govt.nz](http://www.companies.govt.nz).

**“Application Form”** means the application form attached to and forming part of this Investment Statement.

**“Approved Issuer Levy” or “AIL”** has the meaning given to that term in the Stamp and Cheque Duties Act 1971.

**“Broadlands” and “Company”** means Broadlands Finance Limited or, where the case requires, Broadlands Finance Limited and the Charging Subsidiaries.

**“Charging Group”** means Broadlands and the Charging Subsidiaries (of which there is only Beneficial Insurance Limited as at the date of this Investment Statement) or any one or more of them as the context requires.

**“Charging Subsidiary”** means any Subsidiary which becomes a Charging Subsidiary pursuant to clause 7.1 of the Trust Deed and in each case remains a Charging Subsidiary. As at the date of this Investment Statement, Beneficial Insurance Limited is the only Charging Subsidiary.

**“Debenture Stock”** means secured first ranking debenture stock of up to \$30,000,000 offered to the public pursuant to this Investment Statement and the Prospectus.

**“Debenture Stock Certificate”** means the certificate provided to an investor by Broadlands recording the terms of the investor’s investment.

**“Director”** means a director of Broadlands.

**“Extraordinary Resolution”** has the meaning given to that term in the Trust Deed.

**“Investment Statement”** means this investment statement dated 19 October 2007.

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

**“Prospectus”** means the current registered prospectus in respect of the issue of the Debenture Stock.

**“Related Parties”** means any Company or person related to the Charging Group. It does not include any Charging Subsidiary.

**“Security Stock”** has the meaning given to that term in the Trust Deed.

**“Stockholder”** means a holder of Debenture Stock.

**“Subsidiary”** means a company which is for the time being a subsidiary of the Company within the meaning of section 5 of the Companies Act 1993 and any other person to be treated as a subsidiary according to NZ GAAP from time to time.

**“Supplemental Trust Deed”** means the supplemental trust deed dated 11 April 2005 between Beneficial Insurance Limited and the Trustee whereby Beneficial Insurance Limited has guaranteed the obligations of the Company under the Trust Deed.

**“Trust Deed”** means the trust deed dated 26 April 2001 between the Company and the Trustee, as amended by a deed of modification dated 3 October 2002 and from time to time.

**“Trustee”** means Trustees Executors Limited.