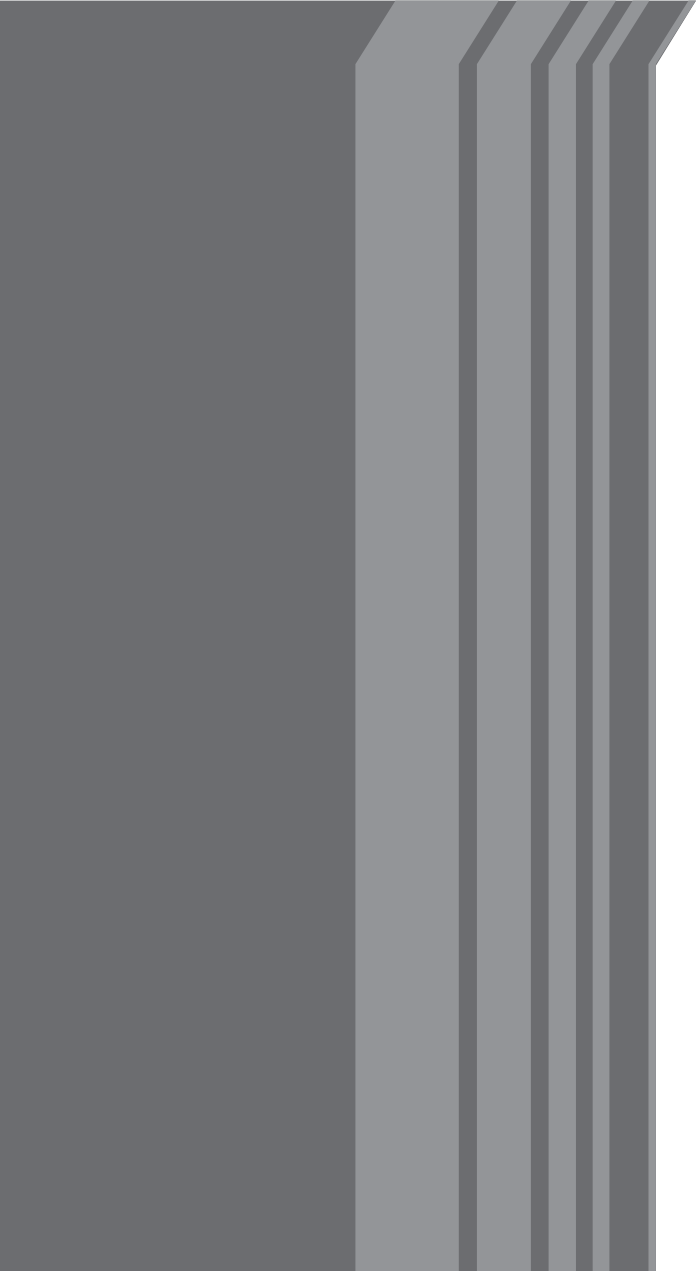


UDC INVESTMENT STATEMENT

The date of this Investment Statement is 19 March 2010



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 below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

ENGAGING AN INVESTMENT ADVISER

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including-

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

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

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

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

WHAT SORT OF INVESTMENT IS THIS?

UDC Finance Limited (“UDC”) offers the following Secured Term Investment products under this Investment Statement:

Term Investment: UDC’s Term Investment is a secured term deposit with a fixed interest rate. Various terms, interest rates and interest payment options are available.

Capital Drawdown: This secured term deposit product has a fixed interest rate for the term of the investment, but in addition enables you to receive regular payments of the principal as well as interest.

All investments offered by UDC 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 UDC, various of its 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 22 May 1986 (as amended on 17 March 2006 and as further amended from time to time).

The investment products which are the subject of this Investment Statement are all subject to the terms and conditions of the Trust Deed. The Trust Deed appoints Trustees Executors Limited as the Trustee. As security for all Secured Investments, a security interest in all assets of UDC and the other members of the Charging Group (the Charging Group is comprised of UDC and its Charging Subsidiaries) is granted to the Trustee under the Trust Deed. As at the date of this Investment Statement, there are no Charging Subsidiaries under the Trust Deed.

Certain security interests and charges are permitted under the Trust Deed to rank ahead of First Ranking Security Stock. The Trust Deed permits the following types of prior security interests and charges:

- a charge granted for the purpose of financing the cost of acquisition, construction, development or improvement of any property or asset provided that the amount secured does not exceed two thirds of the cost of such acquisition, construction, development or improvement, together with interest discounts and other financing charges and ancillary sums;
- charges granted by a member of the Charging Group prior to the date of the Trust Deed;
- renewal or extension of the term or increase in the rate of interest or any other variation to the provisions of any permitted prior charge or replacement of such permitted prior charge, provided that there is no increase in the principal sum secured by the prior charge (or such prior charge given in replacement or renewal thereof);

- charges granted to the Trustee to further secure Security Stock that ranks equally with the charges created by the Trust Deed;
- a charge over a specifically charged asset to secure Money Market Secured Deposits provided that the book value of the specifically charged asset does not at any time exceed 125% of the value of the moneys secured and provided such a charge is given for the purposes of and in the normal course of business of a money market dealer, merchant bank or other financial intermediary carrying on business in New Zealand of a similar type or nature. Money Market Secured Deposits are deposits or loans accepted by a Charging Group member at any time that are secured by such charges; and
- any charge that is a purchase money security interest created by a Charging Group member in favour of a seller of goods, or a lease in favour of a lessor of goods, to a Charging Group member that does not in substance secure payment or performance of an obligation, in each case 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 senior executives, as at the date of this Investment Statement, there are no such other prior charges, and apart from further purchase money security interests granted in the ordinary course of its business, UDC does not intend to create any such other prior charges during the term of the current registered prospectus.

The Trust Deed also provides that a claim to repayment of your Secured Term Investment will rank behind any claims in respect of Money Market Secured Deposits.

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

By subscribing for a Secured Term Investment, an investor acknowledges and agrees that:

- UDC may send the investor electronic communications in relation to their investment; and
- personal information about that investor provided to UDC may be shared with ANZ and its related companies (as defined in the Companies Act 1993), ("ANZ National Group"), the investor's 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. UDC and the ANZ National Group may use personal information for the purpose of introducing other products or services to the investor. UDC may disclose personal information from time to time for regulatory purposes or if required by law.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

The Issuer: UDC Finance Limited. UDC's principal place of business is UDC House, Level 2, 107 Carlton Gore Road, Newmarket, Auckland.

The names of the directors of the Issuer are:

- Richard Arthur Wilks;
- Steven Montgomery Fyfe; and
- Graham David Turley.

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

UDC was established in 1938 as a finance company to provide financial and other services to its customers. UDC's core business is asset finance. During the past 5 years, UDC's principal business activities have been:

- accepting term deposits from the public through its investment products, including its UDC Secured Investments;
- providing asset finance to New Zealanders and New Zealand businesses to enable them to acquire and/or upgrade assets. UDC finances a wide variety of assets, including vehicles, machinery, plant, equipment, and IT and communications hardware;
- one of UDC's specialties is providing motor vehicle finance. This is an industry that UDC has been supporting for several decades. UDC provides a range of motor vehicle finance options to individuals and to businesses. UDC provides finance directly to its customers, and also through a network of selected licensed motor vehicle dealers. UDC uses a variety of products to finance vehicles including credit sale agreements and operating and finance leases;
- UDC is an active participant in the asset leasing market. UDC provides specialised and structured asset leasing options to both personal and business customers. UDC also provides finance to other asset leasing companies through a range of structures and products; and
- more recently, UDC has also been involved in facilitating asset insurance through third party insurers.

UDC has comprehensive credit methodologies and processes for assessing the credit risk of potential borrowers. UDC requires that all applications for credit are made in writing using approved credit application forms. UDC undertakes a thorough credit analysis on the creditworthiness of a borrower, the value of the assets to which the financing relates, and following that analysis makes a determination as to whether any additional security and/or guarantors are required. UDC does not provide finance to applicants who do not meet its credit requirements. UDC takes security in respect of the finance it provides. UDC requires that any assets for which it provides finance are fully insured with approved insurance providers and that UDC's interest in the assets is noted on the insurance policy.

UDC actively monitors credit risk. UDC's Risk Committee monitors and forecasts credit risk including concentration of credit risk in terms of the industries to which it lends, related party exposure and level of exposure to particular borrowers.

UDC has a comprehensive policy and framework for dealing with impaired loans. UDC's collections team actively manages defaulting loans under \$250,000. This team liaises with defaulting customers, follows up on late or missed payments, and uses external counsel and credit collection companies to recover debt where required. UDC's asset management team actively manages impaired debt exceeding \$250,000 and works closely with the customer to try and maximise debt recovery.

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

HOW MUCH DO I PAY?

To subscribe for a UDC 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.

Investments must be accompanied by a fully completed application form. Payments may be made:

- by completing the direct debit form and forwarding it with your application
- by mail to UDC Finance Limited, PO Box 91145, Victoria Street West, Auckland 1142;
- by electronic transfer to UDC's bank account: 01-0505-0128966-00 with your application number or customer number loaded as the 'payee reference';
- through any ANZ branch of ANZ National Bank Limited ("ANZ"); or
- through any UDC registered broker or financial adviser.

If we do not accept your application for any reason we will contact you about the reason for not accepting your investment. If new terms can not be agreed with you, UDC will, within 10 days, refund your application money. There is no cancellation fee.

WHAT ARE THE CHARGES?

UDC does not charge entry, exit or management fees on its Secured Term Investments. However, if UDC permits early redemption (which it is not obliged to do) UDC may adjust the rate of interest on your investment downwards. When calculating the interest due on any early repayment, UDC will use a lower rate than that applying for the original term of the investment. This rate will be calculated at the time UDC agrees to permit early redemption and will be based on prevailing market conditions, any costs associated with early repayment, and any other relevant factors. UDC will advise you, if you ask them at any time, of the likely adjusted interest rate if early redemption is permitted. Any such interest rate adjustment will be deducted from the balance of your investment as at the day it is repaid.

WHAT RETURNS WILL I GET?

You are entitled to:

- For the Term Investment and Capital Drawdown Investment products, repayment of the principal amount of your investment at the expiry of the term of your investment;
- For the Capital Drawdown Investment product only, the interim instalments (monthly or quarterly) of principal as agreed between you and UDC at the commencement of your Secured Term Investment;
- For the Term Investment and Capital Drawdown Investment products, the payment of interest. The rate of interest is fixed by UDC at the commencement of your investment. The rate of interest applicable to your Secured Term Investment will be determined by UDC by reference to the balance of your deposit, whether you elect to have interest compounded, and the term of your investment. Interest is calculated daily and paid monthly, quarterly, annually, or at the maturity of your investment as agreed with UDC at the commencement of your investment (less any deduction for withholding tax or approved issuer levy, if applicable). Details of UDC's current interest rates are available from our website www.udc.co.nz or by calling UDC on **0800 652 832**.

The interest earned on all of UDC's Secured Term Investments is taxable.

Under current tax laws, interest (including compounded interest) paid to all New Zealand tax residents is subject to Resident Withholding Tax ("RWT"), unless you provide UDC with a valid certificate of exemption. In this case UDC will not deduct RWT. Your correct RWT rate also depends on your taxable income. When providing UDC your Inland Revenue Department (IRD) number you may elect a RWT rate up to and including 31 March 2010 of:

RWT Rate	If you are:
19.5%	• an individual
33%	• an individual or company
38%	• an individual or company

From 1 April 2010 the following RWT rates apply

RWT Rate	If you are:
12.5%	• an individual
21%	• an individual who elected the 19.5% RWT rate before 1 April 2010 and has not elected the 12.5% RWT rate • an individual
30%	• a company
33%	• an individual
38%	• an individual

Without your IRD number UDC is obliged to deduct tax from your interest at the top RWT rate of 38%. On or before 31 March 2010, RWT will be deducted at 19.5% where you provide your IRD number but do not elect a RWT rate. From 1 April 2010, RWT will be deducted at 38% where you provide your IRD number but do not elect a RWT rate. UDC's Secured Term Investments are not subject to the Portfolio Investment Entity ("PIE") regime introduced in October 2007.

The elected RWT rate only applies from the time that you notify UDC. Until the RWT rate is notified, a higher RWT rate may be applied. If a lower RWT rate is incorrectly elected, this may result in you having a tax liability at the end of the tax year. If a higher RWT rate is incorrectly elected, you may apply to Inland Revenue to recover any overpaid RWT at the end of the tax year.

From 1 April 2010, if Inland Revenue considers that you have elected the incorrect RWT rate, Inland Revenue may instruct UDC to use a different RWT rate. UDC must use the RWT rate as notified by Inland Revenue unless you subsequently notify UDC that a different RWT rate is to be used.

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 ("NRWT") will be deducted. The rate of NRWT depends on your country of residence and can be up to 15%. Non-resident investors can agree to have deducted the cost of an Approved Issuer Levy ("AIL"), which is currently equal to 2% of the interest to be paid to the non-resident investor, from the interest payable to the non-resident investor. In this case, we will deduct the AIL from the interest paid or credited to you and New Zealand NRWT will not be deducted. Non-resident investors are required to provide UDC with their overseas address and where applicable to complete an AIL application, available on request from UDC.

All references to New Zealand taxation in this Investment Statement are of a general nature only under current legislation, and are not (and should not be construed as) legal or tax advice. You should consult your own independent taxation adviser regarding your tax residency and status or the effect of any relevant taxation legislation on your investment.

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

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

UDC's obligations to you are not guaranteed by ANZ National Bank Limited, the Trustee or by any other person. UDC is currently the only member of the Charging Group under the Trust Deed.

UDC has a guarantee under the New Zealand Retail Deposit Guarantee Scheme ("Crown Guarantee"). As part of this scheme, UDC has entered into the Original Crown Deed of Guarantee, which applies to all UDC Secured Investments made before 1 January 2010. In addition, UDC has entered into the Revised Crown Deed of Guarantee, which will apply to all UDC Secured Investments made on or after 1 January 2010.

The Crown Guarantee scheme ends on 12 October 2010. When this scheme ends, and if UDC elects not to participate in the extended scheme, your UDC Secured Investment will no longer have the benefit of a Crown Guarantee. As at the date of this investment statement, UDC has not made a decision as to whether or not to participate in the extended scheme.

The Crown Guarantee covers:

- (a) principal and interest on any UDC Secured Term Investment which falls due and payable in the period from 12 October 2008 to 12 October 2010 (“Guarantee Period”); and
- (b) if a Default Event under either the Original or Revised Crown Deed of Guarantee occurs during the Guarantee Period, the principal and interest on all UDC Secured Term Investments outstanding at the date of that Default Event.

If you are a Related Party of UDC, a person who is neither a New Zealand citizen nor New Zealand Resident, or a Financial Institution, you will not receive the benefit of the Crown Guarantee (although if you are and hold the UDC Secured Term Investment as a bare trustee, the beneficiary of that bare trust will be entitled to receive the benefit of the Crown Guarantee as if they would otherwise be eligible for the Crown Guarantee).

The Crown’s obligation to pay any amount under the Original or Revised Crown Deed of Guarantee is subject to you giving a notice of claim to the Crown in accordance with that Crown Deed of Guarantee and to the Crown satisfying itself as to the amount of the claim and any other matters the Crown reasonably considers appropriate.

The maximum liability of the Crown to each creditor of UDC under the Original or Revised Crown Deed of Guarantee is one million New Zealand dollars (\$1,000,000). For this purpose amounts owed to you by UDC under any UDC Secured Term Investment will be aggregated with other amounts owed to you by UDC which are supported by the Crown Guarantee.

Further information about the Original and Revised Crown Deed of Guarantee and the most recent audited statement of financial position of the Crown is available, free of charge and at all reasonable times, on the website of the Treasury at www.treasury.govt.nz

WHAT ARE MY RISKS?

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

There is no risk of you being liable to pay any additional money to UDC in relation to your Secured Term Investment as a result of UDC becoming insolvent.

The principal risks you face are insolvency risk and liquidity risk. Insolvency risk is the risk that UDC becomes insolvent and UDC has insufficient assets to meet all of its liabilities, which may 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). The directors of UDC consider that the risk of UDC becoming insolvent is minimal. Liquidity risk is the risk that UDC does not have, or have access to, or the ability to raise at short notice, sufficient cash to meet its debts as they fall due including repayment of Secured Term Investments as they mature.

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

The current long term credit rating of UDC 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."* Standard & Poor's Ratings Services provides that an outlook of "stable" indicates that UDC's credit rating is not likely to change. UDC's credit rating has not changed in the past two years, having held it since February 2007.

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

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

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

Standard and Poor's Rating Scale

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

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

Pursuant to the Trust Deed, your Secured Term Investment is secured as First Ranking Security Stock. However, in the event of the insolvency of UDC, there are certain people who will be entitled to repayment ahead of you. Specifically, any creditors with claims which are preferred by statute (such as claims in respect of employee costs, certain taxes and liquidator's costs) will rank ahead of your Secured Term Investment.

In addition, regardless of whether or not UDC becomes insolvent, creditors secured by prior charges that are permitted under the Trust Deed rank ahead of your Secured Term Investment. The Trust Deed permits the following types of prior charges:

- a charge granted for the purpose of financing the cost of acquisition, construction, development or improvement of any property or asset provided that the amount secured does not exceed two thirds of the cost of such acquisition, construction, development or improvement, together with interest discounts and other financing charges and ancillary sums;
- charges granted by a member of the Charging Group prior to the date of the Trust Deed;
- renewal or extension of the term or increase in the rate of interest, or any other variation to the provisions of any permitted prior charge or replacement of such prior charge, provided that there is no increase in the principal sum secured by the prior charge (or such prior charge given in replacement or renewal thereof);
- charges granted to the Trustee to further secure debenture stock that rank equally with the charges created by the Trust Deed;
- a charge over a specifically charged asset to secure Money Market Secured Deposits provided that the book value of the specifically charged asset does not at any time exceed 125% of the value of the moneys secured and provided such a charge is given for the purposes of and in the normal course of business of a money market dealer, merchant bank or other financial intermediary carrying on business in New Zealand of a similar type or nature. Money Market Secured Deposits are deposits or loans accepted by a Charging Group member at any time that are secured by such charges; and
- any charge that is a purchase money security interest created by a Charging Group member in favour of a seller of goods or a lease in favour of a lessor of goods to a Charging Group member that does not in substance secure payment or performance of an obligation, in each case 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 senior executives, as at the date of this Investment Statement, there are no such other prior charges, and apart from further purchase money security interests granted in the ordinary course of its business, UDC does not intend to create any such other prior charges during the term of the current registered prospectus.

In addition, any creditors with claims which are preferred by statute (such as employees' costs, certain taxes and liquidator's costs) may rank ahead of your Secured Term Investment in certain circumstances.

The Trust Deed also provides that a claim to repayment of your Secured Term Investment will rank behind any claims in respect of Money Market Secured Deposits.

In the event of UDC's insolvency, 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 faced by UDC which could lead to the insolvency of UDC broadly fall into four categories - financial risk, operational risk, economic and regulatory risk, and related party risk.

UDC has 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. The UDC Finance Limited Risk Management Programme is the over-arching document which sets out UDC's risk management framework. The Board and management team of UDC are committed to ensuring that the highest levels of corporate governance are maintained. This section is a summary of the key corporate governance and risk management strategies of UDC.

(a) Financial Risk

(i) Credit Risk:

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

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

UDC mitigates these credit risks by following established credit methodology and policies. UDC requires all lending to be applied for in writing using UDC's approved application forms with an assessment for the credit based on internal credit policy with the aid of statistical risk rating tools.

At the heart of UDC's credit policy are "the 5 Cs of credit"- Capacity (whether a borrower has the capacity to repay the finance), Character (whether a borrower has the willingness to repay the finance sought), 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), Collateral (if a borrower is unable to repay the finance provided, what recourse does UDC have by security or guarantees). This enables UDC to determine the value of assets, creditworthiness of a borrower, and extent of financing appropriate.

UDC uses credit risk rating tools as an integral part of its credit assessment process. These tools use sophisticated statistical techniques to help determine creditworthiness and are designed to comply with the rigorous standards prescribed under the Basel II banking accords.

UDC requires that the assets it provides finance on are fully insured and that UDC's interest is noted on the insurance certificate. UDC also requires that it is notified when insurance policies lapse.

For each borrower, UDC will make a determination (based on its credit assessment of the borrower) as to whether a guarantor is required. UDC does not require guarantees for all lending.

UDC has systems in place to monitor changing credit risk, with the Risk Committee being provided monthly reports covering portfolio credit risk rating, high risk accounts and delinquencies.

UDC also has a robust framework for dealing with delinquent, high risk or impaired loans. UDC's collections team actively manages delinquent loans under \$250,000, while high risk or impaired loans over \$250,000 are managed by UDC's specialist Asset Management and Recoveries teams. The Asset Management and Recoveries teams work with customers to manage UDC's risk and maximise returns. External solicitors, accountants, insolvency firms, and collections agencies are used to provide specialist advice and services where required.

UDC also is exposed to credit risk on its deposits from time to time. These are made by ANZ (as UDC's agent) with participants in the financial markets.

UDC currently has a guarantee under the Crown Guarantee in respect of its Secured Term Investments, which mitigates credit risk for some of you. Investor eligibility criteria apply - refer page 2-3 for further details.

(ii) Liquidity Risk:

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

UDC closely monitors and forecasts its liquidity risk. UDC also maintains a number of banking facilities with ANZ including a \$500,000,000 committed standby liquidity facility, to assist in managing its liquidity profile. See below 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, UDC may be exposed to an interest rate risk where there is a mismatch in the fixed interest rates it offers investors as against the interest rates it applies to its borrowing customers in respect of their financing.

UDC closely monitors and forecasts changes in interest rates. UDC receives frequent and regular information from ANZ in relation to current and forecast changes to interest rates in the market.

(b) Operational Risk:

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

UDC has sound risk management policies and procedures which are consistent with applicable ANZ National Bank Limited policies and are designed to be compliant with the requirements laid out in the Basel II banking accords. These policies include a comprehensive Business Continuity Plan to minimise the effect of any interruption to business affecting personnel, premises, and technology. This includes maintaining redundancy in key elements

of the IT infrastructure and having an alternate operating site available. UDC's Risk Committee also monitors and manages UDC's exposure to operational risk.

UDC is a wholly-owned subsidiary of the ANZ National Bank Limited. UDC has a board of directors which meets quarterly.

The board of directors delegates authorities to the Chief Executive Officer who further delegates certain authorities to his senior staff, as set out in the UDC delegations manual.

The board establishes sub-committees to deal with specific matters. These committees include the advertising sub-committee.

(c) Economic and Regulatory Risk

(i) Economic Risk:

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

As at 30 September 2009, UDC's diversified lending portfolio is split between the following industries in which its borrowing customers operate:

Transport & Storage	19.15%
Agriculture, Forestry & Fishing	15.69%
Personal & Other Services	15.21%
Retail & Wholesale Trade	10.46%
Construction	10.00%
Manufacturing	9.42%
Property & Business Services	8.42%
Education	4.03%
Entertainment, Leisure & Tourism	1.94%
Finance, Investment & Insurance	1.84%
Mining	0.94%
Health & Community Services	0.88%
Communication Services	0.82%
Government Administration & Defence	0.59%
Accommodation, Cafes & Restaurants	0.46%
Electricity, Gas & Water Supply	0.16%
Total	100.00%

UDC monitors the performance of these industries, and UDC's Risk Committee monitors the concentration of risk in particular industries. UDC actively manages accounts in sectors suffering economic downturn.

(ii) Regulatory Risk:

UDC may be exposed to risk and/or increased compliance costs in the event of a change in the regulatory environment in which it operates. As a market leader, UDC closely monitors the regulatory environment in which it operates, is in contact with its regulators and participates in industry groups. UDC is working towards compliance with the non bank deposit-taker requirements for finance companies introduced under amendments to the Reserve Bank of New Zealand Act, ("RBNZ Act"), some of which are yet to come into force. UDC already complies with the requirement under the RBNZ Act to be independently rated and to have a risk management programme in place. The RBNZ Act also prescribes that regulations may be made regarding other requirements including minimum capital ratio requirements, related party requirements and liquidity requirements. The Reserve Bank of New Zealand proposes to promulgate various regulations that will, amongst others, set a maximum limit on related party exposure and impose a minimum capital ratio. Such regulations are expected to be in force by September 2010. UDC is well placed for compliance and will ensure that it complies with these regulations once they are established.

UDC is also working to implement changes introduced under the Financial Advisers Act 2008 ("Financial Advisers Act") and the Financial Service Providers (Registration and Dispute Resolution) Act 2008 ("Financial Service Providers Act"). UDC is advised by external counsel and accounting firms. UDC is not aware of any proposed regulatory change including under the amendments to the RBNZ Act, or under the Financial Advisers Act or the Financial Service Providers Act, which would materially adversely affect its financial position.

As a wholly-owned subsidiary of ANZ National Bank Limited, UDC is well placed to comply with the proposed financial products and providers reform legislation when it is implemented.

(d) Related Party Risk

ANZ Treasury holds cash deposits from UDC from time to time as UDC's agent pursuant to an agency agreement dated 23 September 2000 (as subsequently amended). As at 30 September 2009, the aggregate amount of such deposits was \$27,196,000. UDC remains the legal owner of such cash deposits but is exposed to credit risk on ANZ (and other participants in the financial markets). If ANZ or someone with whom a deposit is made became insolvent, these amounts may not be repaid. Also, as ANZ is UDC's sole shareholder, UDC itself could also be at risk if ANZ were to become insolvent. The risk that ANZ would become insolvent is remote. ANZ is a registered bank and as such is regulated by The Reserve Bank of New Zealand. It is subject to (amongst other matters) capital adequacy requirements and also has an AA 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 rate of interest.

UDC retains a residual power under its Trust Deed to, on prior arrangement with you, change the terms of your Secured Term Investment including in relation to the maturity date of your investment, the applicable rate of interest, 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.

The pricing of UDC's fixed interest rates assume, that your invested funds will remain with us until their maturity date. You do not have the right to withdraw your invested funds prior to maturity. However, in certain circumstances, such as the death of the investor or financial hardship, UDC may (but is not obliged to) consider written applications for early redemption. Please note that if UDC does permit redemption in these circumstances, when calculating the interest due on any early repayment, UDC will use a lower rate than that applying for the original term of the investment. UDC will advise you, if you ask them at any time, of the likely adjusted interest rate if early redemption is permitted. Any such interest adjustment will be deducted from the balance of the investment as at the day it is repaid.

HOW DO I CASH IN MY INVESTMENT?

Prior to maturity of the term of your Secured Term Investment, UDC will advise you in writing by post of the pending maturity date and offer you the following options (unless you have previously advised us as to how you would like to deal with your investment on its maturity):

- renewal of your Secured Term Investment for another term at the applicable interest rates available at that time for that term;
- renewal of original principal amount of your Secured Term Investment with payment of accrued unpaid interest to your nominated bank account;
- transfer of your Secured Term Investment to another person/ investment nominated by you; or
- part reinvestment and part repayment of your Secured Term Investment as instructed by you; or
- repayment of the principal sum plus any accrued unpaid interest, to your nominated bank account;

If UDC has not received instructions from you before the maturity date of your investment as to how you would like to deal with your investment on maturity, UDC will roll your investment over, on call, at the "on demand rate" applicable on the day.

If you chose on your application form to automatically renew your Secured Term Investment, we will automatically reinvest it for the same term. We will notify you at the time of reinvestment about the details, including the amount to be reinvested, the new maturity date, the applicable interest rate and any change to auto-renewal conditions for the new term. You have 14 days from the date of reinvestment to alter your renewal advice by calling UDC on 0800 652 832 or by instructing UDC in writing to change the reinvestment details.

UDC retains a residual power under its Trust Deed to, on prior arrangement with you, change the terms of your Secured Term Investment including in relation to the maturity date of your investment, the applicable rate of interest, 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.

Early repayment

The pricing of UDC's fixed interest rates assume that your invested funds will remain with us until their maturity date. You do not have the right to withdraw your invested funds prior to maturity. However, in certain circumstances, such as the death of the investor or financial hardship, UDC may (but is not obliged to) consider written applications for early redemption. Please note that if UDC does permit redemption in these circumstances, it has the right to amend the interest rate on the investment. Any such interest adjustment will be deducted from the balance of the investment as at the day it is repaid.

Transferring your investment

Secured Term Investments with a minimum nominal value of \$5,000 may be transferred using the form commonly used for share transfers, with any necessary modifications in accordance with the Securities Transfer Act 1991. The transfer becomes valid once it is registered in accordance with UDC's Trust Deed. UDC cannot register a transfer of any First Ranking Security Stock within five working days before an interest payment date.

In addition, UDC does 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:

UDC Finance Limited, PO Box 91145, Victoria Street West, Auckland 1142, Telephone: 0800 652 832 or 09 362 3062 (Attention: Matthew Harbin) or to the investment adviser or investment broker through whom the 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 or 0800 652 832, Attention: Matthew Harbin
- The industry association to which UDC belongs – The Financial Services Federation (Inc.), PO Box 10053, 6th Floor, Wakefield House, 90 The Terrace, Wellington, Telephone: 04 472 1731, Attention: Justin Kerr
- The Trustee – Trustees Executors Limited, Level 5, 10 Customhouse Quay, Wellington, Attention: Luiza Moran

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 UDC's Secured Term Investments. More comprehensive information about these investment products and about UDC is available in UDC's registered prospectus. Capitalised terms in this Investment Statement have the meanings as prescribed to them in the registered prospectus.

UDC's current registered prospectus is available online to download from www.udc.co.nz. Alternatively, a copy of the current registered prospectus, the Trust Deed (incorporating all amendments) and financial statements (together with a copy of the auditor's report) of UDC can be requested and obtained free of charge from UDC at the address listed above. Requests for any of the information referred to in the section "Who do I contact 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 other constitutional documents of UDC 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.companies.govt.nz by searching for 'UDC Finance Limited' or '3580'.

UDC 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, UDC will send you your statement monthly.

UDC will send you annually a withholding tax deduction certificate in respect of tax deducted from interest payments on your Secured Term Investment.

In addition, UDC will also provide to you free of charge, on written request from you, an interim statement of your Secured Term Investment, an additional copy of this Investment Statement and/or a copy of UDC's registered prospectus.



PO BOX 91145, VICTORIA ST WEST, AUCKLAND 1142
LEVEL 2, 107 CARLTON GORE ROAD,
NEWMARKET, AUCKLAND, NEW ZEALAND
PHONE 0800 652 832 or PHONE (09) 362 3062
FAX 0800 655 832 or FAX (09) 255 4903
udcinv@anz.com // www.udc.co.nz