

Product Disclosure Statement

In respect of the issue of first ranking secured Debenture Stock by

Finance Direct Limited.

This document gives you important information about this investment to help you decide whether you want to invest. There is useful information about this offer on www.business.govt.nz/disclose. Finance Direct Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013.

You can also seek advice from a financial adviser to help you to make an investment decision.



Dated 3 August 2022

This document replaces the Product Disclosure Statement dated 5 August 2021.

Section 1 - Key Information Summary

What is this?

This is an offer of first ranking secured Debenture Stock. Secured Debenture Stock are debt securities issued by Finance Direct Limited (**Finance Direct, Company, we, our or us**). You give the Company money, and in return the Company promises to pay you interest and repay the money at the end of the term. If the Company runs into financial trouble, you might lose some or all of the money you invested.

About Finance Direct Limited

The Company was established in September 1999 and specialises in making loans to the consumer and retail finance sector. Money raised from the issue of Debenture Stock will be used to support the Company's lending operations directly to clients of the Company and also clients of its subsidiary company Lending Crowd Limited which holds a licence to operate a peer-to-peer lending service.

During the course of 2015, the Company launched a peer-to-peer lending platform through Lending Crowd Limited. Through this platform the Company lends funds directly to a borrower via a special purpose trustee company Lending Crowd Trustee Services Limited.

Key terms of the offer of Debenture Stock

Description of Debenture Stock	This offer comprises the issue of first ranking secured Debenture Stock.
Term	The Debenture Stock shall be issued for fixed terms ranging between three months and five years.
Interest rates	Fixed interest rates are applicable to Debenture Stock and will vary depending upon the fixed term selected. Details of the current fixed interest rates may be found at www.financedirect.co.nz or are available upon request from the Company.
Interest payments	Interest on the Investment may be compounded or paid to the Investor by direct credit or cheque at the Investor's option. The Company pays interest quarterly during the term of the Investment from the date of the deposit with the Company.
Offer opening and closing dates	The offer opened on 24 September 2015. This is a continuous offer. There is no closing date.
Early repayment	The Company may, at its absolute discretion, permit early repayment in the event of death or financial hardship. The Company may also charge an investment break fee set by the Company from time to time (currently \$150). The Company reserves the right, at its absolute discretion, to repay the Investment prior to the expiry of the fixed term of the Investment. Further information regarding early repayment can be found in section 2 of this PDS (Terms of the offer).

Who is responsible for repaying you

The Company is responsible for repaying you. Its obligation to repay is guaranteed by its subsidiary company, Lending Crowd Limited, which has granted security over its assets in support of the guarantee. No other members of the Finance Direct group of companies are guarantors of the Debenture Stock. Further information regarding Lending Crowd Limited's guarantee can be found in section 4 of this PDS (Key features of the Debenture Stock).

How you can get your money out early

An Investor has no right to require the Company to repay the Investment prior to the expiry of the fixed term of the Investment. However, the Company reserves the ability, at its absolute discretion, to permit the early repayment of Debenture Stock before the Maturity Date in the event of death or financial hardship.

The Company does not intend to quote the Debenture Stock on a licensed market in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Debenture Stock before the end of their term.

How Debenture Stock rank for repayment

The claims on the assets of the Company that will or may rank ahead of your claim if the Company is put into liquidation or wound up are:

- claims by preferential creditors. Preferential creditors are determined by reference to the Companies Act 1993;
- claims by holders of prior security interests; and
- the Supervisor's, or any receiver appointed by the Supervisor, remuneration, costs, charges, expenses and liabilities.

Further information regarding how the Debenture Stock rank on the liquidation of the Company can be found in section 4 of this PDS (Key features of the Debenture Stock).

What assets are the Debenture Stock secured against?

The obligations of the Company to Investors in respect of the Debenture Stock are secured by a security interest in all of the Company's Personal Property and a charge over the Company's Other Property pursuant to the Trust Deed granted by the Company in favour of the Supervisor.

Further information regarding the security interests can be found in section 4 of this PDS (Key features of Debenture Stock).

Where you can find Finance Direct's financial information

The financial position and performance of the Company are essential to an assessment of the Company's ability to meet its obligations under the Debenture Stock. You should read section 5 of this PDS (Finance Direct's financial information).

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that the Company does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of the PDS (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rates for the Debenture Stock should also reflect the degree of credit risk. In general, higher returns are demanded by Investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair.

The Company considers that the most significant risks factors are:

Debtor risk

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

Further information regarding debtor risk can be found in section 6 of this PDS (Risks of investing).

Liquidity risk

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

Interest rate risk

The Company advances funds via a peer-to-peer lending platform on equal terms with other retail and wholesale investors in that Platform. When Finance Direct invests in a loan on the Platform a larger investment in lower yielding loans will mean the margins the Company earns on these loans will be at a low level when compared to its cost of funds. This situation could have a significant impact on the income we receive. This may increase the risk of default if our interest rate margins reduce profitability and impact on our ability to make our payment obligations under the Debenture Stock.

Real estate and property market

As at 31 March 2022, approximately 22% of the Company's loans were secured by way of an agreement to mortgage over real estate owned by the borrower, which agreement is supported by a caveat registered against the certificate of title for the borrower's property. Adverse investments in the property market can therefore expose the Company to the risk of not receiving the full amount from those borrowers. Further information regarding this risk can be found in section 6 of this PDS (Risks of investing).

Peer-to-peer lending investments

The Company invests funds in loans made through the Platform operated by a related party. There are several risks related to investing in the Platform. The principal risk of loss in investing in loans through the Platform is non-payment of amounts owing by borrowers who enter into loan agreements under the Platform.

This summary does not cover all of the risks of investing in the Debenture Stock. You should also read section 6 of this PDS (Risks of investing).

What is Finance Direct's credit rating?

The Company is exempt from the requirement to have its creditworthiness assessed by an approved rating agency. This is because it is operating under an exemption from the requirement under the NBDT Act to have a credit rating. This means that the Company has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

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

The exemption is available to the Company because its consolidated liabilities are less than \$20 million.

Although the Company is unrated, the Company has met all its payment obligations to its Investors since it first offered secured deposits in late 2004.

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Chairman's Report

Dear Investor

We are pleased to invite you to participate in this issue of Debenture Stock by the Company.

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

The Company has always adopted a conservative approach to lending and any loans that do not meet the Company's lending criteria are brokered to a more appropriate lender thereby minimising the risk to the Company. Loans which are brokered to other financial institutions are on a non-recourse basis meaning the Company has no residual credit risk liability to those financial institutions in the event of a default by the respective borrower. This formula has helped the Company successfully navigate challenging economic times by switching its activities between lending and brokering. In 2015 we launched a peer-to-peer lending service, operated by Lending Crowd Limited. The company is a subsidiary company and through an innovative internet platform Finance Direct advances funds on equal terms as other retail and institutional investors. To date this has proven to be another avenue to access quality business for the company.

The Company has arranged or brokered over \$840 million worth of loans since its inception. The Directors are committed to maintaining the Company's reputation as a niche lender. Our focus has been and will continue to be on exceptional service and quality rather than growth for growth's sake.

This PDS provides for the issue of secured Debenture Stock at competitive interest rates while providing an opportunity to invest in a wholly New Zealand owned company. The secured Debenture Stock is secured by a first ranking security interest in favour of the Supervisor who represents the interests of Investors.

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

Yours faithfully

Josh de Jong

Josh de Jong Chairman

Section 2 - Terms of the offer

Terms of the offer

Debenture Stock

Description of Debenture Stock	This offer comprises the issue of first ranking secured Debenture Stock.
Term	The Debenture Stock shall be issued for fixed terms ranging between three months and five years.
Interest rates	Fixed interest rates are applicable to Debenture Stock and will vary depending upon the fixed term selected. Details of the current fixed interest rates may be found at www.financedirect.co.nz or are available upon request from the Company.
Interest payments	Interest on the Investment may be compounded or paid to the Investor by direct credit. The Company pays interest quarterly during the term of the Investment from the date of the deposit with the Company. In particular, interest is paid to an Investor on 31 March, 30 June, 30 September and 31 December. Once the Debenture Stock has been allotted to the Investor for a fixed term, the interest rate at which that Debenture Stock has been issued to the Investor will be fixed during the term of the Investment and will not be varied.
Offer opening and closing dates	The offer opened on 24 September 2015. This is a continuous offer. There is no closing date.
Early repayment	The Company may, at its absolute discretion, permit early repayment in the event of death or financial hardship. Requests for early repayment of Debenture Stock must be made to the Company in writing. In the event that the Company agrees to repay the Investment to the Investor prior to the Maturity Date, the Company reserves the right at its discretion to adjust the interest rate applicable to the Investment to the current rate offered by the Company for the nearest term upon which those funds have been held by the Company. The Company may also charge an investment break fee set by the Company from time to time (currently \$150). The Company reserves the right, at its absolute discretion to repay the Investment prior to the expiry of the fixed term of the Investment, provided that the Company: <ul style="list-style-type: none"> provides the Investor with not less than one month's notice of the early repayment in writing to the Investor and must repay all principal and interest accrued to the date of the early repayment on the date of the early repayment.
Ranking of Debenture Stock on liquidation	The Debenture Stock being offered under this issue will rank equally with all existing and further Debenture Stock which may be issued pursuant to the Trust Deed. As at 31 March 2022, the aggregate principal amount of Debenture Stock issued by the Company and which were outstanding was \$11,415,785. The claims on the assets of the Company that will or may rank ahead of your claim if the Company is put into liquidation or wound up are: <ul style="list-style-type: none"> claims by preferential creditors. Preferential creditors are determined by reference to the Companies Act 1993. They include the fees and expenses incurred by any liquidator, certain claims by the Company's employees for unpaid remuneration, PAYE tax deductions and any Goods and Services Tax; claims by holders of prior security interests; and the Supervisor's, or any receiver appointed by the Supervisor, remuneration, costs, charges, expenses and liabilities.

Trust Deed

We entered into a trust deed with Covenant Trustee Services Limited, as Supervisor, on 30 September 2004 (as amended or supplemented from time to time) in relation to the Debenture Stock. A copy of the trust deed may be obtained from the offer register at www.business.govt.nz/disclose.

Section 3 - Finance Direct and what it does

Overview of Finance Direct

The Finance Direct group

The Company was incorporated on 23 September 1999. The Company's principal activity is the raising of money from the public by the issue of Debenture Stock and the advance of that money, together with the Company's own funds, to the consumer, small business and retail finance sector. In addition, the Company also brokers third parties to provide loan facilities available to the Company's customers from which the Company takes a fee.

The Company has primarily been involved in sourcing financial solutions for the Company's clients, and generates its business via introducers and retail advertising in print, radio and television and lends only on the security of vehicles, boats and property. In-depth risk analysis, credit checking and security value estimates are obtained on all loans. Additional business is generated by lending on the peer-to-peer lending platform operated by Lending Crowd Limited, which also uses a trustee company Lending Crowd Trustee Limited.

Lending Crowd Limited is a Charging Subsidiary and has agreed to guarantee repayment of the Debenture Stock. Further information regarding the guarantee can be found in section 4 of this PDS (Key features of Debenture Stock).

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

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

Loans are predominantly secured with first or second-ranking registered security interests over motor vehicles, boats, and agreements to mortgage real estate (supported by caveats registered over the relevant real estate) owned by the borrower.

During the term of a loan, the underlying security for a particular loan may be lost due to the secured property being destroyed or disposed of illegally, i.e. in the case of a motor vehicle or a boat. To mitigate this risk, additional second ranking security is taken in some instances. This second ranking security interest is predominantly an agreement to mortgage real estate, which agreement is supported by a caveat over the real estate in question and which ranks behind an existing registered mortgage over the property in favour of the borrower's principal lender.

This lending is generally:

- concentrated in Auckland and Northland;
- represented by loans made for terms of 12 months (on average); and
- 65% of open loans are represented by loans of less than \$15,000

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

Breakdown of business activities

The exposure of the Company to the lending sectors mentioned above was as follows (as a percentage of the total receivables owned by the Company as at 31 March 2022):

Consumer Loans	\$8,053,200	67%
Business Loans	\$3,989,800	33%
Total	\$12,043,000	100%

Board of directors and senior management

Wayne Croad Dip Bus Finance

Wayne is the Managing Director of the Company. He is intimately involved in the day-to-day management and operations of the business of the Company. Wayne also carries out the role as credit manager for the business operations. Wayne has over 20 years' experience in the New Zealand banking, finance and insurance industries. As a founding director Wayne has been responsible for the implementation of systems, key appointments, lending standards and the strategic direction of the Company since inception. His background has included senior management positions for both privately held and public companies with responsibility for risk analysis, strategic planning, sales and marketing and general management.

Wayne holds a Diploma in Business Finance.

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

Wayne receives an annual salary of \$145,000 per annum. He also receives the use of a motor vehicle owned by the Company which is leased to Wayne's family interests. He also receives reimbursement of utilities for his home office and general expenses which had an aggregate value of \$31,000 during the financial year ended 31 March 2022. When deemed appropriate the Company pays Fringe Benefit Tax for this additional remuneration.

Richard Lott ACA

Richard is a non-executive director of the Company.

Richard holds an Associated Chartered Accountants degree.

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

Richard is currently a senior executive of Southern Spars.

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

In exercising his role, Richard receives a director's fee of \$27,600 per annum.

Josh de Jong BEd & Dip Tchg

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

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

Josh has held Auckland based management positions in Real Estate, Taxation and mortgage brokering. Prior to that a contractor with the LIFE church.

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

In exercising his role as a non-executive director, Josh receives a director's fee of \$18,000 per annum.

Josh is an independent director.

Kirstin Poole BCom & LLB

Kirstin Poole is a non-executive director.

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

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

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

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

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

Kirstin is an independent director.

Section 4 - Key features of Debenture Stock

General

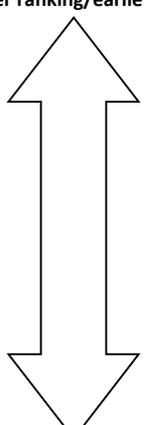
A number of the key features of the Debenture Stock are described in Section 2 (Terms of the offer) of this PDS. The other key features are described below.

Ranking and security

The Debenture Stock being offered under this PDS will rank equally with all existing and further Debenture Stock which may be issued pursuant to the Trust Deed. As at 31 March 2022, the aggregate principal amount of Debenture Stock issued by the Company and which were outstanding was \$11,415,785. For information regarding the claims on the assets of the Company that will or may rank ahead of your claim if the Company is put into liquidation or wound up can be found in Section 2 of this PDS (Terms of the offer).

The Trust Deed permits the Company or any other Charging Group Member to create prior security interests over any asset to secure any moneys to be borrowed, raised or otherwise owing in purchasing or acquiring such asset if at the time of such borrowing the aggregate of all moneys secured by existing prior security interests together with the money so proposed to be borrowed or raised or to be otherwise owing and secured would not exceed 2% of its Total Tangible Assets. As at 31 March 2022, there were no prior security interests ranking ahead of the Debenture Stock. As at 31 March 2022 \$44,000 of preferential liability ranked ahead of the Debenture Stock relating to PAYE and RWT payable to the Inland Revenue Department. However, this outstanding PAYE and RWT were paid on 20 April 2022.

The obligations of the Company to Investors in respect of the Debenture Stock are secured by a security interest in all of the Company's Personal Property and a charge over the Company's Other Property pursuant to the Trust Deed granted by the Company in favour of the Supervisor. As at 31 March 2022, the total value of assets subject to the security interest was \$14,331,000 (being all Secured Property of the Company and Lending Crowd Limited).

	Ranking on liquidation of Finance Direct	Examples	Indicative amount as at 31 March 2022
Higher ranking/earlier priority 	Liabilities that rank in priority to Debenture Stock	Creditors preferred by law (including IRD for unpaid tax) and any permitted prior ranking security interests	\$44,000
	Liabilities that rank equally with the Debenture Stock	Debenture Stock, including the accrued interest	\$11,415,785
	Liabilities that rank below the Debenture Stock	Lesser ranking secured creditors and unsecured creditors	\$415,000

Lower ranking/later priority	Equity	Distribution of surplus assets	\$1,921,000
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Guarantees

Lending Crowd Limited jointly and severally with all other Charging Group Members (at the date of this PDS there are none) unconditionally guarantees the due and punctual payment by the Company and each other Charging Group Member of the Secured Indebtedness.¹ The guarantee is unlimited as to amount.

As security for its guarantee obligations, Lending Crowd Limited has granted to the Supervisor:

- a security interest in its Personal Property;
- a charge over its Other Property.

Lending Crowd Limited is a member of the Finance Direct group of companies.

The security interest is insufficient to repay the liability of the guarantee.

The Supervisor does not guarantee our obligations under the Debenture Stock.

Transfer

You may transfer your interest in your Investment at any time (not later than 30 days before Maturity Date) by completion of a Transfer in such form as is normally used to transfer shares in New Zealand ("**Transfer**"). More than one person can take ownership of the Investment. The Company is not bound to recognise trusts. Consequently, no reference to trusts or trustees should be made in the Transfer. Joint Investment owners will be treated as joint tenants (unless some other form of ownership is indicated) so that on the death of one of them, ownership of the Investment will vest automatically with the survivor(s). To be valid, the Transfer must be registered with the Company. There is currently no fee payable in respect of the Transfer of the Investment to another person. However, the Company reserves the right to charge a fee in the future.

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

Section 5 - Finance Direct's financial information

The Company is required by law and its Trust Deed to meet certain financial requirements. This table shows how the Company is currently meeting those requirements. These are minimum requirements. Meeting them does not mean that the Company is safe. The section on specific risks relating to the Company's creditworthiness sets out risk factors that could cause its financial position to deteriorate. The offer register provides a breakdown of how the figures in this table are calculated, as well as full financial statements.

¹ Pursuant to a Supplemental Trust Deed signed on 11 December 2015, Lending Crowd Limited became a Charging Subsidiary.

Key Ratios

Capital Ratio	31.03.22	31.12.21	30.09.21	30.06.21
Capital ratio	13.64%	13.29%	12.92%	12.78%
Minimum capital ratio as per the trust deed	8% with a credit rating, 10% without a credit rating	8% with a credit rating, 10% without a credit rating	8% with a credit rating, 10% without a credit rating	8% with a credit rating, 10% without a credit rating
Minimum capital ratio that must be set out in the trust deed under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	8% with a credit rating, 10% without a credit rating	8% with a credit rating, 10% without a credit rating	8% with a credit rating, 10% without a credit rating	8% with a credit rating, 10% without a credit rating
	<p>The capital ratio is a measure of the extent to which the Company is able to absorb losses without becoming insolvent. The lower the capital ratio, the fewer financial assets the Company has to absorb unexpected losses arising out of its business activities.</p>			

Related Party Exposures	31.03.22	31.12.21	30.09.21	30.06.21
Aggregate exposure to related parties as calculated under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	0%	0%	0%	0%
Maximum limit on aggregate exposures to related parties under trust deed	15%	15%	15%	15%

Maximum limit on aggregate exposures to related parties under trust deed that must be included under the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010	15%	15%	15%	15%								
	<p>Related party exposures are financial exposures that the Company has to related parties. A related party is an entity that is related to the Company through common control or some other connection that may give the party influence over the Company (or the Company over the related party). These related parties include Lending Crowd Limited and Lending Crowd Trustee Limited.</p>											
Liquidity Ratio	31.03.22			31.12.21			30.09.21			30.06.21		
Liquidity calculated in accordance with the trust deed (projected cash in million)	Apr 22	May 22	Jun 22	Jan 22	Feb 22	Mar 22	Oct 21	Nov 21	Dec 21	July 21	Aug 21	Sep 21
	\$0.4	\$1.3	\$1.8	\$1.1	\$1.4	\$1.3	\$0.7	\$1.1	\$1.5	\$1.1	\$1.1	\$1.8
Minimum liquidity requirements under the trust deed	Positive cash level for the next 3 months			Positive cash level for the next 3 months			Positive cash level for the next 3 months			Positive cash level for the next 3 months		
	<p>Liquidity requirements help to ensure that the Company has sufficient realisable assets on hand to pay its debts as they become due in the ordinary course of business. Failure to comply with liquidity requirements may mean that the Company is unable to repay Investors on time, and may indicate other financial problems in its business.</p>											

Selected financial information

	Quarter to 31.03.2022	Quarter to 31.12.2021	Quarter to 30.09.2021	Quarter to 30.06.2021
Total assets	\$13.981m	\$14.186m	\$14.636m	\$14.961m
Total liabilities	\$11.502m	\$11.732m	\$12.150m	\$12.463m
Net profit after tax	\$0.033m	(\$0.024m)	(\$0.003m)	\$0.019m
Net cash flows from operating activities	\$0.350m	\$0.437m	\$0.151m	(\$0.955m)

Cash and cash equivalents	\$0.921m	\$0.979m	\$1.022m	\$1.260m
Capital	\$2.035m	\$1.999m	\$2.037m	\$2.039m

Notes

The figures used in the above table and throughout this PDS for the year to 31 March 2022 relate to the Company. They are not consolidated figures for the wider Charging Group.

Other limitations, restrictions and prohibitions

For further details regarding the other limitations, restrictions and prohibitions on the Company refer to the Trust Deed on the offer register at www.business.govt.nz/disclose.

Section 6 – Risks of investing

General Risks

The principal risk of your Investment not being recovered in full by you, or of not receiving the returns relating to your Investment, is if the Company becomes insolvent and is not able to meet its obligations under the Debenture Stock. This could occur if

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

The Company does not intend to quote the Debenture Stock on a licensed market in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Debenture Stock before the end of their term. In the event that an Investor wishes, and is able, to sell the Debenture Stock before the Maturity Date, there is a risk that the Investor will be unable to find a buyer or that the amount received is less than the principal amount paid for the Debenture Stock.

Specific risks relating to Finance Direct's creditworthiness

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

Debtor risk

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

In light of the fact that the Company:

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

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

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

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

Borrowers have the option to take loan repayment insurance. Under these policies of insurance, the insurer will generally pay the borrower's payment instalments as they fall due under a loan upon the occurrence of death, certain accidents, sicknesses or redundancy/bankruptcy.

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

All investments in loans made through the Platform are made on the same risk assessed basis as other Finance Direct loans, i.e. these loans are secured in the same way and with the same risk assessment and risk mitigation processes, as if Finance Direct was making the loans itself. Further

information regarding the risks of investing through the Platform is set out on page 19 (Peer-to-peer lending investments).

Liquidity risk

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

- prepares detailed financial forecasts and holds regular management meetings to discuss liquidity management issues;
- maintains sufficient liquid funds to meet its commitments based on the forecast financial information;
- obtains external expert advice, such as HLB Mann Judd (chartered accountants and business advisers) as considered prudent from time to time; and
- the company actively monitors loan repayment cycles to make sure the average actual term of the Company's loans is shorter than the average term of its debenture borrowings.

The Trust Deed also requires that the Company will manage its liquidity and to report on that liquidity to the Supervisor.

Interest rate risk

In relation to other non-bank deposit takers we are reasonably unique in that we advance funds via a peer-to-peer lending platform on equal terms with other retail and wholesale investors in that Platform (see page 19).

As at the date of this PDS, the interest rates we lend at via the Platform vary over 9 “buckets” of risk grades from 6.98% to 20.26% for unsecured loans and from 6.45% to 18.15% for secured loans.. When Finance Direct invests in a loan on the Platform a larger investment in lower yielding loans will mean the margins the Company earns on these loans will be at a low level when compared to its cost of funds. This situation could have a significant impact on the income we receive. This may increase the risk of default if our interest rate margins reduce profitability and impact on our ability to make our payment obligations under the Debenture Stock. To mitigate this risk, we would have the option to cease lending on the Platform, raise interest rates offered on the Platform or seek further retail and wholesale funding lines to fund a larger portion of the lower yielding loans originations.

Real Estate and Property Market

As at 31 March 2022, approximately 22% of the Company's loans were secured by way of an agreement to mortgage over real estate owned by the borrower, which agreement is supported by a

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

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

Peer-to-peer lending investments

The Company invests funds in loans made through a peer-to-peer lending platform operated by a related party. There are several risks related to investing in the Platform. These, in general terms, are:

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

Finance Direct mitigates the 'borrower default' risks of using the Platform by lending over multiple loans (it diversifies its exposure) and does not lend to any related party.

Recently a competitor of Lending Crowd Limited has been advised that the Commerce Commission is challenging their fee structures. The case brings uncertainty to the peer-to-peer lending industry as a whole and could create yet unknown consequences for Finance Direct, including the loss of ability for Finance Direct to originate further loans by using the Platform.

Operational risk

Due to our size we do not have internal IT personnel but rely on third parties to effectively manage technological infrastructure. We also rely on a financial software programme from an external provider which is not designed specifically for Finance Direct. The fact that we do not have our own internal IT personnel may, in circumstances where third party providers default in the performance of their obligations, result in a loss of information or delays in recovering loan payments or meeting our obligations to Stockholders. This may increase the risk of default on our payment obligations under the Debenture Stock. This risk is managed by the Company's data disaster recovery plans that include that all information is reliably backed up with reputable IT suppliers.

Another operational risk is a staff mistake or fraud. Given we are not a large organisation, our staff are often responsible for a number of areas within the Company and its subsidiary company Lending Crowd Limited. This may increase the likelihood of errors. To mitigate this risk, we apply internal control procedures including, where possible, separation of duties, external monthly accountant reconciliations and 6 monthly audits by an approved auditor.

Regulatory risk

The Company is subject to a number of regulatory requirements. Due to the fact that Lending Crowd Limited (a subsidiary, and a related party, of the Company) operates a licenced peer-to-peer service, the Company is indirectly subject to a higher level of compliance and regulatory requirements compared to other non-bank deposit takers. These requirements involve substantial human resources to ensure on-going compliance (as noted under 'Operational risk' above, our staff are often also responsible for operational matters that relate to our subsidiary Lending Crowd Limited). Given we are not a large organisation, there may be an increased risk that we do not comply fully with all of the regulatory requirements which apply to us. This might result in us being fined or sanctioned by either the Reserve Bank of New Zealand, Financial Markets Authority or other regulatory body, and we could suffer damage to our reputation as a result. This could disrupt the business operations and profitability and significantly increase the risk of default in our payment obligations under the Debenture Stock.

To mitigate these risks, we have internal control procedures and risk management policies. The Company also makes use of external specialists, including HLB Mann Judd for accounting matters and Minter Ellison Rudd Watts for legal matters.

Section 7 – Tax

An investment in Debenture Stock will have taxation consequences. The effect of taxation will vary according to each Investor's personal circumstances and there may be other tax consequences from acquiring or disposing of Debenture Stock that are not covered here on your individual circumstances. In particular, there may be different tax rules relating to you if you are a non-resident of New Zealand for tax purposes. Prospective Investors and Investors are encouraged to obtain independent professional advice on their personal tax circumstances and the possible effect on their personal tax circumstances of being an Investor of the Company.

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

Under the Income Tax Act 2007, the applicable RWT rates for individuals (including corporate trustees) are 10.5%, 17.5%, 30%, 33% and 39%. For trustee Investors, the 10.5% rate is only available for a trustee of a testamentary trust. Where an individual or trustee Investor has not elected an applicable RWT rate, RWT will be deducted at a rate of 33%.

The rates for companies are 28%, 33%, and 39%. Where a company Investor has not elected an applicable RWT rate, RWT will be deducted at a rate of 28%.

In all cases, where no IRD number has been supplied by an Investor (regardless of whether the Investor is an individual, trustee or company), the Company must deduct RWT at the non-declaration rate of 45%. Non-resident withholding tax ("NRWT") will be deducted by the Company from interest paid to, or applied for, the benefit of an Investor who is not a tax resident of New Zealand unless the Investor holds secured deposits through a fixed establishment in New Zealand in which the Investor is engaged in business in New Zealand. The rates of NRWT deduction are currently 10% or 15% depending upon the Investor's country of residence.

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

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

Section 8 - Who is involved?

Who is involved?

	Name	Role
Issuer	Finance Direct Limited	Issuer of the Debenture Stock
Supervisor	Covenant Trustee Services Limited	Provides independent oversight of us in relation to the Debenture Stock.
Solicitor to the issuer	Minter Ellison Rudd Watts	Legal adviser to the issuer.

Section 9 - How to complain

We endeavour to maintain a very good relationship with all of our Investors. If you are unhappy with

the service you receive from us, please contact our Investment Officer, the contact details for whom are as follows:

Investment Officer
Finance Direct Limited
Freephone 0800 399 666
Telephone +64 9 529 5399
Facsimile +64 9 529 5509
Freefax 0800 104 200
Email investments@financedirect.co.nz

QB Studios, Level 2
206 Jervois Road
Herne Bay
Auckland
PO Box 46179, Herne Bay, Auckland 1147

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

General Manager
Covenant Trustee Services Limited
Freephone 0800 268 362
Telephone +64 9 302 0638
Facsimile +64 9 302 1037
Email team@covenant.co.nz
Level 6, 191 Queen Street, Auckland
PO Box 4243, Shortland Street, Auckland 1140

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

Financial Markets Authority

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

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

If the Company cannot agree on how to resolve your issue, you can refer the matter to FSCL. FSCL will not charge you a fee for investigating or resolving a complaint.

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

Complaint Investigation Officer
Financial Services Complaints Limited
Level 13, 45 Johnston Street PO Box 5967,

Lambton Quay Wellington 6145

Telephone: (Call Free) 0900 347 257 or (Wellington) (04) 472FSCL (472 3725) <http://www.fscl.org.nz>

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

Section 10 - Where you can find more information

Further information regarding the Company and the Debenture Stock is available free of charge on the Company's website at www.financedirect.co.nz and on the offer register (for example, financial statements) at www.business.govt.nz/disclose and can be obtained by request from the Registrar of Financial Service Providers at:

Financial Service Providers Register (FSPR)
Companies Office
Private Bag 92061
Victoria Street West
Auckland 1142

Section 11 - How to apply

To apply for Debenture Stock, you need to complete an application form and submit it to us. An application form is attached to this PDS and an online version can be found at www.financedirect.co.nz

Section 12 - Contact information

Finance Direct

QB Studios, Level 2
206 Jervois Road
Herne Bay
Auckland
1011
Freephone 0800 399 666
Telephone +64 9 529 5399
Facsimile +64 9 529 5509
Freefax 0800 104 200
Email sales@financedirect.co.nz
PO Box 46179, Herne Bay, Auckland 1147

Glossary

“Aggregate Related Party Exposures” means the aggregate of exposures of the Charging Group to related parties calculated in accordance with NBDT Regulations 24 to 27;

"Board" means the Board of Directors of the Company.

"Capital" means the capital of the Company calculated in accordance with NBDT Regulation 10.

"the Company", "Finance Direct", "we", "us", "our" means Finance Direct Limited.

"Charging Group", "Borrowing Group" and "Group" means the Company and its Charging Subsidiaries (if any) as the context requires.

“Charging Group Member” means each member of the Charging Group.

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

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

"Directors" and "Board" means the Board of Directors for the time being of the Company.

"Investment" means the subscription for Debenture Stock in accordance with the terms of this PDS and the Trust Deed.

"Investor" means a Stockholder.

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

“Market Valuation” means:

- (a) in relation to Real Property, the amount of a valuation thereof made at any time within twelve months (or such shorter period as the Supervisor directs pursuant to the Trust Deed) of the date at which the same falls to be determined hereunder by a member of the New Zealand Institute of Valuers chosen by the Company and approved by the Supervisor.
- (b) in relation to shares or other equity securities or units in any company, unit trust or other person which are listed on a recognised securities exchange, the weighted average sale price over the previous 5 days on which the shares were traded, and in relation to unlisted shares or other equity securities or units in any company, unit trust or other person, the net tangible asset backing of those shares, equity securities or units.

"NBDT Act" means the Non-Bank Deposit Takers Act 2013.

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

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

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

"PDS" means this Product Disclosure Statement.

"Personal Property" means, in relation to any company, all of its present and after-acquired personal property.

"Platform" means the peer-to-peer lending platform operated by Lending Crowd Limited.

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

"Register" means the register or registers of the Stock to be kept pursuant to the Trust Deed.

"Secured Indebtedness" means all moneys payable on the Debenture Stock and all other moneys payable to or at the direction of the Supervisor or to any Stockholder under or pursuant to the Trust Deed or the terms of issue of the Debenture Stock.

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

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

"Supervisor" means Covenant Trustee Services Limited.

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

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

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

"Total Liabilities" means, at any time, the aggregate of:

- (a) the amounts of all liabilities of the Charging Group as would be disclosed in a statement of financial position if a statement of financial position was then prepared;
 - (b) Total Contingent Liabilities; and
 - (c) the amount payable on redemption of redeemable shares
- but does not include the principal amount of subordinated debt or convertible notes.

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

- (a) 80% of the market value, as determined by the latest Market Valuation, of any Real Property and shares or other equity securities or units in any company, unit trust or other person; and
- (b) the book values of all other Tangible Assets of the Charging Group as would be disclosed in a statement of financial position if a statement of financial position was then prepared,

adjusted by excluding:

- (c) the book values of any Tangible Assets situated outside New Zealand in respect of which the Supervisor is not satisfied that there is a valid and effective security interest in favour of the Supervisor enforceable in accordance with the laws of the place where the relevant assets are situated; and
- (d) 15% of the principal amount of all development loans outstanding at that time.

"Trust Deed" means the deed entered into between the Company and the Supervisor dated 30 September 2004 as amended or supplemented from time to time.

"You/your" means the Investor.

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