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AVANTI | FINANCE

**2010 PROSPECTUS & INVESTMENT STATEMENT
SECURED DEBENTURE STOCK**

NPC# 14

- 5 OCT 2010

IMPORTANT INFORMATION

This Prospectus and Investment Statement has been prepared as at 27 September 2010

(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.¹

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 one 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.

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

¹ The wording above is required under Schedule 13 of the Securities Regulations 2009, which contemplates a separate "Prospectus" and "Investment Statement". For this offer, these two documents have been combined.

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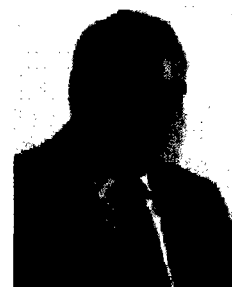
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DIRECTORS PROFILE

Stephen Eltringham M. Inst. D

CHAIRMAN

Steve has over 40 years of finance company experience and has an intimate knowledge of all aspects of finance company management, having spent many years at senior management, CEO and director level. Experience includes accounting, treasury, general manager of funds and planning plus director positions. He has an extensive background in lending, credit and finance company funding and provides a solid platform and wealth of experience and knowledge to the strategic management of the business. Steve has been with Avanti since its inception in 1989 and although he recently retired from the day to day management he takes an active interest at the strategic and board level.



Glenn Hawkins BCom, CA

CHIEF EXECUTIVE OFFICER

Glenn is a qualified accountant and a current member of the NZ Institute of Chartered Accountants and has over 24 years experience in the accounting and finance company sectors. He has an intimate knowledge of lending and credit management having written many of Avanti's earlier loans. He is responsible for the ongoing development of the business as well as maintaining the lending and credit standards and staff development for Avanti. As CEO, Glenn is actively involved in the day to day management of Avanti, works closely with his senior management team and is leading the overall strategic development and management of risks for the business. Glenn has been with Avanti since its inception in 1989.



INDEPENDENT DIRECTOR

Paul Bravo

INDEPENDENT DIRECTOR

Paul is very experienced at senior management, CEO and director level with over 35 years of finance and banking experience collectively in New Zealand, Australia and the United Kingdom. He brings a broad depth of industry knowledge to our board and contributes actively in the strategic development and governance of the business. Paul joined Avanti in 2007.



SENIOR MANAGEMENT PROFILE

Wayne Lockwood BCom, CA

CHIEF FINANCIAL OFFICER

Wayne has over 26 years finance experience within a range of New Zealand owned and multinational organisations. For the 15 years prior to joining Avanti he held senior financial roles in the finance, vehicle leasing and credit card industries with key responsibilities including accounting, credit management, treasury and systems development. He has a detailed understanding of Avanti and his responsibilities include managing all aspects of accounting, liquidity, administration, and IT within a small team. Wayne works closely with the CEO and is involved in all Board discussions and is jointly responsible for risk management. Wayne has been with Avanti since 2005.



Stephen Massey

LENDING MANAGER

Steve has been in the finance industry for over 15 years with previous experience in business, product development and sales management. He has built up a team of experienced lenders and has a very clear understanding of our client base and strategy. Steve is responsible for the ongoing lending and training of his staff and brokers. He works closely with the CEO in developing the overall lending strategy for Avanti. Steve has been with Avanti since 2003.

Sally Keery

CREDIT MANAGER

Sally has over 30 years finance experience from a broad range of companies within New Zealand. She has held senior lending, collection and management roles and is very involved in the development of her credit team through close management to ensure we continue to monitor individual accounts and understand ongoing trends. Sally has a strong working relationship with the CEO and Lending Manager and has been with Avanti since 2001.

CHIEF EXECUTIVE REPORT

Welcome to Avanti Finance Limited (Avanti).

Background

Avanti is a wholly-owned subsidiary of G&S Investments Limited (G&S) a private company owned and controlled by trusts associated with two of Avanti's Directors, Stephen Eltringham and Glenn Hawkins. G&S also owns 100% of Galatos Finance Limited (Galatos), a company that contributes to Avanti's business by acquiring loans from Avanti (see below). Neither G&S or Galatos guarantees the securities offered under this prospectus and investment statement. However, from October 2010 this relationship will change in that Galatos will become a guarantor of these securities (refer to page 6 for further details).

Avanti

Avanti was incorporated in 1994 by Stephen Eltringham and Glenn Hawkins. Glenn is very much involved in the daily operation and together Steve and Glenn are both committed to the strategic planning of the business. Steve is Avanti's Chairman.

We have been borrowing funds under our Trust Deed since 1994 to fund loan advances. Our traditional lending focus is about finding a satisfactory solution for the client. Typically this is by way of personal loans to individuals but can include short-term residential mortgages and some business loans. Security is usually taken for loans and usually comprises first charges over motor vehicles or first or second mortgages over residential property.

Avanti has been in business for over 16 years, quite a milestone given what has happened to many others in recent years. The year to March 2010 was another steady year for Avanti. Our Loan Portfolio has remained at around \$33.0m and profitability has held at the same level as the previous year. Despite the flat economic environment we continue to lend to acceptable clients with less competition. However, we are expecting tough conditions to continue throughout this year.

We have spent considerable effort over the past four years on internal compliance and risk management to meet the increasing requirements of many interested parties. We monitor closely our lending approvals and volumes and the regular cash flow from our portfolio in order to ensure our liquidity remains well in control at all times.

In October 2008, Avanti applied and was accepted under the Crown Guarantee scheme. So long as Avanti complies with its terms the Guarantee applies to deposits whilst Avanti is a participant in the scheme which become due and payable prior to 12 October 2010 (subject to certain exceptions). However, Avanti's Crown Guarantee expires on 12 October 2010.

In 2009 the Company obtained a BB- rating from Standard & Poors Rating Services. Recently this has been reaffirmed at BB-. Standard & Poor's base this rating on an independent review and analysis of the Company which includes a review of the Company's ownership, management and governance structures, loan book, credit quality, level of appropriate diversification, competencies and lending procedures. A full copy of this report is available from Standard & Poors. For further details see "Rating" on page 11. To be eligible for the Crown Guarantee Extension we would have needed a minimum rating of BB. With a BB- we were not eligible. Hence, Avanti will not have a Crown Guarantee after the expiry of its existing Crown Guarantee on 12 October 2010.

Our approach to the expiry of the Crown Guarantee has been to operate on the basis that we don't have it and seek to maximise the amount of our new deposits that mature outside of the current guarantee period. In the two years to 31 March 2010 and the five months to 31 August 2010 our reinvestment rate has remained over 80%. All Avanti's Debentures now mature after the expiry of Avanti's Crown Guarantee on 12 October 2010.

We would like to thank our debenture investors for your overwhelming support for many years in the face of many difficulties faced by the finance industry and your continuing support despite the expiry of the Crown Guarantee.

Galatos

Galatos is an important contributor to the business as it purchases loans from Avanti, funded by its own bank facility. This arrangement has been in place since 1996 and continues to be very important to the overall development of our business and the steady growth in loan advances and assists Directors in terms of liquidity management.

Galatos has a banking facility with the ANZ National Bank. The facility has been in place since 1996 and the facility limit is presently \$30 million. The facility is currently drawn to around \$24.5m. On 1 August 2009 we successfully negotiated to have this facility (previously on demand) become a term facility expiring on 31 July 2010. Following our recent review, the Bank has agreed to extend the facility for a further 2 years to 1 August 2012 and more recently agreed to increase our facility to \$40.0m. We think that this is very positive given the current environment finance companies face in trying to secure bank finance.

Avanti to purchase Galatos

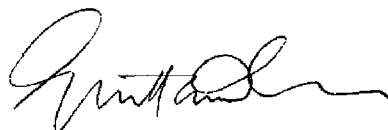
Avanti intends to purchase the shares in Galatos from G&S at net asset value (anticipated to be \$13.8m) in October 2010 in exchange for shares in Avanti, issued at net asset value. On completion of this purchase (**Galatos Purchase**), Galatos will become a wholly owned subsidiary of Avanti. However, we intend to continue with business as usual after the Galatos Purchase. In particular, the arrangement between Avanti and Galatos for the sale and purchase of loans will continue.

On completion of the Galatos Purchase, Avanti will continue to borrow under its Trust Deed, and Galatos will continue to borrow from ANZ National Bank. As a result of becoming a wholly owned subsidiary of Avanti, Galatos will become a guarantor of the securities offered under this Prospectus and Investment Statement, and grant a charge in favour of the Trustee to support that guarantee. However, this charge will rank behind the existing general security agreement granted by Galatos in favour of its Bank (which shall have priority for all moneys outstanding to the Bank from time to time). The Bank will not take any security over Avanti as a result of the Galatos Purchase. Therefore, following the Galatos Purchase, the funding arrangements for Avanti and Galatos will remain substantially as they are now. All approvals required from the Trustee and the Bank to implement this transaction have been obtained.

The primary reason for the Galatos Purchase is to simplify the G&S Group structure, so that Avanti and Galatos become parent and subsidiary, rather than sister companies as they are now.

The past year has seen further consolidation in the finance sector and this is likely to continue until the government guarantee is finally removed. We do believe that the current regulatory changes in relation to finance companies are good for the industry and reflect for many how directors should have operated anyhow. We continue to invest considerable effort on internal compliance and risk management to meet the increasing requirements and to ensure our management team and board continue to understand our business.

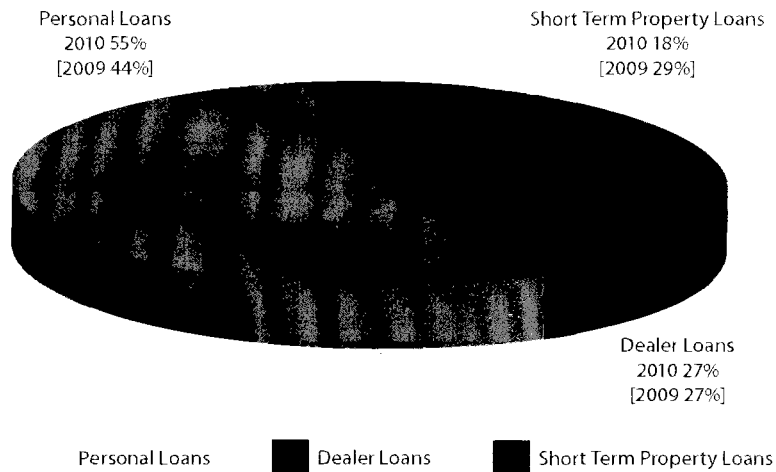
For the year ahead, despite the flat economic environment, we are lending to acceptable clients with less competition. We are expecting tough conditions to continue but believe there are good opportunities for us. Our focus is on cash flow, maintaining interest margin and managing the market risks. Our lending will continue to be primarily principal and interest loans to individuals. These provide us with strong cash flow and a broader client base. We will continue to hold higher equity levels than required as we build our book steadily.



Glenn Hawkins
Chief Executive
September 2010

Net Receivables by Loan Type

AS AT 31 MARCH 2010



Note;

- Personal loans and Dealer loans require repayments of principal and interest on a regular basis. Generally the term of these loans ranges between 3 and 5 years, with the loan being fully repaid over that period.
 - Personal Loans are usually for amounts ranging from \$1,000 to \$50,000. They are typically secured by a first charge over motor vehicles or first or second mortgages over residential property. In some instances we provide smaller personal loans to approved individuals without a vehicle or property as security.
 - Dealer loans are personal loans to individuals typically between \$5,000 and \$30,000 to finance the purchase of a motor vehicle. These loans are all secured by a first charge against the purchased vehicle but can sometimes also be secured over an additional vehicle or property.
- Short Term Property Loans range from \$50,000 to \$500,000 and are made to purchase or refinance residential property. Security is either a first or second mortgage over the property. The debtor repays interest only on a regular basis or interest is partially capitalised during the term of the loan. In limited circumstances interest can be fully capitalised and repayable at the end of the loan.

DEBENTURE STOCK OFFER

This Prospectus is dated 27 September 2010 and is for Secured Debenture Stock of Avanti Finance Limited up to a maximum amount of \$25,000,000. The proceeds of the issue will provide funds for the continual development of the Company's finance business activities. The issue will remain open until subscribed in full unless closed sooner by the Directors. As at 31 March 2010 there was \$19,222,000 of Secured Debenture Stock on issue (which ranks equally with all further Secured Debenture Stock issued under this Prospectus).

The Secured Debenture Stock is secured by a Debenture Trust Deed dated 30 November 1994 (the Trust Deed). The Trustee appointed to represent the holders of Secured Debenture Stock is Covenant Trustee Company Limited. The Trustee does not guarantee repayment of the Secured Debenture Stock or payment of interest.

Upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under the Trust Deed, meaning that it will be a guarantor of the securities offered under this Prospectus, however, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority for all moneys outstanding to the Bank from time to time.

Listing of the Secured Debenture Stock on any market operated by New Zealand Exchange Limited is not being sought.

INVESTMENT STATEMENT – IMPORTANT NOTES

This offer document also includes an Investment Statement for the purposes of the Securities Act 1978 and the Securities Regulations 2009. It has been prepared as at 27 September 2010. The Investment Statement is set out on the inside cover and on pages 66 - 84 of this offer document.

The purpose of the Investment Statement is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to invest in the Secured Debenture Stock and to bring to the attention of prospective investors the fact that other important information about the Secured Debenture Stock is available. Further copies of this offer document may be obtained free of charge from Avanti Finance Limited.

This offer document is intended for use only in connection with the offer in New Zealand. It is not to be sent or given to any person outside New Zealand in circumstances in which the offer of Secured Debenture Stock or the distribution or use of this offer document would be unlawful.

REGISTRATION OF PROSPECTUS

A copy of this Prospectus dated 27 September 2010, duly signed and having attached to it the auditors consent together with copies of the authorities for agent to sign prospectus, as required by section 41 of the Securities Act 1978 and Regulation 18 of the Securities Regulations 2009, was delivered for registration to the District Registrar of Companies at Auckland.

REPRESENTATIONS AND TERMS

No person is authorised to make any representations regarding Avanti Finance Limited other than as contained in this Prospectus and Investment Statement. If any other information or representation is given or made, such information or representation must not be relied upon as accurate or having been authorised by or on behalf of Avanti Finance Limited or any of its Directors.

All terms with capitalised first letters, which are not defined in this Prospectus, are defined in the Trust Deed entered into between Avanti Finance Limited and Covenant Trustee Company Limited dated 30 November 1994.

BUSINESS ACTIVITIES

The Company's principal activity has been to provide finance primarily to individuals but also to companies and other entities in the course of its business as a finance company.

Lending activities are split into two main areas of business - Personal and Dealer Loans and Short-Term Property Loans. See graph on page 7.

Personal loans and Dealer loans are usually for amounts ranging from \$1,000 to \$50,000. Loan periods vary, but typically the maximum term is 5 years. Loan terms require regular payments of principal and interest. Personal loans are typically secured by first charges over motor vehicles or by first or second mortgages over residential property. However, in some instances the company provides smaller personal loans to approved individuals without a vehicle or property as security. Dealer loans are secured by a first ranking security interest over the motor vehicle being purchased but can sometimes be secured over an additional motor vehicle or property.

The Company's loans comprise a mix of new loans and loans that the Company has agreed to roll over. The Company varies or extends loans each month and expects that at any time approximately one-third of its principal and interest loans (by number), and approximately one-third of the principal and interest loans (by number) for Galatos, will be loans that have been varied or extended ie rolled over (for more detail in relation to the Company, see page 36 and 37 and for Galatos see page 55 and see also pages 70 and 72.

We also provide Short-Term Property Loans for amounts ranging from \$50,000 to \$500,000. These loans are normally secured by way of first or second mortgage over residential property. For these loans the term of the loan is typically less than one year. Payments of interest are generally required but in some circumstances we may capitalise part of the interest. In more limited circumstances, and provided we have adequate security, we may capitalise all of the interest and make it repayable at the end of the term of the loan.

COMPANY STRUCTURE

Short term property loans may be rolled over or extended at the end of their term. As at 31 March 2010, approximately 45% for the Company (and approximately 60% for Galatos) of short term property loans (by value) are loans that have been extended or rolled. Before a short term property loan is rolled over the Company will assess the customer's capacity to make ongoing monthly payments at an acceptable level, the current "loan to security value" position, and any customer commitments to selling the secured property (for more detail in relation to the Company, see pages 36 and 37, and for Galatos see page 55, and see also pages 70 and 72).

As at 31 March 2010 the Company had net receivables from customers of \$32.1 million spread over 3,936 loans representing an average balance of \$8,155. This represents a broad spread of risk on account of the large number and small balances of loan transactions (3,883 Principal and Interest loans averaging \$6,795 and 53 Short-Term Property Loans averaging \$108,396).

A large proportion of this financing is for customers whose personal lending and finance needs are not adequately catered for by trading banks and/or because of the specific nature of the borrowing requirement.

All of Avanti Finance Limited's lending is approved and documented through its head office located at Ellerslie, Auckland. Finance is provided to customers that either originate directly or are referred from Avanti Finance Limited's nationwide relationships with finance and mortgage brokers.

Avanti is a profit oriented entity incorporated and domiciled in New Zealand. Avanti Finance Limited is a company registered under the Companies Act 1993 (company number 659638) and is an issuer in terms of the Securities Act 1978. The address of its registered office is Level Two, Building B, 65 Main Highway, Ellerslie, Auckland.

Avanti Finance Limited is a wholly-owned subsidiary of G&S Investments Limited, a private company controlled by trusts associated with Stephen Eltringham and Glenn Hawkins. In September 2007 Paul Bravo was appointed as an independent director. G&S Investments Limited does not guarantee the securities offered under this Prospectus and Investment Statement.

Avanti Finance Limited has operated under its existing Trust Deed since 1994.

Galatos Finance Limited, a sister company of Avanti that is also a 100% subsidiary of G&S Investments Limited, purchases eligible loans from Avanti at face-value for cash. The purchase of these loans is funded by funds drawn under a bank facility that Galatos has had in place since 1996. If called upon by Avanti, Galatos is obliged to purchase up to \$1.0m of loans from Avanti each month, provided that the liability Galatos has under this call option at any time cannot exceed the undrawn amount that Galatos has under its Bank facility. Galatos has no recourse to Avanti for the loans it purchases from Avanti. Avanti manages the loans that Galatos purchases from Avanti to maturity as part of Avanti's ordinary business and charges Galatos accordingly.

As at 1 September 2010 the facility limit Galatos has with ANZ National Bank was \$30.0m and was drawn to \$24.5m, giving an un-drawn amount on this facility of \$5.5m. Recently the Bank agreed to increase this facility to \$40.0 million. This facility has allowed Galatos to provide Avanti with strong funding support and has complemented the funding provided under our Trust Deed.

Avanti to purchase Galatos

Avanti intends to purchase the shares in Galatos from G&S at net asset value in October 2010 in exchange for shares in Avanti, issued at net asset value. On completion of this purchase (**Galatos Purchase**), Galatos will become a wholly owned subsidiary of Avanti. However, we intend to continue with business as usual after the Galatos Purchase. In particular, the arrangement between Avanti and Galatos for the sale and purchase of loans will continue.

On completion of the Galatos Purchase, Avanti will continue to borrow under its Trust Deed, and Galatos will continue to borrow from its Bank. As a result of becoming a wholly owned subsidiary of Avanti, Galatos will become a guarantor of the securities offered under this Prospectus and Investment Statement, and grant a charge in favour of the Trustee to support that guarantee. However, this charge will rank behind the existing general security agreement granted by Galatos in favour of its Bank (which shall have priority for all moneys outstanding to the Bank from time to time).

RELATED PARTY ACTIVITY - GROUP FUNDING

DETAILS OF ISSUE

The Bank will not take any security over Avanti as a result of the Galatos Purchase. Therefore, following the Galatos Purchase, the funding arrangements for Avanti and Galatos will remain substantially as they are now.

The primary reason for the Galatos Purchase is to simplify the G&S Group structure, so that Avanti and Galatos become parent and subsidiary, rather than sister companies as they are now.

This Prospectus is dated 27 September 2010 and offers for subscription up to a maximum amount of \$25,000,000 Secured Debenture Stock (**Secured Debenture Stock**) of Avanti Finance Limited (**the Company**). The proceeds of the issue will provide funds for the ongoing development of the Company's business. The issue will remain open until subscribed in full unless closed sooner by the Directors.

A copy of this Prospectus, duly signed, has been delivered for registration to the Registrar of Companies at Auckland.

DETAILS OF INCORPORATION OF THE COMPANY

The issuer of the Secured Debenture Stock is Avanti Finance Limited whose registered office is at Level 2, Building B, 65 Main Highway, Ellerslie, Auckland.

Avanti Finance Limited was incorporated and registered at Auckland on 30 November 1994 (Company No: 659638) under the provisions of the Companies Act 1993. The public file in respect of the Company can be viewed on the Companies Office website at www.companies.govt.nz.

ISSUE OF STOCK

The Secured Debenture Stock offered under this Prospectus is Secured Debenture Stock in the Company constituted under a Secured Debenture Stock Trust Deed dated 30 November 1994 (**the Trust Deed**) between the Company and Covenant Trustee Company Limited (**the Trustee**). The Secured Debenture Stock is secured by a security interest over all the Company's assets that ranks subject only to certain Prior Charges as defined and permitted by the Trust Deed, and any other payments that are preferred by operation of law.

The Trustee acts on behalf of all holders of Secured Debenture Stock. Details of the Trust Deed are set out on pages 62 - 64.

The maximum amount of Secured Debenture Stock available for subscription is \$25,000,000.

RANKING OF STOCK

As at 31 March 2010 (being the date of the latest audited accounts included in this Prospectus), and as at the date of this Prospectus, there are no security interests which rank ahead of the Secured Debenture Stock.

The Secured Debenture Stock of this issue will rank equally amongst themselves and equally with all Secured Debenture Stock issued by the Company previously or in the future, as far as security over the assets and undertaking of the Company is concerned.

As at 31 March 2010 there was \$19,222,000 of Secured Debenture Stock issued by the Company outstanding.

GUARANTORS

There are no guaranteeing subsidiaries.

However, upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under the Trust Deed, meaning that it will be a guarantor of the securities offered under this Prospectus, however, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority for all moneys outstanding to the Bank from time to time.

Avanti Finance currently also has the benefit of a Crown guarantee under the New Zealand deposit guarantee scheme. Further information about the deposit guarantee scheme is available, free of charge, and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury (which is currently www.treasury.govt.nz). The most recent audited statement of financial position of the Crown is available, free of charge, and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury (which is currently www.treasury.govt.nz). However, Avanti's Crown guarantee expires on 12 October 2010, and Avanti is not eligible to participate in the extended Crown Guarantee Scheme as the minimum credit rating required to participate in the extended scheme is BB whereas Avanti's credit rating is BB-.

Our approach to the expiry of the Crown Guarantee has been to operate on the basis that we don't have it and seek to maximise the amount of our new deposits that mature outside of the current guarantee period. In the two years to 31 March 2010 and the five months to 31 August 2010 our reinvestment rate has remained over 80%.

All Avanti's Debentures now mature after the expiry of Avanti's Crown Guarantee on 12 October 2010.

RATING

The Company has a BB- rating from Standard & Poor's Rating Services.

Standard & Poor's base this rating on an independent review and analysis of the Company which includes a review of the Company's ownership, management and governance structures, loan book, credit quality, level of appropriate diversification, competencies and lending procedures. Standard & Poor's ratings range from AAA (extremely strong) to CC (highly vulnerable). Companies which achieve a rating of BBB- or above are considered "investment grade". Companies which attain BB+ or below are regarded as "speculative grade". A full copy of Standard & Poor's ratings can be found at www.standardpoors.com.

The Company's BB- credit rating means that Avanti is not eligible to participate in the extended Crown Guarantee Scheme (the minimum required is BB).

APPLICATIONS FOR INVESTMENT

Applications for Secured Debenture Stock must be for a minimum of \$10,000 in face value of Secured Debenture Stock and thereafter in multiples of \$5,000 or such other minimum and multiples as the Company from time to time agrees. Interest rates and terms of investment are set out in the rate chart distributed with this Prospectus and Investment Statement or as otherwise agreed with any Secured Debenture Stockholder.

An application form is attached to the end of this document. You need to select the term, interest rate and method for payment when completing the form.

Please remember to complete all details, including your IRD number and resident withholding tax details. Complete the application form and attach your cheque payable to: Avanti Finance Limited and post to Private Bag 11917, Ellerslie, Auckland 1542.

INVESTMENT CERTIFICATES

The Stockholder will be issued with a certificate evidencing the investment made and the terms under which the Stock is held.

INTEREST RATES

Interest rates on Secured Debenture Stock are determined by Avanti after considering the prevailing market interest rates for investments of a similar type and term and are set out in a rate chart available from Avanti from time to time, or as otherwise agreed with Avanti.

CHOICE OF INTEREST PAYMENT OPTIONS

Avanti pays interest on your investment from the date you make your deposit with the Company until your investment is repaid.

Interest is calculated daily and payable quarterly on the last business days of March, June, September and December. You can choose to receive your interest in one of two ways:

Compound

By choosing to have us automatically reinvest your quarterly interest. This allows you to receive interest on interest. If you choose to compound your interest, but later change your mind, we will be happy to make the change so that you receive quarterly payments. If you choose to compound your interest you will still receive a Quarterly Interest Advice Notice.

Direct Credit

By choosing this option, we will direct credit to your bank account every quarter the interest earned on your investment and send you a Quarterly Interest Advice Notice to show details of the interest banked to your account.

IMPORTANT INFORMATION

Investment decisions are very important. They often have long-term consequences. Investing involves balancing reward and risk. Achieving good returns is important, but more important is the repayment of your investment. It is important that you make an informed investment decision.

Please make sure that you read this Investment Statement before making your decision. Think about the term, the interest rate, and the method for payment of interest that is best for you. Feel free to call us to discuss the options we have available. Our freephone number is 0800 800 107.

Read all documents carefully. Ask questions. Seek advice before committing yourself.

WITHHOLDING TAX

The Company is required by law to deduct withholding tax from all interest payable to investors, whether paid or credited to the principal, unless an exemption certificate is provided. In April each year we will send you a certificate detailing the interest you have earned and the withholding tax deducted on all your investments with the Company during the year to 31 March.

REPAYMENT OF YOUR INVESTMENT

Avanti will repay your investment, together with any interest then due, on the maturity date.

You need to present your Secured Debenture Stock Certificate to the Company in order for repayment to be made.

Approximately two weeks before the maturity date, we will mail you a notice advising you that your investment is about to mature. In that notice we will advise you of the investment terms and interest rates then available. You will then have the choice of reinvesting the funds for a further period or instructing us to repay the investment.

If we do not receive any instructions then we will reinvest the funds on the same basis as the original investment. That means for the same period and on the same repayment terms. Interest on funds that are reinvested will be paid at the rate that applies to the relevant term at the relevant time.

BROKERAGE

Brokerage on applications for Stock accepted by the Company is not payable by the investor. Brokerage will be paid monthly by the Company in respect of applications accepted bearing the stamp of an approved broker of the Company at the following rates (unless otherwise agreed);

1 year	0.5%
2 years	1.0%
3 years	1.5%

Brokerage is also payable on re-investments received direct from an investor where a broker introduced the original investment.

LISTING

The Listing of the debenture stock is not being sought on the New Zealand Stock Exchange.

OTHER TERMS OF OFFER AND SECURITIES

There are no terms of the offer not contained in this Prospectus or the Secured Debenture Stock to be issued pursuant to this Prospectus other than those implied by law or set out in a document that is registered with a public official and available for public inspection.

**AVANTI FINANCE
LIMITED**

**SUMMARY
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
31 MARCH 2010

	NZIFRS Mar-10	NZIFRS Mar-09	NZIFRS Mar-08	NZIFRS Mar-07	Previous GAAP Mar-07	Previous GAAP Mar-006
	\$000	\$000	\$000	\$000	\$000	\$000
STATEMENT OF COMPREHENSIVE INCOME						
Total operating revenues	12,817	12,278	12,259	12,798	12,531	12,023
Finance costs	2,384	2,592	2,695	2,700	2,700	2,736
Income tax expense	704	652	691	941	1,013	1,038
Net profit after tax	1,604	1,233	1,201	1,867	1,642	1,812
Total comprehensive income	1,604	1,233	1,201	1,867	1,642	1,812

STATEMENT OF CHANGES IN EQUITY

Total Equity at start of year	12,185	11,627	12,201	10,834	10,421	9,059
Issue of shares	0	0	0	0	0	0
Dividend	-800	-675	-1,775	-500	-500	-450
Total comprehensive income for the year	1,604	1,233	1,201	1,867	1,642	1,812
Total equity at end of year	12,989	12,185	11,627	12,201	11,563	10,421

Total equity at end of year consists of:

Share capital	9,029	9,029	9,029	9,029	9,029	9,029
Retained earnings	3,960	3,156	2,598	3,172	2,534	1,392

STATEMENT OF FINANCIAL POSITION

Cash and sundry receivables	638	340	97	212	177	996
Loan receivables	32,130	32,780	33,044	33,503	33,868	31,845
Other assets	1,127	1,589	1,845	1,678	843	1,011
Total Assets	33,895	34,709	34,986	35,393	34,888	33,852
Debenture stock	19,222	21,382	21,703	21,914	22,047	22,539
Other liabilities	1,684	1,142	1,656	1,278	1,278	892
Total Liabilities	20,906	22,524	23,359	23,192	23,325	23,431
Total Equity	12,989	12,185	11,627	12,201	11,563	10,421

STATEMENT OF CASH FLOWS

Net cash flows from operating activities	2,584	1,688	2,128	-372	2,974	3,056
Net cash flows from investing activities	-75	-149	-53	-38	-3,360	-3,513
Net cash flows from financing activities	-2,315	-1,302	-2,161	-409	-433	880
Net cash movement for the year	194	237	-86	-819	-819	423

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

The amounts stated in the summary financial statements are for Avanti Finance Limited ("Avanti Finance") and have been taken from the full audited financial statements for the years ended 31st March 2006 to 31st March 2010.

The summary financial statements are presented in New Zealand Dollars and all values are rounded to the nearest one thousand dollars (\$000).

The above summary financial statements were authorised for issue in accordance with a resolution of the directors on 27 September 2010.

The directors at the relevant times have previously authorised the issue of full financial statements as follows:

- a) Year ended 31 March 2010: Authorised by the directors on 15 June 2010
- b) Year ended 31 March 2009: Authorised by the directors on 11 June 2009
- c) Year ended 31 March 2008: Authorised by the directors on 27 June 2008
- d) Year ended 31 March 2007: Authorised by the directors on 29 June 2007
- e) Year ended 31 March 2006: Authorised by the directors on 15 June 2006.

The full financial statements, from which these summary financial statements were extracted, have been prepared in accordance with NZGAAP and comply with NZIFRS, and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities for the years ended 31 March 2008 to 31 March 2010. The 31 March 2006 and 31 March 2007 financial years were prepared under the applicable NZ GAAP at the time Avanti Finance has made an explicit and unreserved statement of compliance with IFRS in its full financial statements for the years ended 31 March 2008 to 31 March 2010.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

For a copy of the full financial statements please refer to pages 18 to 39 of this Prospectus.

There are no abnormal items that derive from the ordinary activities of Avanti Finance.

There are no extraordinary items that derive from the ordinary activities of Avanti Finance.

The full financial statements have been audited by PKF Ross Melville Audit. The audit reports for the full financial statements for the years ended 31 March 2006 to 31 March 2010 include unqualified audit opinions. The Auditors Report on the financial statements for the year ended 31 March 2010 (and 31 March 2009) includes a "Matter of Uncertainty" explanatory paragraph (see page 39).

There were no changes in the accounting policies affecting the prior period other than the transition to NZ IFRS in 2007 and the application of new accounting standards as they were issued and became effective.

The summary financial statements are in compliance with FRS 43.

**ACQUISITION
OF BUSINESS OR
SUBSIDIARY**

**GALATOS
FINANCE LIMITED**

**SUMMARY
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
31 MARCH 2010

	NZIFRS Mar-10 \$000	NZIFRS Mar-09 \$000	NZIFRS Mar-08 \$000	NZIFRS Mar-07 \$000	Previous GAAP Mar-07 \$000	Previous GAAP Mar-006 \$000
STATEMENT OF COMPREHENSIVE INCOME						
Total operating revenues	10,100	10,324	9,666	8,778	8,780	8,468
Finance costs	1,936	2,808	2,741	2,092	2,092	1,853
Income tax expense	989	954	980	1,226	1,295	1,600
Net profit after tax	2,308	2,227	1,878	2,490	2,526	3,020
Total comprehensive income	2,308	2,227	1,878	2,490	2,526	3,020
STATEMENT OF CHANGES IN EQUITY						
Total Equity at start of year	12,298	11,146	10,218	10,178	10,225	8,655
Issue of shares	0	0	0	0	0	0
Dividend	-1,370	-1,075	-950	-2,450	-2,450	-1,450
Total comprehensive income for the year	2,308	2,227	1,878	2,490	2,526	3,020
Total equity at end of year	13,236	12,298	11,146	10,218	10,301	10,225
<i>Total equity at end of year consists of:</i>						
Share capital	8,308	8,308	8,308	8,308	8,308	8,308
Retained earnings	4,928	3,990	2,838	1,910	1,993	1,917
STATEMENT OF FINANCIAL POSITION						
Loan receivables	36,189	39,454	37,790	32,504	32,871	31,851
Other assets	777	441	860	906	622	0
Total Assets	36,966	39,895	38,650	33,410	33,493	31,851
Bank borrowings	23,100	26,975	27,064	22,975	22,975	20,500
Other liabilities	630	622	440	217	217	1,126
Total Liabilities	23,730	27,597	27,504	23,192	23,192	21,626
Total Equity	13,236	12,298	11,146	10,218	10,301	10,225
STATEMENT OF CASH FLOWS						
Net cash flows from operating activities	5,510	680	-2,896	1,070	2,634	3,493
Net cash flows from investing activities	0	0	0	0	-1,564	-4,161
Net cash flows from financing activities	-5,510	-680	2,896	-1,070	-1,070	667
Net cash movement for the year	0	0	0	0	0	-1

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

The amounts stated in the summary financial statements are for Galatos Finance Limited ("Galatos Finance") and have been taken from the full audited financial statements for the years ended 31st March 2006 to 31st March 2010.

The summary financial statements are presented in New Zealand Dollars and all values are rounded to the nearest one thousand dollars (\$000).

The above summary financial statements were authorised for issue in accordance with a resolution of the directors on 27 September 2010.

The directors at the relevant times have previously authorised the issue of full financial statements as follows:

- a) Year ended 31 March 2010: Authorised by the directors on 15 June 2010
- b) Year ended 31 March 2009: Authorised by the directors on 11 June 2009
- c) Year ended 31 March 2008: Authorised by the directors on 27 June 2008
- d) Year ended 31 March 2007: Authorised by the directors on 29 June 2007
- e) Year ended 31 March 2006: Authorised by the directors on 15 June 2006

The full financial statements, from which these summary financial statements were extracted, have been prepared in accordance with NZGAAP and comply with NZIFRS, and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities for the years ended 31 March 2008 to 31 March 2010. The 31 March 2006 and 31 March 2007 financial years were prepared under the applicable NZ GAAP at the time Galatos Finance has made an explicit and unreserved statement of compliance with IFRS in its full financial statements for the years ended 31 March 2008 to 31 March 2010.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

For a copy of the full financial statements please refer to pages 41 to 57 of this Prospectus.

There are no abnormal items that derive from the ordinary activities of Galatos Finance.

There are no extraordinary items that derive from the ordinary activities of Galatos Finance.

The full financial statements have been audited by PKF Ross Melville Audit. The audit reports for the full financial statements for the years ended 31 March 2006 to 31 March 2010 include unqualified audit opinions. The Auditors Report on the financial statements for the year ended 31 March 2010 includes "Matters of Emphasis and Uncertainty" explanatory paragraphs (see page 57). In the years ended 31 March 2006, 2007, 2008 and 2009 the Auditors Report on the financial statements included the "Matter of Emphasis" explanatory paragraph set out on page 57.

There were no changes in the accounting policies affecting the prior period other than the transition to NZ IFRS in 2007 and the application of new accounting standards as they were issued and became effective.

The summary financial statements are in compliance with FRS 43.

**AVANTI FINANCE
LIMITED****INDEX TO
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31 MARCH 2010**INDEX OF FINANCIAL STATEMENTS**

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**AVANTI FINANCE
LIMITED**

**STATEMENT OF
COMPREHENSIVE
INCOME**

FOR THE YEAR ENDED
31ST MARCH 2010

	Notes	2010 \$000	2009 \$000
Interest income	1	5,753	5,574
Interest expense	2	2,384	2,592
Net interest income		3,369	2,982
Other income	3	7,064	6,704
Total operating income		10,433	9,686
Operating expenses	4	6,630	6,111
Impaired asset expenses	5	1,495	1,690
Operating surplus before income tax		2,308	1,885
Income tax	6	704	652
Net profit for the year and total comprehensive income		1,604	1,233

**AVANTI FINANCE
LIMITED**

**STATEMENT OF
CHANGES IN EQUITY**

FOR THE YEAR ENDED
31ST MARCH 2010

	Notes	Share Capital \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 April 2008	8,9	9,029	2,598	11,627
Comprehensive income	9	0	1,233	1,233
Shares issued		0	0	0
Dividends paid	9	0	(675)	(675)
Transactions with owners		0	(675)	(675)
Balance at 31 March 2009 and 1 April 2009	8,9	9,029	3,156	12,185
Comprehensive income	9	0	1,604	1,604
Shares issued		0	0	0
Dividends paid	9	0	(800)	(800)
Transactions with owners		0	(800)	(800)
Balance at 31 March 2010		9,029	3,960	12,989

Dividends paid represent 7.91 cents per share (2009: 6.68 cents)

The accompanying notes form part of these financial statements.

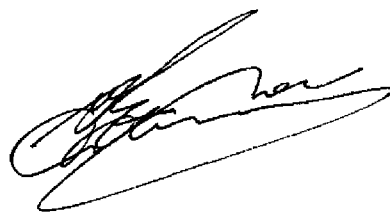
**AVANTI FINANCE
LIMITED**

**STATEMENT
OF FINANCIAL
POSITION**

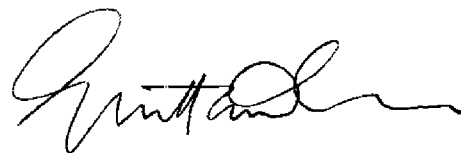
AS AT 31ST MARCH 2010

	Notes	2010 \$000	2009 \$000
Equity			
Share capital	8	9,029	9,029
Retained earnings	9	3,960	3,156
Total equity		<u>12,989</u>	<u>12,185</u>
Assets			
Cash and cash equivalents	10	522	328
Sundry receivables	11	116	12
Loan receivables	12	32,130	32,780
Related party receivables	24	0	362
Property, plant and equipment	15	352	344
Intangible assets	16	62	130
Deferred tax	19	713	753
Total assets		<u>33,895</u>	<u>34,709</u>
Liabilities			
Debenture stock	14	19,222	21,382
Trade payables and accruals	17	620	640
Income tax payable		309	68
Provisions	18	465	427
Related party payables	24	290	7
Total liabilities		<u>20,906</u>	<u>22,524</u>
Net assets		<u>12,989</u>	<u>12,185</u>

The Board of Directors of Avanti Finance Limited authorised these financial statements for issue on 15th June 2010.



Director



Director

The accompanying notes form part of these financial statements.

**AVANTI FINANCE
LIMITED**

**STATEMENT
OF CASH FLOWS**

FOR THE YEAR ENDED
31ST MARCH 2010

	2010 \$000	2009 \$000
Operating activities		
Cash was provided from:		
Customer loan interest	5,622	4,363
Other interest	11	8
Other income	7,049	7,123
	<u>12,682</u>	<u>11,494</u>
Cash was applied to:		
Loan receivables (net advances)	(935)	(223)
Interest paid: debenture stock	(2,399)	(2,290)
Payments to suppliers and employees	(6,341)	(6,843)
Income tax paid (net)	(423)	(450)
	<u>(10,098)</u>	<u>(9,806)</u>
Net cash inflows from operating activities	<u>2,584</u>	<u>1,688</u>
Investing activities		
Cash was provided from/(applied to):		
Net purchase of property, plant and equipment	(66)	(27)
Net purchase of software	(9)	(122)
Net cash outflows to investing activities	<u>(75)</u>	<u>(149)</u>
Financing activities		
Cash was provided from/(applied to):		
Net (decrease) in debenture stock	(2,160)	(321)
Net decrease/(increase) in related party balances	645	(306)
Dividend paid	(800)	(675)
Net cash outflows from financing activities	<u>(2,315)</u>	<u>(1,302)</u>
Net increase/(decrease) in cash held	194	237
Cash at beginning of year	328	91
Cash at end of year	<u>522</u>	<u>328</u>
Reconciliation with operating surplus		
Reported net profit after tax	1,604	1,233
Add/(deduct) non-cash items		
Amortisation of software	77	22
Depreciation expenses	57	69
Loss on disposal of property, plant and equipment	1	2
Movement in deferred tax	40	67
Impaired asset expenses	1,495	1,690
Provision for commission refunds	38	28
	<u>1,708</u>	<u>1,878</u>
Add/(deduct) movements in balance sheet items		
(Increase)/decrease in loan receivables	(845)	(1,426)
(Increase)/decrease in sundry receivables	(104)	(6)
(Decrease)/increase in trade payables and accruals	(20)	(126)
(Decrease)/Increase in income tax payable	241	135
	<u>(728)</u>	<u>(1,423)</u>
Net cash inflows from operating activities	<u>2,584</u>	<u>1,688</u>

The accompanying notes form part of these financial statements.

**AVANTI FINANCE
LIMITED**

**STATEMENT OF
ACCOUNTING
POLICIES**

FOR THE YEAR ENDED
31ST MARCH 2010

1. Summary of accounting policies

(a) Entity reporting

The financial statements are for Avanti Finance Limited, a separate legal entity.

The company is a profit oriented entity incorporated and domiciled in New Zealand. Avanti Finance Limited is a company registered under the Companies Act 1993 (company number 659638) and is an issuer in terms of the Securities Act 1978. The address of its registered office is Level Two, Building B, 65 Main Highway, Ellerslie, Auckland. The company provides financial services.

These financial statements have been approved for issue by the Board of Directors on 15th June 2010.

(b) Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other interpretations as appropriate for profit oriented entities.

Statutory base

The financial statements have been prepared in accordance with the requirements of the Securities Regulations 2009 and the Financial Reporting Act 1993.

Measurement base

The financial statements have been prepared on the historical cost basis. They are presented in New Zealand dollars, which is the company's functional currency rounded to units of one thousand (\$'000). To ensure consistency with the current period, comparative figures as at 31 March 2009 have been restated where appropriate.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have the most significant effect on the amounts recognised in these financial statements are as follows:

- Impairment losses on loan receivables: The company reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the loan portfolio. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly with the objective of reducing differences between impairment loss estimates and actual loss experience.
- Provisions for commission refunds: Refer to note 18

(c) Interest income and expense

Interest income and interest expense are recognised in the Statement of Comprehensive Income for financial assets and liabilities, measured at amortised cost using the effective interest method. The effective interest method allocates interest income or interest expense over the life of the contract, or when appropriate a shorter period, using the effective interest rate.

**AVANTI FINANCE
LIMITED**

**STATEMENT OF
ACCOUNTING
POLICIES (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

The effective interest rate is the discount rate at which the present value of the future cash flows equals the net carrying amount of the financial asset or liability. When calculating the effective interest rate the company estimates the future cash flows considering all the contractual terms of the contract but does not include future credit losses.

(d) Other income and expenses

Other income consists primarily of loan and credit related fee revenue including commissions earned on the sale of insurance.

Yield related fee revenue, together with the related direct cost, is amortised and recognised over the period of the customer loan on the effective interest rate basis. Fees not included in the effective interest calculation are recognised when the service is provided. Fees charged to customer accounts in arrears are recognised at the time the fee is charged.

Insurance commission receivable from insurers arising from the sale of loan insurance is immediately recognised in the Statement of Comprehensive Income. A provision is held in the Statement of Financial Position which reflects an estimate of insurance rebates due to customers on cancellation of their policy.

Fees and commissions payable to brokers for referral of debenture investments, being direct and incremental costs related to the issue of debenture stock, are deferred and amortised over the period of the debentures.

(e) Income tax

Income tax on the surplus for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the tax rates expected to apply against the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Financial assets

These include cash and bank balances and loan receivables.

Loan receivables include principal and interest loans and short term property loans with fixed or determinable payments. Loan receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently recorded at amortised cost, using the effective interest method, adjusted for impairment losses. Under the effective interest rate method, fee income and costs directly related to the origination of the loan are deferred over the expected life of the loan. Loan receivables are derecognised when the rights to receive cash flows have expired or the risks and rewards of ownership have been substantially transferred.

(g) Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits held on call with banks, and bank overdrafts repayable on demand.

The Cash Flow Statement is prepared using the direct approach modified by the netting of cash flows associated with loan receivables, debenture stock and related party balances. This method provides more meaningful disclosure.

**AVANTI FINANCE
LIMITED****STATEMENT OF
ACCOUNTING
POLICIES (CONT)**FOR THE YEAR ENDED
31ST MARCH 2010**(h) Asset quality****Other impaired assets**

An asset for which an impairment loss allowance is required, in accordance with NZ IAS 39 paragraphs 58 to 62, but is not a restructured asset.

Restructured assets

A restructured asset is an impaired asset for which:

- the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with original terms; and
- the revised terms of the facility are not comparable with the terms of new facilities with comparable risk; and
- the yield on the asset following restructuring is equal to, or greater than, the company's average cost of funds.

Past due assets

Financial assets on which a counterparty has failed to make a payment when contractually due and which is not a restructured asset or other impaired asset. Past due assets include 90 day past due assets.

Assets acquired through the enforcement of security

The company does not acquire assets through the enforcement of security. Where enforcement of security occurs the assets remain owned by the borrower and any realisation proceeds are applied immediately to the outstanding debt.

(i) Impairment of financial assets**Assets carried at amortised cost**

The company assesses at each balance date whether there is objective evidence that a financial asset or group of assets is impaired. Impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has had a negative impact on the estimated future cash flows from the asset.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower relating to the borrower's financial difficulty;
- a probability that the borrower will enter bankruptcy or other financial reorganisation; or
- indications of decreases in the estimated future cash flows from financial assets since the initial recognition of those assets.

If there is objective evidence that an impairment loss on loan receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the assets original effective interest rate. The amount of the impairment loss is recognised using an allowance account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from the foreclosure less costs for obtaining and selling collateral, whether or not foreclosure is probable.

**AVANTI FINANCE
LIMITED**

**STATEMENT OF
ACCOUNTING
POLICIES (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics, taking into account asset type, collateral type, past-due status, historical loss experience, and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

When a loan is deemed to be uncollectable, it is written off to the Statement of Comprehensive Income or against the related allowance for loan impairment, where such an allowance has been recognised. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

(j) Goods and services tax (GST)

The company is not required to account for GST on its revenues, except those derived from insurance agency services. Expenditure items are stated inclusive of GST, less input tax claims applicable to insurance agency expenses.

(k) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is applied on a diminishing value basis at the following rates:

Leasehold improvements	11.4% - 12.0%
Office furniture and equipment:	
Furniture and fittings	11.4% - 15.6%
Office equipment	14.4% - 60.0%
Computer equipment	48.0% - 60.0%

The asset's useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are calculated by taking the difference between the net sale proceeds and the carrying amount at the time of disposal. These are included in the Statement of Comprehensive Income.

(l) Intangible assets

Software acquired is stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic value of that asset. Amortisation of software is on a Diminishing Value basis, at rates which will write off the cost over their estimated economic lives of 1 to 3 years.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the period of the lease.

(n) Debenture stock

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

**AVANTI FINANCE
LIMITED****STATEMENT OF
ACCOUNTING
POLICIES (CONT)**FOR THE YEAR ENDED
31ST MARCH 2010**(o) Employee benefits**

Liabilities for wages, salaries and annual leave accruing to employees and expected to be settled within 12 months of the reporting date are recognised and measured at the amounts expected to be paid when the liabilities are settled.

(p) Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at balance date.

(q) Segment information

Operating segments are components of a business for which revenues and expenses, and their net operating results, are separately reported for review by the chief operating decision maker. The company does not have separate operating components to its business and therefore the disclosure of segment information is not applicable to these financial statements.

Changes in accounting policies

The accounting policies applied in these financial statements are consistent with those used in previous periods. However, the company has presented a Statement of Comprehensive Income instead of an Income Statement, which is a change of presentation only and has not resulted in any changes to the reported profit.

Standards, interpretations and amendments to published standards that are not yet effective

There are no standards or interpretations that have been issued, but are not yet effective, which are expected to have a material impact on the reported performance or position of the company.

**AVANTI FINANCE
LIMITED**

**NOTES TO THE
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
31ST MARCH 2010

	2010	2009
	\$000	\$000
1. Interest income		
Loan receivables :		
Not impaired	5,233	4,676
Impaired - collectively	401	763
Impaired – individually	108	127
Other interest income	11	8
Total interest income	5,753	5,574
2. Interest expense		
Debenture stock	2,384	2,592
Total interest expense	2,384	2,592
3. Other income		
Lending and other credit related fees	2,951	2,895
Management fees – related party (note 24)	2,902	2,700
Other income	1,211	1,109
Total other income	7,064	6,704
4. Operating expenses		
Depreciation		
Leasehold improvements	29	32
Office furniture and equipment	28	37
Total depreciation	57	69
Amortisation of software	77	22
Loss on sale of property, plant and equipment	1	2
Auditors remuneration – annual audit current year	50	45
Auditors remuneration – annual audit prior year	0	10
Auditors remuneration – half year audit	44	38
Auditors remuneration – prospectus	6	16
Auditors remuneration – tax fees	20	16
Auditors remuneration – other services	14	20
Director/Key Management remuneration	450	587
Directors fees	130	30
Legal fees	95	165
Rental and operating lease costs	549	515
Employee benefits expense	3,003	2,814
Other expenses	2,134	1,762
Total operating expenses	6,630	6,111
5. Impaired asset expenses		
Bad debts written off	1,944	1,922
Bad debts recovered	(265)	(137)
Increase/(decrease) in allowance for impairment :		
Collectively determined	(342)	(211)
Individually determined	158	116
Total impaired asset expenses	1,495	1,690

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	2010	2009
	\$000	\$000
6. Income Tax		
Income tax expense		
Current tax	664	585
Deferred tax relating to temporary differences	40	67
	<u>704</u>	<u>652</u>
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	2,308	1,885
Tax at the rate of 30%	692	566
Plus (less) tax effect of:		
Expenditure not deductible for tax	10	24
Prior period adjustment	2	62
	<u>704</u>	<u>652</u>
7. Imputation credit account		
Balance at beginning of the year	1,351	1,233
Tax payments net of refunds	542	450
Credits attached to dividends paid	(394)	(332)
	<u>1,499</u>	<u>1,351</u>
8. Share capital		
Issued and paid up capital		
Ordinary shares		
Balance at beginning of the year	9,029	9,029
	<u>9,029</u>	<u>9,029</u>
Total paid up capital comprises 10,109,596 ordinary shares fully paid and ranking equally as to dividends, voting rights and to share in any surplus on winding up.		
9. Retained earnings		
Balance at beginning of the year	3,156	2,598
Net profit for the year	1,604	1,233
Dividends paid	(800)	(675)
	<u>3,960</u>	<u>3,156</u>
10. Cash and cash equivalents		
Current accounts	522	328
	<u>522</u>	<u>328</u>

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	2010	2009
	\$000	\$000
11. Sundry receivables		
Other assets	90	0
Prepayments and accruals	26	12
Total sundry receivables	<u>116</u>	<u>12</u>
12. Loan receivables		
Loan receivables	33,918	34,753
Allowance for impairment – collectively	(1,495)	(1,837)
Allowance for impairment – individually	(293)	(136)
Net loan receivables	<u>32,130</u>	<u>32,780</u>
a) Current/non-current		
Receivable within one year	13,320	14,505
Receivable after one year	18,810	18,275
Net loan receivables	<u>32,130</u>	<u>32,780</u>
b) Aging of loan receivables		
Not impaired including past due		
Neither past due nor impaired	21,638	18,636
Less than 30 days in arrears but not impaired	3,597	6,508
30 – 60 days in arrears but not impaired	1,295	874
60 – 90 days in arrears but not impaired	355	333
Greater than 90 days in arrears but not impaired	11	90
	<u>26,896</u>	<u>26,441</u>
Impaired – collectively		
Less than 30 days in arrears	1,857	2,354
30 – 60 days in arrears	268	268
60 – 90 days in arrears	303	192
Greater than 90 days in arrears	2,861	4,002
	<u>5,289</u>	<u>6,816</u>
Impaired - individually		
Less than 30 days in arrears	334	0
30 -60 days in arrears	648	0
Greater than 90 days in arrears	751	1,496
	<u>1,733</u>	<u>1,496</u>
Gross loan receivables	33,918	34,753
Allowance for impairment – collectively	(1,495)	(1,837)
Allowance for impairment – individually	(293)	(136)
Net loan receivables	<u>32,130</u>	<u>32,780</u>

In instances where loans have been rolled over and the loan contract terms have been redocumented, as explained in Note 23(c), the determination of whether a loan is past due or not is based on the payment due dates as per the redocumented contract terms, and not as per the original or preceding contract terms.

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	2010 \$000	2009 \$000
c) Movement in impaired receivables		
Impaired - collectively		
Balance at beginning of the year	6,816	8,887
Amounts written off during the year	(1,152)	(1,629)
Net additions / (deletions)	(375)	(442)
Balance at the end of the year	5,289	6,816
Allowance for impairment - collectively	(1,495)	(1,837)
Net impaired - collectively	3,794	4,979
Impaired - individually		
Balance at beginning of the year	1,496	524
Amounts written off during the year	(792)	(293)
Net additions / (deletions)	1,029	1,265
Balance at the end of the year	1,733	1,496
Allowance for impairment - individually	(293)	(136)
Net impaired - individually	1,440	1,360
<p>Impaired - individually loans are secured over residential property. As at 31 March 2010 the fair value of this collateral is \$1.417 million. Impaired - collectively loans are principally secured by motor vehicles and/or residential property. It is impracticable to estimate the fair value of collateral held on these loans due to the large number of loans, average loan size, term to maturity, and the wide variety and condition of each collateral item.</p>		
d) Restructured loans		
<p>Impaired assets include restructured loans which are subject to modification of interest rate or repayment terms. These loans show lower historical write off rates than other impaired loans and are grouped together when assessing impairment. In the event a payment arrangement is not adhered to the loan will revert to the applicable non restructured impaired asset classification.</p>		
Restructured loans		
Less than 30 days in arrears	868	283
30 – 60 days in arrears	0	55
60 – 90 days in arrears	36	19
Greater than 90 days in arrears	137	221
Gross restructured assets	1,041	578
Allowance for impairment – collectively	(87)	(58)
Net restructured loans	954	520

	2010 \$000	2009 \$000
13. Allowance for impairment		
Allowance for impairment – collectively determined		
Opening balance	1,837	2,048
Increase in allowance	810	1,418
Amounts written off during the year	(1,152)	(1,629)
Balance at end of the year	1,495	1,837
Allowance for impairment – individually determined		
Opening balance	136	20
Increase in allowance	949	409
Amounts written off during the year	(792)	(293)
Balance at end of the year	293	136
Total allowance for impairment	1,788	1,973

14. Debenture stock

Debenture stock bears interest at 8% -15% (2009 8.25% -15%) with an average cost of 12.27% (2009 12.13%). The majority of certificates are repayable within 2 years. Debenture stock is issued pursuant to the terms of the Secured Debenture Stock Trust Deed dated 30 November 1994 with Covenant Trustee Company limited. All debenture stock is secured by a security interest created by Avanti Finance in favour of the Trustee under the Trust Deed. The security is over all Avanti Finance limited's assets and undertakings and is for the benefit of debenture stockholders, who rank equally in relation to that security. The Trustee does not guarantee the payment of the debenture stock or the interest thereon. As at 31 March 2010 the carrying value of financial assets pledged under this security is \$33,182,000 (2009 \$33,956,000).

On 21 November 2008, the company signed a Crown Deed of Guarantee. In terms of this deed, the Crown guarantees payment of all amounts due and payable by the company to debenture holders pursuant to the terms of the company's Secured Debenture Stock Trust Deed. The Crown's maximum liability in terms of each debenture holder is \$1m. The guarantee is due to expire on the 12 October 2010.

Debenture stock comprises current and non current funding amounts as follows:

Repayable within one year	4,559	6,369
Repayable after one year	14,663	15,013
	19,222	21,382
a) Concentration of funding		
Debenture stock – Auckland	18,005	20,499
Debenture stock – rest of North Island	1,217	795
Debenture stock – Overseas	0	88
Total debenture stock	19,222	21,382
b) Maturity of funding		
Maturing in 0 – 6 months	1,527	4,059
Maturing in 7 – 12 months	3,032	2,310
Maturing in 13 – 24 months	10,847	6,464
Maturing after 24 months	3,816	8,549
Total debenture stock	19,222	21,382

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c) Profile of debenture holders

	2010 #	2010 \$000	2009 #	2009 \$000
Debentures over \$1,000,000	5	9,723	6	11,937
Debentures \$250,001 - \$1,000,000	10	5,309	11	5,292
Debentures \$100,000 - \$250,000	20	3,321	20	3,249
Debentures under \$100,000	14	869	22	904
Total debenture stock	49	19,222	59	21,382

15. Property, plant and equipment

	Leasehold Improvements \$000	Office Furniture and Equipment \$000	Total \$000
At 1 April 2008			
Cost	438	387	825
Accumulated depreciation	(159)	(279)	(438)
Net book value	279	108	387
Book value at 1 April 2008			
Acquisitions	4	23	27
Disposals	0	(1)	(1)
Depreciation	(32)	(37)	(69)
Book value at 31 March 2009	251	93	344
At 31 March 2009			
Cost	442	392	834
Accumulated depreciation	(191)	(299)	(490)
Net book value	251	93	344
Book value at 1 April 2009			
Acquisitions	0	66	66
Disposals	0	(1)	(1)
Depreciation	(29)	(28)	(57)
Book value at 31 March 2010	222	130	352
At 31 March 2010			
Cost	442	429	871
Accumulated depreciation	(220)	(299)	(519)
Net book value	222	130	352

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16. Intangible assets -computer software	\$000	
At 1 April 2008		
Cost	89	
Accumulated amortisation	(58)	
Net book value	<u>31</u>	
Book value at 1 April 2008	31	
Acquisitions	122	
Amortisation	(22)	
Disposals	(1)	
Book value at 31 March 2009	<u>130</u>	
At 31 March 2009		
Cost	209	
Accumulated amortisation	(79)	
Net book value	<u>130</u>	
Book value at 1 April 2009	130	
Acquisitions	9	
Amortisation	(77)	
Disposals	(0)	
Book value at 31 March 2010	<u>62</u>	
At 31 March 2010		
Cost	214	
Accumulated amortisation	(152)	
Net book value	<u>62</u>	
	2010	2009
	\$000	\$000
17. Trade payables and accruals		
Accounts payable	319	318
Employee entitlements	152	132
Debenture interest payable	149	190
Total trade payables and accruals	<u>620</u>	<u>640</u>

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18. Provisions

Provision is made for loan repayment insurance commission refunds which are payable when loans settle early. The calculation of the provision involves estimates and assumptions based on historical early loan settlement data dating back three years.

	2010	2009
	\$000	\$000
Balance at beginning of the year	427	399
Additional provisions made	313	321
Amounts used	(135)	(155)
Unused amounts reversed	(140)	(138)
Balance at end of the year	465	427

19. Deferred tax

Balance at beginning of the year	753	820
Recognised in statement of comprehensive income	(40)	(67)
Balance at end of the year	713	753

Deferred tax asset comprises the tax effect of the following temporary differences:

Employee entitlements	37	33
Allowance for impairment	536	592
Provision for insurance commission rebate	140	128
Total deferred tax asset	713	753

20. Operating lease commitments

Lease commitments under non-cancellable operating leases

Less than one year	457	437
Between 1-5 years	756	1,125
Total operating lease commitments	1,213	1,562

21. Capital expenditure commitments

Avanti Finance Limited has no material commitments for capital expenditure at 31 March 2010 (2009: \$nil).

22. Contingent liabilities

Avanti Finance Limited has no contingent liabilities at 31 March 2010 (2009: \$nil).

23. Risks arising from financial instruments

a) Credit risk

Credit risk is defined as the risk that a loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations. The company incurs credit risk in the normal course of its business of providing loans to customers. The company manages the risk by evaluating each customer's credit risk on a case by case basis and ensuring the customer demonstrates that they are able to service the loan.

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Appropriate collateral is taken on the provision of a loan facility based on management's evaluation of customer credit risk. Collateral primarily takes the form of motor vehicles and residential property. Loan agreements provide that in the event of default collateral will be realised.

All credit exposure concentrations are based in New Zealand and in particular the top half of the North Island. The portion represented by debtors who owe the six largest amounts is 8.23% (2009: 11.46%). The company has no credit exposure to an individual or closely related counterparty which equals or exceeds 10% of equity.

Credit risk concentration:	2010	2009
	\$000	\$000
By geographical region		
Auckland	19,252	19,877
North Auckland	2,400	2,457
Waikato	3,022	4,218
Wellington	2,191	2,175
Rest of North Island	3,773	2,885
South Island	1,492	1,168
Total	32,130	32,780
By loan type		
Principal and interest loans	26,385	23,317
Short term property loans	5,745	9,463
Total	32,130	32,780

- Principal and interest loans are secured loans where the debtor repays capital and interest on a regular basis. Generally these loans are to finance motor vehicle purchases or personal requirements.
- Short term property loans are loans secured by first or second mortgage where the debtor repays interest on a regular basis. In some instances interest may be capitalised or partially capitalised during the term of the loan, and the debtor repays the full capital plus any capitalised interest at the end of the loan. Generally these loans are secured over residential property. Short term property loans may be rolled over or extended at the end of their initial term if approved by a director.

b) Interest rate risk

Interest rate risk is defined as the risk of loss resulting from a change in interest rates. An exposure to interest rate movements may result in a change in interest expense greater than a corresponding change in interest income. The company lends at a fixed rate of interest over relatively short time periods and actively manages maturity profiles. Due to the margin inherent in the lending portfolio there is no significant interest rate risk. The company does not use derivative products to reduce interest rate risk as short term fluctuations can be absorbed in margins currently being achieved and long term increases can be reflected in adjusted lending rates.

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i) Repricing analysis

The table below summarises the company's exposure to interest rate risk. It includes financial instruments at carrying amounts and categorised by maturity dates

	Effective Interest Rates \$000's	0 - 6 Months \$000's	6 - 12 Months \$000's	1 - 2 Years \$000's	2 - 5 Years \$000's	>5 Years \$000's	Total \$000's
31 March 2010							
Assets							
Finance receivables	18.44%	7,063	6,256	8,556	9,222	1,033	32,130
Bank	2.90%	522	0	0	0	0	522
Total financial assets	18.19%	7,585	6,256	8,556	9,222	1,033	32,652
Liabilities							
Debentures	12.27%	1,527	3,032	10,847	3,816	0	19,222
Total financial liabilities	12.27%	1,527	3,032	10,847	3,816	0	19,222
Net interest rate gap	5.92%	6,058	3,224	(2,291)	5,406	1,033	13,430
31 March 2009							
Assets							
Finance receivables	17.11%	8,811	5,694	8,634	7,978	1,663	32,780
Bank	0.10%	328	0	0	0	0	328
Total financial assets	16.94%	9,139	5,694	8,634	7,978	1,663	33,108
Liabilities							
Debentures	12.13%	4,059	2,310	6,464	8,549	0	21,382
Total financial liabilities	12.13%	4,059	2,310	6,464	8,549	0	21,382
Net interest rate gap	4.81%	5,080	3,384	2,170	(571)	1,663	11,726

ii) Sensitivity

The management of interest rate risk includes the monitoring of the sensitivity of the company's financial assets and liabilities to various interest rate scenarios. The sensitivity to a 100 basis point movement in market interest rates is as follows:

	Impact on profit \$000	Impact on equity \$000
31 March 2010		
100 basis point increase in interest rates	118	82
100 basis point decrease in interest rates	(118)	(82)
31 March 2009		
100 basis point increase in interest rates	112	78
100 basis point decrease in interest rates	(112)	(78)

A basis point is a one-hundredth of a percentage point i.e 100 basis points = 1%.

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c) Liquidity risk

Liquidity risk is defined as the risk that the company will not have sufficient funds available to meet its transactional cash flow obligations.

The company's liquidity management policies are designed to ensure that it has sufficient funds available, even in adverse circumstances, to meet its obligations. The management of Avanti Finance review projected cash receipts and payments on a weekly basis. If shortfalls are envisaged management will place limits on lending.

The company's loans comprise a mix of new loans and loans that the company has agreed to roll over. The company varies or extends loans each month and expects that at any time approximately one-third of its principal and interest loans (by number) will be loans that have been varied or extended i.e rolled over. Before a personal loan or dealer loan is rolled over the company needs to be satisfied that the payment history has been adequate. This usually means that the customer must have been able to pay most of the installments due in the last three months.

Short term property loans may be rolled over or extended at the end of their term. As at 31 March 2010, approximately 45% of short term property loans (by value) are loans that have been extended or rolled. Before a short term property loan is rolled over the company will assess the customer's capacity to make ongoing monthly payments at an acceptable level, the current "loan to security value" position, and any customer commitments to selling the secured property. Rollovers of these loans must be signed off by a director.

The table below summarises the maturity profiles of the company's financial assets and financial liabilities on a contractual maturity basis. The amounts disclosed are the contractual undiscounted cash flows for the remaining contract term including both principal and interest cash flows. In instances where loans have been rolled over and the loan contract terms have been redocumented, the maturity profile is based on the payment due dates as per the redocumented contract terms.

The company's experience is that expected and actual net cash flows from assets and liabilities exceed those assessed on a contractual maturity basis. This reflects the circumstances whereby the effects of delayed receipts from finance receivables are generally exceeded by the effects of decisions by certain debenture holders to capitalise their monthly interest entitlements or to re-invest their debentures at maturity date.

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	Call \$000's	0 - 6 Months \$000's	6 - 12 Months \$000's	1 - 2 Years \$000's	2 - 5 Years \$000's	>5 Years \$000's	Total \$000's
31 March 2010							
Assets							
Finance receivables	0	9,851	8,439	11,348	11,603	1,272	42,513
Other monetary assets	0	71	45	0	0	0	116
Bank	522	0	0	0	0	0	522
Total assets	522	9,922	8,484	11,348	11,603	1,272	43,151
Liabilities							
Debentures	0	2,413	3,816	11,829	4,180	0	22,238
Related party payables	290	0	0	0	0	0	290
Other monetary liabilities	0	1,162	232	0	0	0	1,394
Total liabilities	290	3,575	4,048	11,829	4,180	0	23,922
Net assets (liabilities)	232	6,347	4,436	(481)	7,423	1,272	19,229
31 March 2009							
Assets							
Finance receivables	0	11,400	7,599	11,061	9,821	1,770	41,651
Related party receivables	362	0	0	0	0	0	362
Other monetary assets	12	0	0	0	0	0	12
Bank	328	0	0	0	0	0	328
Total assets	702	11,400	7,599	11,061	9,821	1,770	42,353
Liabilities							
Debentures	0	4,905	3,119	7,686	9,377	0	25,087
Related party payables	7	0	0	0	0	0	7
Other monetary liabilities	1,135	0	0	0	0	0	1,135
Total liabilities	1,142	4,905	3,119	7,686	9,377	0	26,229
Net assets (liabilities)	(440)	6,495	4,480	3,375	444	1,770	16,124

d) Exchange rate risk

The company is not exposed to any significant currency risk.

e) Fair value of assets

The fair value of cash and cash equivalents, related party receivable balances, sundry receivables and loan receivables is considered to be their carrying value.

24. Related party transactions

The parent and ultimate parent of Avanti Finance Limited is G&S Investments Limited.

The company's business includes managing loan receivable balances that have been assigned absolute ("sold receivables") to Galatos Finance Limited, a fellow subsidiary, and to GPS Mortgages Limited, an associated company. Management and collection fees are received in respect of this activity. Sold receivable balances are not reflected in the company's Statement of Financial Position.

Fees of \$2,900,000 were charged to Galatos Finance Limited and \$2,200 to GPS Mortgages Limited for the management of sold receivables during the year ended 31 March 2010 (2009: \$2,750,000). The current account balance payable to Galatos Finance Limited as at 31 March 2010 of \$272,000 (2009: \$7,000 payable) is unsecured and with no fixed repayment terms. There is no current account balance with GPS Mortgages Limited.

The transactions relating to the sale of loan receivables are conducted on an arms length basis.

The company operates an advance account with its parent company G&S Investments Limited. The balance payable to the parent company as at 31 March 2010 is \$18,000 (2009: \$362,000 receivable).

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The three Directors of the company are associated with Trusts which have debenture stock investments with the company, as follows:

Trust Association with	Debenture Stock Investment	
	2010	2009
Mr G M Hawkins	313,000	103,000
Mr S A Eltringham	506,000	306,000
Mr P Bravo	500,000	500,000

Of the company's three Directors, G M Hawkins is the Chief Executive and is employed as key management personnel, S A Eltringham is the Non-executive Chairman and P Bravo is an independent director. Their remuneration is disclosed in Note 4.

25. Significant Events

i) Market conditions

The domestic economy continues to be impacted by recessionary conditions, with adverse effects on employment levels and property market values. For Avanti, this can result in increasing uncertainty regarding the ability of borrowers to meet their loan repayment obligations and also regarding the value and timing for realisations of secured property and other assets. These factors are being monitored closely by management and Directors to ensure that allowances for impairment of loan receivables will be adequate to cover actual losses that may be incurred in future periods.

ii) Crown retail deposit guarantee scheme

The scheme referred to in Note 14 was implemented for a two year period through to 12 October 2010. The Directors are of the opinion that the expiry of the scheme will not have a materially adverse effect on the liquidity position of the company. As at 31 March 2010, 90% of debenture maturities occur after 12 October 2010.

AVANTI FINANCE LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 18 to 38. The financial statements provide information about the past financial performance of the company and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 21 to 25.

Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company as at 31 March 2010 and of the results of its operations and cashflows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand auditing standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other audit related and taxation services to the company. These services have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Matter of Uncertainty

We refer to the disclosures made in Notes 1(b), 1(i), 12, and 25(i) relating to allowances for impairment losses on the company's loan receivables. The impairment allowances recognised in these financial statements reflect assumptions, estimates and judgements by management and Directors, which are consistent with those made in prior years. The domestic economy continues to be impacted by recessionary conditions. These conditions create uncertainty regarding the ability of borrowers to meet their loan repayment obligations and also regarding the value and timing for realisations of secured property and other assets. These uncertainties in turn cause uncertainty as to whether the currently determined allowances for impairment losses will adequately cover actual losses as may be incurred in future periods.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 18 to 38
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the company as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 June 2010 and our unqualified opinion is expressed as at that date.

PKF Ross Melville Audit

PKF ROSS MELVILLE AUDIT
Chartered Accountants

Auckland

**ACQUISITION
OF BUSINESS OR
SUBSIDIARY**

**GALATOS FINANCE
LIMITED**

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FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
31ST MARCH 2010**

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**GALATOS FINANCE
LIMITED**
**STATEMENT OF
COMPREHENSIVE
INCOME**

 FOR THE YEAR ENDED
31ST MARCH 2010

	Notes	2010 \$000	2009 \$000
Interest income	1	7,844	8,033
Bank facility costs	2	1,936	2,808
Net interest income		<u>5,908</u>	<u>5,225</u>
Other income	3	2,256	2,291
Total operating income		<u>8,164</u>	<u>7,516</u>
Operating expenses	4	2,998	2,794
Impaired asset expenses	5	1,869	1,541
Operating surplus before income tax		<u>3,297</u>	<u>3,181</u>
Income tax	6	989	954
Net profit for the year and total comprehensive income		<u>2,308</u>	<u>2,227</u>

**GALATOS FINANCE
LIMITED**
**STATEMENT OF
CHANGES IN EQUITY**

 FOR THE YEAR ENDED
31ST MARCH 2010

	Notes	Share Capital \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 April 2008	8,9	8,308	2,838	11,146
Comprehensive income	9	0	2,227	2,227
Shares issued		0	0	0
Dividends paid	9	0	(1,075)	(1,075)
Transactions with owners		<u>0</u>	<u>(1,075)</u>	<u>(1,075)</u>
Balance at 31 March 2009 and 1 April 2009	8,9	8,308	3,990	12,298
Comprehensive income	9	0	2,308	2,308
Shares issued		0	0	0
Dividends paid	9	0	(1,370)	(1,370)
Transactions with owners		<u>0</u>	<u>(1,370)</u>	<u>(1,370)</u>
Balance at 31 March 2010		<u>8,308</u>	<u>4,928</u>	<u>13,236</u>

Dividends paid represent 16.48 cents per share (2009: 12.94 cents)

The accompanying notes form part of these financial statements.

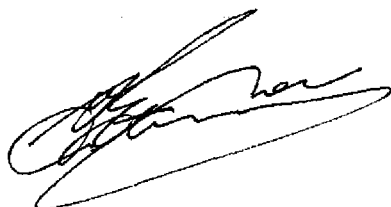
**GALATOS FINANCE
LIMITED**

**STATEMENT
OF FINANCIAL
POSITION**

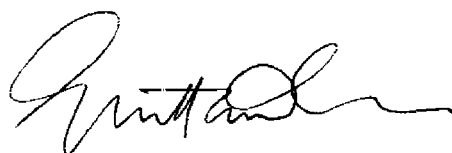
AS AT 31ST MARCH 2010

	Notes	2010 \$000	2009 \$000
Equity			
Share capital	8	8,308	8,308
Retained earnings	9	4,928	3,990
Total equity		<u>13,236</u>	<u>12,298</u>
Assets			
Loan receivables	10	36,189	39,454
Related party receivables	19	272	7
Deferred tax	13	505	434
Total assets		<u>36,966</u>	<u>39,895</u>
Liabilities			
Bank borrowings	16	23,100	26,975
Trade payables and accruals	12	208	213
Income tax payable		422	409
Total liabilities		<u>23,730</u>	<u>27,597</u>
Net assets		<u>13,236</u>	<u>12,298</u>

The Board of Directors of Galatos Finance Limited authorised these financial statements for issue on 15th June 2010.



Director



Director

The accompanying notes form part of these financial statements.

**GALATOS FINANCE
LIMITED**
**STATEMENT
OF CASH FLOWS**
**FOR THE YEAR ENDED
31ST MARCH 2010**

	2010	2009
	\$000	\$000
Operating activities		
Cash was provided from:		
Loan receivables (net repayment)	1,396	0
Customer loan interest	7,925	7,647
Other interest	0	12
Other income	2,256	2,291
	<u>11,577</u>	<u>9,950</u>
Cash was applied to:		
Loan receivables (net advances)	0	(2,832)
Interest paid: bank loans	(1,378)	(2,679)
Payments to suppliers	(3,642)	(3,139)
Income tax paid (net)	(1,047)	(496)
Subvention payment	0	(124)
	<u>(6,067)</u>	<u>(9,270)</u>
Net cash inflows from operating activities	<u>5,510</u>	<u>680</u>
Investing activities		
Net cash outflows from investing activities	<u>0</u>	<u>0</u>
Financing activities		
Cash was provided from/(applied to):		
Net decrease in bank loans	(3,875)	(89)
Net increase/(decrease) in related party balances	(265)	484
Dividends paid	(1,370)	(1,075)
Net cash (outflows) to financing activities	<u>(5,510)</u>	<u>(680)</u>
Net increase/(decrease) in cash held		
Cash at beginning of the year	0	0
Cash at end of the year	<u>0</u>	<u>0</u>
Reconciliation with operating surplus		
Reported net profit after tax	2,308	2,227
Add/(deduct) non-cash items		
Movement in deferred tax	(71)	(65)
Impaired asset expenses	1,869	1,541
	<u>1,798</u>	<u>1,476</u>
Add/(deduct) movements in balance sheet items		
(Increase)/decrease in loan receivables	1,396	(3,205)
Decrease in trade payables and accruals	(5)	(217)
Increase in income tax payable	13	399
	<u>1,404</u>	<u>(3,023)</u>
Net cash inflows from operating activities	<u>5,510</u>	<u>680</u>

The accompanying notes form part of these financial statements.

**GALATOS FINANCE
LIMITED**
**STATEMENT OF
ACCOUNTING
POLICIES**
**FOR THE YEAR ENDED
31ST MARCH 2010**

1. Summary of accounting policies

(a) Entity reporting

The financial statements are for Galatos Finance Limited, a separate legal entity.

The company is a profit oriented entity incorporated and domiciled in New Zealand. Galatos Finance Limited is a company registered under the Companies Act 1993 (company number 827031). The address of its registered office is Level Two, Building B, 65 Main Highway, Ellerslie, Auckland. The company provides financial services.

These financial statements have been approved for issue by the Board of Directors on the 15th June 2010.

(b) Basis of preparation

The financial statements have been prepared in accordance with New Zealand generally accepted practice (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), and other interpretations as appropriate for profit oriented entities.

Statutory base

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Measurement base

The financial statements have been prepared on the historical cost basis. They are presented in New Zealand dollars, which is the company's functional currency rounded to units of one thousand (\$'000). To ensure consistency with the current period, comparative figures as at 31 March 2009 have been restated where appropriate.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have the most significant effect on the amounts recognised in these financial statements are as follows:

- Impairment losses on loan receivables: The company reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, the company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cashflows from the loan portfolio. The methodology and assumptions used for estimating both the amount and timing of future cashflows are reviewed regularly with the objective of reducing differences between impairment loss estimates and actual loss experienced.

(c) Interest income and expense

Interest income and interest expense are recognised in the Statement of Comprehensive Income for financial assets and liabilities, measured at amortised cost using the effective interest method. The effective interest method allocates interest income or interest expense over the life of the contract, or when appropriate a shorter period, using the effective interest rate. The effective interest rate is the discount rate at which the present value of the future cashflows equals the net carrying amount of the financial asset or liability. When calculating the effective interest rate the company estimates the future cashflows considering all the contractual terms of the contract but does not include future credit losses.

**GALATOS FINANCE
LIMITED**

**STATEMENT OF
ACCOUNTING
POLICIES (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

(d) Other income and expenses

Other income consists primarily of loan and credit related fee revenue.

Yield related fee revenue, together with the related direct cost, is amortised and recognised over the period of the customer loan on the effective interest rate basis. Fees not included in the effective interest calculation are recognised when the service is provided. Fees charged to customer accounts in arrears are recognised at the time the fee is charged.

(e) Income tax

Income tax on the surplus for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous periods. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the tax rates expected to apply against the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) Financial assets

These include cash and bank balances and loan receivables.

Loan receivables include principal and interest loans and short term property loans, with fixed or determinable payments. Loan receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently recorded at amortised cost, using the effective interest method, adjusted for impairment losses. Under the effective interest rate method, fee income and costs directly related to the origination of the loan are deferred over the expected life of the loan. Loan receivables are derecognised when the rights to receive cash flows have expired or the risks and rewards of ownership have been substantially transferred.

(g) Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand, deposits held on call with banks, and bank overdrafts repayable on demand.

The Cash Flow Statement is prepared using the direct approach modified by the netting of cash flows associated with loan receivables and related party balances. This method provides more meaningful disclosure.

**GALATOS FINANCE
LIMITED**

**STATEMENT OF
ACCOUNTING
POLICIES (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

(h) Asset quality

Other impaired assets

An asset for which an impairment loss allowance is required, in accordance with NZ IAS 39 paragraphs 58 to 62, but is not a restructured asset.

Restructured assets

A restructured asset is an impaired asset for which:

- the original terms have been changed to grant the counterparty a concession that would not otherwise have been available, due to the counterparty's difficulties in complying with original terms: and
- the revised terms of the facility are not comparable with the terms of new facilities with comparable risk: and
- the yield on the asset following restructuring is equal to, or greater than, the company's average cost of funds.

Past due assets

Financial assets on which a counterparty has failed to make a payment when contractually due and which is not a restructured asset or other impaired asset. Past due assets include 90 day past due assets.

Assets acquired through the enforcement of security

The company does not acquire assets through the enforcement of security. Where enforcement of security occurs the assets remain owned by the borrower and any realisation proceeds are applied immediately to the outstanding debt.

(i) Impairment of financial assets

Assets carried at amortised cost

The company assesses at each balance date whether there is objective evidence that a financial asset or group of assets is impaired. Impairment losses are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has had a negative impact on the estimated future cash flows from the asset.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the directors about the following loss events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- a concession granted to the borrower relating to the borrower's financial difficulty;
- a probability that the borrower will enter bankruptcy or other financial reorganisation; or
- indications of decreases in the estimated future cash flows from financial assets since the initial recognition of those assets.

If there is objective evidence that an impairment loss on loan receivables carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cashflows discounted at the assets original effective interest rate. The amount of the impairment loss is recognised using an allowance account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cashflows that may result from the foreclosure less costs for obtaining and selling collateral, whether or not foreclosure is probable.

**GALATOS FINANCE
LIMITED**

**STATEMENT OF
ACCOUNTING
POLICIES (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics, taking into account asset type, collateral type, past-due status, historical loss experience, and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a loan is deemed to be uncollectable, it is written off to the Statement of Comprehensive Income or against the related allowance for loan impairment, where such an allowance has been recognised. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

(j) Goods and services tax (GST)

The company is not required to account for GST on its revenues. Expenditure items are stated inclusive of GST.

(k) Dividends

Provision is made for the amount of any dividend declared on or before the end of the reporting period but not distributed at balance date.

(l) Segment information

Operating segments are components of a business for which revenues and expenses, and their net operating results, are separately reported for review by the chief operating decision maker. The company does not have separate operating components to its business and therefore the disclosure of segment information is not applicable to these financial statements.

Changes in accounting policies

The accounting policies applied in these financial statements are consistent with those used in previous periods. However, the company has presented a Statement of Comprehensive Income instead of an Income Statement, which is a change of presentation only and has not resulted in any changes to reported profit.

Standards, interpretations and amendments to published standards that are not yet effective

There are no standards or interpretations that have been issued, but are not yet effective, which are expected to have a material impact on the reported performance or position of the company.

**GALATOS FINANCE
LIMITED**

**NOTES TO THE
FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED
31ST MARCH 2010

	2010 \$000	2009 \$000
1. Interest income		
Loan receivables :		
Not impaired	6,821	6,952
Impaired – collectively	962	988
Impaired – individually	61	80
Other interest income	0	13
Total interest income	7,844	8,033
2. Bank facility costs		
Facility fees	573	200
Interest	1,363	2,608
Total bank facility costs	1,936	2,808
3. Other income		
Lending and other credit related fees	2,256	2,291
Total other income	2,256	2,291
4. Operating expenses		
Auditors remuneration – audit current year	50	40
Auditors remuneration – audit prior year	0	22
Auditors remuneration – tax fees	6	5
Auditors remuneration – other services	4	14
Management fees (related party note 19)	2,900	2,700
Other expenses	38	13
Total operating expenses	2,998	2,794
5. Impaired asset expenses		
Bad debts written off	1,717	1,213
Bad debts recovered	(84)	(13)
Increase in allowance for impairment:		
Collectively determined	182	229
Individually determined	54	112
Total impaired asset expenses	1,869	1,541
6. Income Tax		
Income tax expense		
Current tax	1,060	1,019
Deferred tax relating to temporary differences	(71)	(65)
	989	954
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	3,297	3,181
Tax at the rate of 30%	989	954
Income tax expense	989	954

**GALATOS FINANCE
LIMITED**

**NOTES TO THE
FINANCIAL
STATEMENTS (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

	2010 \$000	2009 \$000
7. Imputation credit account		
Balance at beginning of the year	1,742	1,776
Tax payments net of refunds	925	495
Credits attached to dividends paid	(675)	(529)
Balance at end of the year	1,992	1,742
8. Share capital		
Issued and paid up capital		
Ordinary shares		
Balance at beginning of the year	8,308	8,308
Closing share capital	8,308	8,308
Total paid up capital comprises 8,308,000 ordinary shares fully paid and ranking equally as to dividends, voting rights and to share in any surplus on winding up.		
9. Retained earnings		
Balance at beginning of the year	3,990	2,838
Net profit for year	2,308	2,227
Dividends paid	(1,370)	(1,075)
Balance at end of the year	4,928	3,990
10. Loan receivables		
Loan receivables	37,871	40,900
Allowance for impairment – collectively	(1,506)	(1,324)
Allowance for impairment – individually	(176)	(122)
Net loan receivables	36,189	39,454
a) Current/non-current		
Receivable within one year	14,617	19,679
Receivable after one year	21,572	19,775
Net loan receivables	36,189	39,454

**GALATOS FINANCE
LIMITED**

**NOTES TO THE
FINANCIAL
STATEMENTS (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

b) Aging of loan receivables

Not impaired including past due

	2010 \$000	2009 \$000
Neither past due nor impaired	14,087	16,536
Less than 30 days in arrears but not impaired	12,431	11,918
30 - 60 days in arrears but not impaired	2,783	2,686
60 - 90 days in arrears but not impaired	1,085	2,151
Greater than 90 days in arrears but not impaired	40	703
	<u>30,426</u>	<u>33,994</u>

Impaired – collectively

Less than 30 days in arrears	1,316	1,064
30 - 60 days in arrears	162	136
60 - 90 days in arrears	236	105
Greater than 90 days in arrears	5,128	4,793
	<u>6,842</u>	<u>6,098</u>

Impaired – individually

Less than 30 days in arrears	251	0
30 - 60 days in arrears	55	0
Greater than 90 days in arrears	297	808
	<u>603</u>	<u>808</u>

Gross loan receivables

	37,871	40,900
Allowance for impairment – collectively	(1,506)	(1,324)
Allowance for impairment – individually	(176)	(122)

Net loan receivables

	<u>36,189</u>	<u>39,454</u>
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In instances where loans have been rolled over and the loan contract terms have been redocumented, as explained in Note 18(c), the determination of whether a loan is past due or not is based on the payment due dates as per the redocumented contract terms, and not as per the original or preceding contract terms.

**GALATOS FINANCE
LIMITED**

**NOTES TO THE
FINANCIAL
STATEMENTS (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

	2010	2009
	\$000	\$000
c) Movement in impaired receivables		
Impaired – collectively		
Balance at beginning of the year	6,098	4,883
Amounts written off during the year	(1,646)	(1,213)
Net additions/(deletions)	2,390	2,428
Balance at the end of the year	6,842	6,098
Allowance for impairment – collectively	(1,506)	(1,324)
Net impaired – collectively	5,336	4,774
Impaired – Individually		
Balance at beginning of the year	808	110
Amounts written off during the year	(71)	0
Net additions/(deletions)	(134)	698
Balance at the end of the year	603	808
Allowance for impairment – individually	(176)	(122)
Net impaired – individually	427	686

Impaired – individually loans are secured over residential property. As at 31 March 2010 the fair value of this collateral is \$0.343 million. Impaired – collectively loans are principally secured by motor vehicles and/or residential property. It is impracticable to estimate the fair value of collateral held on these loans due to the large number of loans, average loan size, term to maturity, and the wide variety and condition of each collateral item.

d) Restructured loans

Impaired assets include restructured loans which are subject to modification of interest rate or repayment terms. These loans show lower historical write off rates than other impaired loans and are grouped together when assessing impairment. In the event a payment arrangement is not adhered to the loan will revert to the applicable non restructured impaired asset classification.

	2010	2009
	\$000	\$000
Restructured loans		
Less than 30 days in arrears	339	133
30 - 60 days in arrears	66	47
60 - 90 days in arrears	5	31
Greater than 90 days in arrears	106	26
Gross restructured assets	516	237
Allowance for impairment – collectively	(73)	(31)
Net restructured loans	443	206

**GALATOS FINANCE
LIMITED**
**NOTES TO THE
FINANCIAL
STATEMENTS (CONT)**
**FOR THE YEAR ENDED
31ST MARCH 2010**

	2010	2009
	\$000	\$000
11. Allowance for impairment		
Allowance for impairment – collectively determined		
Opening balance	1,324	1,095
Increase in allowance	1,828	1,442
Amounts written off during the year	(1,646)	(1,213)
Balance at end of the year	<u>1,506</u>	<u>1,324</u>
Allowance for impairment – individually determined		
Opening balance	122	10
Increase in allowance	125	112
Amounts written off during the year	(71)	0
Balance at end of the year	<u>176</u>	<u>122</u>
Total allowance for impairment	<u>1,682</u>	<u>1,446</u>

12. Trade payables and accruals

Accounts payable	50	40
Interest and fees	158	173
Total trade payables and accruals	<u>208</u>	<u>213</u>

13. Deferred tax

Balance at beginning of the year	434	369
Recognised in statement of comprehensive income	71	65
Balance at end of the year	<u>505</u>	<u>434</u>

Deferred tax asset comprises the tax effect of the following temporary differences:

Allowance for impairment	505	434
Total deferred tax asset	<u>505</u>	<u>434</u>

14. Capital expenditure commitments

Galatos Finance Limited has no material commitments for capital expenditure at 31 March 2010 (2009: \$nil).

15. Contingent liabilities

Galatos Finance Limited has no contingent liabilities at 31 March 2010 (2009: \$nil).

16. ANZ National Bank of New Zealand

A loan facility has been provided by the ANZ National Bank of New Zealand since 1996. The facility limit was \$30,000,000 at 31 March 2010. The interest rate is set at 2.74% over the 90 day bill rate. The rate applicable at 31 March 2010 was 5.59% (2009: 6.89%). Effective from August 2009 the facility is a 12 month facility, plus a 12 month notice period required from the bank. The loan is secured by the following:

- i) First ranking debenture over the assets of Galatos Finance Limited
- ii) Guarantee from G & S Investments Limited

17. Working capital

The Directors are confident that the loan facility provided by the ANZ National Bank of New Zealand, as referred to in Note 16, will be renewed at the next review date, being August 2010. Hence the Directors have concluded that the company will be able to meet its debts as and when they fall due and that it is appropriate that these financial statements be prepared on the going concern basis.

**GALATOS FINANCE
LIMITED**

**NOTES TO THE
FINANCIAL
STATEMENTS (CONT)**

**FOR THE YEAR ENDED
31ST MARCH 2010**

18. Risks arising from financial instruments

a) Credit risk

Credit risk is defined as the risk that a loss will be incurred if a counterparty to a transaction does not fulfil its financial obligations. The company incurs credit risk in the normal course of its business of providing loans to customers. The company manages the risk by evaluating each customer's credit risk on a case by case basis and ensuring the customer demonstrates that they are able to service the loan.

Appropriate collateral is taken on the provision of a loan facility based on management's evaluation of customer credit risk. Collateral primarily takes the form of motor vehicles and residential property. Loan agreements provide that in the event of default collateral will be realised.

All credit exposure concentrations are based in New Zealand and in particular the top half of the North Island. The portion represented by debtors who owe the six largest amounts is 2.49% (2009: 3.29%). The company has no credit exposure to an individual or closely related counterparty which equals or exceeds 10% of equity.

Credit risk concentration:	2010 \$000	2009 \$000
By geographical region		
Auckland	21,687	23,508
North Auckland	1,856	2,188
Waikato	4,321	5,015
Wellington	2,743	2,641
Rest of North Island	3,267	3,328
South Island	2,315	2,774
Total	36,189	39,454
By loan type		
Principal and interest loans	32,808	30,131
Short term property loans	3,381	9,323
Total	36,189	39,454

- Principal and interest loans are secured loans where the debtor repays capital and interest on a regular basis. Generally these loans are to finance motor vehicle purchases or personal requirements.
- Short term property loans are loans secured by first or second mortgage where the debtor repays interest on a regular basis. In some instances interest may be capitalised or partially capitalised during the term of the loan, and the debtor repays the full capital plus any capitalised interest at the end of the loan. Generally these loans are secured over residential property. Short term property loans may be rolled over or extended at the end of their initial term if approved by a director

**GALATOS FINANCE
LIMITED**
**NOTES TO THE
FINANCIAL
STATEMENTS (CONT)**

**FOR THE YEAR ENDED
31ST MARCH 2010**

b) Interest rate risk

Interest rate risk is defined as the risk of loss resulting from a change in interest rates. An exposure to interest rate movements may result in a change in interest expense greater than a corresponding change in interest income. The company lends at a fixed rate of interest over relatively short time periods and actively manages maturity profiles. Due to the margin inherent in the lending portfolio there is no significant interest rate risk. The company does not use derivative products to reduce interest rate risk as short term fluctuations can be absorbed in margins currently being achieved and long term increases can be reflected in adjusted lending rates.

i) Repricing analysis

The table below summarises the company's exposure to interest rate risk. It includes financial instruments at carrying amounts and categorised by maturity dates.

	Effective Interest Rates \$000's	0 - 6 Months \$000's	6 - 12 Months \$000's	1 - 2 Years \$000's	2 - 5 Years \$000's	>5 Years \$000's	Total \$000's
31 March 2010							
Assets							
Finance receivables	19.48%	8,205	6,412	11,280	9,133	1,159	36,189
Total financial assets	19.48%	8,205	6,412	11,280	9,133	1,159	36,189
Liabilities							
Bank loans	5.59%	0	0	23,100	0	0	23,100
Total financial liabilities	5.59%	0	0	23,100	0	0	23,100
Net interest rate gap	13.89%	8,205	6,412	(11,820)	9,133	1,159	13,089
31 March 2009							
Assets							
Finance receivables	19.28%	12,168	7,511	10,339	8,244	1,192	39,454
Total financial assets	19.28%	12,168	7,511	10,339	8,244	1,192	39,454
Liabilities							
Bank loans	6.89%	26,975	0	0	0	0	26,975
Total financial liabilities	6.89%	26,975	0	0	0	0	26,975
Net interest rate gap	12.39%	(14,807)	7,511	10,339	8,244	1,192	12,479

ii) Sensitivity

The management of interest rate risk includes the monitoring of the sensitivity of the company's financial assets and liabilities to various interest rate scenarios. The sensitivity to 100 basis point movement in market interest rates is as follows:

	Impact on profit \$000	Impact on equity \$000
31 March 2010		
100 basis point increase in interest rates	159	111
100 basis point decrease in interest rates	(159)	(111)
31 March 2009		
100 basis point increase in interest rates	(38)	(27)
100 basis point decrease in interest rates	38	27

A basis point is a one-hundredth of a percentage point i.e 100 basis points = 1 %.

**GALATOS FINANCE
LIMITED**
**NOTES TO THE
FINANCIAL
STATEMENTS (CONT)**

FOR THE YEAR ENDED
31ST MARCH 2010

c) Liquidity risk

Liquidity risk is defined as the risk that the company will not have sufficient funds available to meet its transactional cash flow obligations.

The company's loan receivables are funded by equity, which is substantial when compared to industry standards, and by the loan facility provided by ANZ National Bank of New Zealand, as detailed in Note 16. As at 31 March 2010, there is undrawn facility of approximately \$6,900,000 and there are no facility repayment obligations. These circumstances effectively negate liquidity risk for the company, assessed at that date.

In practice, the management of Galatos Finance review projected cash receipts from loan receivables on a weekly basis. If shortfalls are envisaged, management will place limits on lending activity.

The company's loans comprise a mix of new loans and loans that the company has agreed to rollover. The company varies or extends loans each month and expects that at any time approximately one-third of its principal and interest loans (by number) will be loans that have been varied or extended i.e rolled over. Before a personal loan or dealer loan is rolled over the company needs to be satisfied that the payment history has been adequate. This usually means that the customer must have been able to pay most of the instalments due in the last three months.

Short term property loans may be rolled over or extended at the end of their term. As at 31 March 2010, approximately 60% of short term property loans (by value) are loans that have been extended or rolled. Before a short term property loan is rolled over the company will assess the customer's capacity to make ongoing monthly payments at an acceptable level, the current "loan to security value" position, and any customer commitments to selling the secured property. Rollovers of these loans must be signed off by a director.

The table below summarises the maturity profiles of the company's financial assets and financial liabilities on a contractual maturity basis. The amounts disclosed are the contractual undiscounted cash flows for the remaining contract term, including both principal and interest cash flows. In instances where loans have been rolled over and the loan contract terms have been redocumented, the maturity profile is based on the payment due dates as per the redocumented contract terms.

	Call \$000's	0 - 6 Months \$000's	6 - 12 Months \$000's	1 - 2 Years \$000's	2 - 5 Years \$000's	>5 Years \$000's	Total \$000's
31 March 2010							
Assets							
Finance receivables	0	11,480	8,871	14,519	11,432	1,136	47,438
Related party receivables	272	0	0	0	0	0	272
Total assets	272	11,480	8,871	14,519	11,432	1,136	47,710
Liabilities							
Bank loans	0	646	646	23,530	0	0	24,822
Other monetary liabilities	0	630	0	0	0	0	630
Total liabilities	0	1,276	646	23,530	0	0	25,452
Net assets (liabilities)	272	10,204	8,225	(9,011)	11,432	1,136	22,258
31 March 2009							
Assets							
Finance receivables	0	15,479	9,792	13,174	10,478	1,151	50,074
Related party receivables	7	0	0	0	0	0	7
Total assets	7	15,479	9,792	13,174	10,478	1,151	50,081
Liabilities							
Bank loans	26,975	0	0	0	0	0	26,975
Other monetary liabilities	622	0	0	0	0	0	622
Total liabilities	27,597	0	0	0	0	0	27,597
Net assets (liabilities)	(27,590)	15,479	9,792	13,174	10,478	1,151	22,484

d) Exchange rate risk

The company is not exposed to any significant currency risk.

e) Fair value of assets

The fair value of cash and cash equivalents, related party receivable balances, sundry receivables and loan receivables is considered to be their carrying value.

19. Related party transactions

The parent and ultimate parent of Galatas Finance limited is G&S Investments limited.

The company's business includes purchasing loan receivables through assignment arrangements with Avanti Finance limited, a fellow subsidiary. Management and collection fees are charged by Avanti Finance limited, who manage the loan receivable balances that have been purchased. Galatas Finance Limited, as assignee, bears the bad and doubtful debt expenses arising from collection losses.

Fees of \$2,900,000 were charged by Avanti Finance Limited for the management of purchased loans during the year ended 31 March 2010 (2009: \$2,700,000). The current account balance receivable from Avanti Finance Limited as at 31 March 2010 of \$272,000 (2009: \$7,000) is unsecured and with no fixed repayment terms.

The transactions relating to the purchase of loan receivables are conducted on an arms length basis.

20. Subsequent Events

Market conditions

The domestic economy continues to be impacted by recessionary conditions, with adverse effects on employment levels and property market values. For Galatos, this can result in increasing uncertainty regarding the ability of borrowers to meet their loan repayment obligations and also regarding the value and timing for realisations of secured property and other assets. These factors are being monitored closely by management and Directors to ensure that allowances for impairment of loan receivables will be adequate to cover actual.

PKF Ross Melville Audit
Chartered Accountants

PKF

Accountants &
business advisers

GALATOS FINANCE LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 41 to 56. The financial statements provide information about the past financial performance of the company and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 44 to 47.

Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company as at 31 March 2010 and of the results of its operations and cashflows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand auditing standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other audit related and taxation services to the company. These services have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Matters of Emphasis and Uncertainty

As stated in note 17, the financial statements have been prepared on the going concern basis, based on the Directors' confidence that the company will continue to receive financing from the ANZ National Bank of New Zealand Limited. Should this financing not be continued, the going concern basis may be invalid and provision would have to be made for any possible loss on realisation of the company's finance receivables.

We also refer to the disclosures made in Notes 1(b), 1(f), 10, and 20 relating to allowances for impairment losses on the company's loan receivables. The impairment allowances recognised in these financial statements reflect assumptions, estimates and judgements by management and Directors, which are consistent with those made in prior years. The domestic economy continues to be impacted by recessionary conditions. These conditions create uncertainty regarding the ability of borrowers to meet their loan repayment obligations and also regarding the value and timing for realisations of secured property and other assets. These uncertainties in turn cause uncertainty as to whether the currently determined allowances for impairment losses will adequately cover actual losses as may be incurred in future periods.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 41 to 56
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the company as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 June 2010 and our unqualified opinion is expressed as at that date.

PKF Ross Melville Audit

PKF ROSS MELVILLE AUDIT
Chartered Accountants

Auckland

DIRECTORS' STATEMENT

By signing this Prospectus, the directors of the Company state that after due enquiry by them in relation to the period from 31 March 2010 to the date on which this Prospectus is delivered to the Companies Office for registration, in their opinion, there have not arisen any circumstances that materially adversely affect the trading or profitability of the Company, the value of its assets or the ability of the Company to pay its liabilities due within the next 12 months.

Signed by the directors of the Company or their authorised agent.

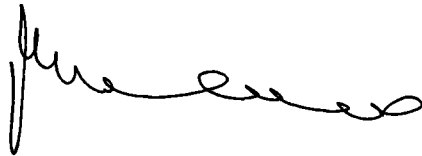


Stephen Eltringham

*(by Glenn Hawkins
as his authorised agent)*



Glenn Hawkins



Paul Bravo

PKF Ross Melville Audit
Chartered Accountants



Accountants &
business advisers

AUDITORS' REPORT

The Directors
Avanti Finance Limited
Level 2, Building B, 65 Main Highway
Ellerslie
Auckland

27 September 2010

Auditors' Report for Inclusion in the Prospectus

Dear Sirs,

We have prepared this report for inclusion in a prospectus dated 27 September 2010 for the issue by Avanti Finance Limited ("the Company") of Secured Debenture Stock to a maximum of \$25 million.

As auditors of the Company and of Galatos Finance Limited ("Galatos"), and in accordance with the requirements of the Securities Act 1978 and clause 22 of Schedule 2 to the Securities Regulations 2009 ("Schedule 2), we report as set out below.

Financial Statements for Year to 31 March 2010 for Company and Auditors' Report thereon

The latest financial statements for the Company, which have been registered under the Financial Reporting Act 1993, were for the year ended 31 March 2010. These financial statements, and the Auditors' Report thereon, were issued on 15 June 2010 and are included in this prospectus at pages 18 to 39.

In our opinion, the financial statements on pages 18 to 38:

- comply with the requirements of clauses 16 to 18 of Schedule 2;
- subject to those requirements, comply with generally accepted accounting practice in New Zealand.

Financial Statements for Year to 31 March 2010 for Galatos and Auditors' Report thereon

The latest financial statements for Galatos, which have been prepared under the Financial Reporting Act 1993, were for the year ended 31 March 2010. These financial statements, and the Auditors' Report thereon, were issued on 15 June 2010 and are included in this prospectus at pages 41 to 57.

In our opinion, the financial statements on pages 41 to 56:

- comply with the requirements of clauses 16 to 18 of Schedule 2;
- subject to those requirements, comply with generally accepted accounting practice in New Zealand.

Additional Auditor Reporting

We are also responsible for reporting, in accordance with clause 22(1)(h) of Schedule 2, on:

- the amounts included in the summary of financial statements of the Company for the years ended 31 March 2006 to 31 March 2010 (inclusive);
- the amounts included in the summary of financial statements of Galatos Finance Limited ("Galatos") for the years ended 31 March 2006 to 31 March 2010 (inclusive);
- the amounts included in the ranking of securities of the Company as at 31 March 2010.

We take no responsibility for, nor do we report on, any part of the prospectus not mentioned in this report.

Basis of Opinion on Summaries of Financial Statements for Company and Galatos

We have undertaken procedures to provide reasonable assurance that:

- the amounts set out in the summary of financial statements for the Company on page 13, pursuant to clause 8 of Schedule 2, have been correctly taken from the audited financial statements of the Company for the years ended 31 March 2006 to 31 March 2010 (inclusive).
- the amounts set out in the summary of financial statements for Galatos on page 15, pursuant to clause 9(3) of Schedule 2, have been correctly taken from the audited financial statements of Galatos for the years ended 31 March 2006 to 31 March 2010 (inclusive).

Basis of Opinion on Ranking of Securities of Company

We have undertaken procedures to provide reasonable assurance that the amounts set out in the ranking of securities on page 10, pursuant to clause 13 of Schedule 2, have been correctly taken from the audited financial statements of the Company as at 31 March 2010.

Unqualified Opinion on Summaries of Financial Statements for Company and Galatos and on Ranking of Securities of Company

We have obtained all the information and explanations we have required. In our opinion:

- The amounts stated for the company, pursuant to clause 8 of Schedule 2, on page 13 have been correctly taken from the audited financial statements of the Company for the years ended 31 March 2006 to 31 March 2010.
- The amounts stated for Galatos, pursuant to clause 9(3) of Schedule 2, on page 15 have been correctly taken from the audited financial statements of Galatos for the years ended 31 March 2006 to 31 March 2010.
- The amount stated relating to ranking of securities of the company, pursuant to clause 13 of Schedule 2, on page 10 has been correctly taken from the audited financial statements of the Company for the year ended 31 March 2010.

Statement of Consent

We completed our work for the purposes of this report on 27 September 2010 and our unqualified opinion is expressed as at that date.

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in your prospectus dated 27 September 2010 of this report in the form in which it appears.

Yours faithfully

PKF Ross Melville Audit

PKF ROSS MELVILLE AUDIT
Chartered Accountants, Auckland



Covenant Trustee Company

27 September 2010

The Directors
 Avanti Finance Limited
 Level 2, Building B
 Avanti Finance Centre
 65 Main Highway
 Ellerslie
 AUCKLAND

Dear Sirs

Debenture Trust Deed dated 30 November 1994

Covenant Trustee Company Limited as trustee under the above Debenture Trust Deed confirms that the offer of debenture stock set out in the prospectus of Avanti Finance Limited dated 27 September 2010 complies with any relevant provisions of the Debenture Trust Deed.

The words "any relevant provisions of the Debenture Trust" refer only to the provisions of the Debenture Trust Deed which:

- (a) entitle Avanti Finance Limited to constitute and issue the debenture stock under the Debenture Trust Deed; or
- (b) impose restrictions on the right of Avanti Finance Limited to offer the debenture stock;

and are described in the summary of the Debenture Trust Deed contained in the prospectus. This statement is made in terms of Clause 14(3) of Schedule 2 to the Securities Regulations 2009 and is given in reliance on the information supplied to us by Avanti Finance Limited pursuant to the Debenture Trust Deed, in respect of which the Trustee has not sought independent verification.

Covenant Trustee Company Limited does not guarantee the repayment of the debenture stock or the payment of interest thereon.

Yours faithfully
COVENANT TRUSTEE COMPANY LIMITED

Stewart Lockhart
CORPORATE BUSINESS MANAGER

THE TRUSTEE

SUMMARY OF TRUST DEED INFORMATION

Avanti Finance Limited entered into the Secured Debenture Stock Trust Deed dated 30 November 1994 with Covenant Trustee Company Limited for the benefit of all Secured Debenture Stockholders (the Trust Deed).

Unless otherwise defined capitalised terms in this section have the meaning given to them in the Trust Deed. References to the Charging Group are references to the Company (currently the only member of the Charging Group).

Upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under the Trust Deed, meaning that it will be a guarantor of the securities offered under this Prospectus, however, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority for all moneys outstanding to the Bank from time to time.

Under the Trust Deed all provisions of the Trust Deed apply to the Company and separately to each Charging Subsidiary.

RANKING OF SECURITIES

Under the Trust Deed, the Company has created a security interest over all its assets in favour of the Trustee for the benefit of Secured Debenture Stockholders.

Secured Debenture Stock ranks:

- (a) behind Prior Charges (described below) and other liabilities (if any) preferred by operation of law; and
- (b) equally with all other Secured Debenture Stock issued previously or in the future (or any other charge granted to the Trustee that is expressed to rank equally with the Secured Debenture Stock).

PRIOR CHARGES

The Company is prohibited by the Trust Deed, without the prior written consent of the Trustee, from creating or permitting to subsist any charge over the Charged Assets ranking equally with or in priority to the Charge in favour of the Trustee, other than any Prior Charge of the type described in the next paragraph.

The Company is allowed by the Trust Deed to create or permit Prior Charges to secure the cost of acquisition, construction, or development or improvement of any property or assets for an amount not exceeding two-thirds of the relevant cost plus interest and other financing charges.

Upon completion of the Galatos Purchase and Galatos becoming a Charging Subsidiary, Galatos will (with the consent of the Trustee) be permitted to allow its existing security agreement in favour of ANZ National Bank to continue to subsist as a first ranking Prior Charge over Galatos for the purposes of the Trust Deed and having priority over the Trust Deed for all moneys outstanding to the Bank from time to time (the Trustee's consent is subject to the Trust Deed being amended in the manner described at the end of the "Business Restrictions" section below).

BORROWING RESTRICTIONS

The Company has undertaken to the Trustee pursuant to the Trust Deed that:

The Total Liabilities less the aggregate of all moneys held by the Trustee pursuant to the Trust Deed will not exceed 86% of the Total Tangible Assets after deducting the aggregate of all moneys held by the Trustee pursuant to the Trust Deed;

The amount of interest accruing during any period to Security Holders will not exceed the amount of interest accruing during that period to the Company in respect of loans made by the Company (with appropriate deductions for bad and doubtful debts).

BUSINESS RESTRICTIONS

The Company has undertaken to the Trustee pursuant to the Trust Deed that it will not without the prior written consent of the Trustee:

- Permit the aggregate book value of real property and ordinary shares in Corporations held by the Company (other than any of the same held as security for financial accommodation extended by the Company or held as a consequence of the enforcement of any security interest) to exceed 50% of the amount of Shareholders Funds;
- Dispose of any Assets or provide services to or purchase any Assets or accept services other than in the ordinary course of business and for proper value;
- Make any alteration to its business as a result of which the principal business of the Company shall cease to be that of a provider of financial services;
- Sell or transfer whether by a single transaction or any series of transactions whether or not related the whole or any major part of its business;
- Write up the value of any Asset in its books of account to a value in excess of its Market Worth;
- Guarantee the obligations of any Related Company which is not a member of the Charging Group.

Upon completion of the Galatos Purchase, and Galatos becoming a Charging Subsidiary, the Trust Deed will be amended such that when calculating the Total Tangible Assets and Total Liabilities of the charging group for the purposes of the Trust Deed:

- (a) all assets of Galatos shall be excluded from the calculation of Total Tangible Assets;
- (b) all liabilities of Galatos shall be excluded from the calculation of Total Liabilities;

to the intent that the Company must still be able to comply with its financial ratios, after ignoring the impact of the Galatos Purchase.

However the amendments made to the Trust Deed upon completion of the Galatos Purchase will also require the Charging Group to calculate its financial ratios on a consolidated basis, without deduction of the assets and liabilities of Galatos.

In addition, for the purposes of the proposed Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 (or any alternative or successor regulations) (Relevant Regulations) the Company intends, subject to agreement with the Trustee, to incorporate provisions into the Trust Deed such that, as from the introduction of the Relevant Regulations, the Company;

- (a) shall at all times maintain a minimum capital ratio of 14%, calculated in accordance with the Relevant Regulations; and
- (b) shall at all times ensure that the aggregate exposures of the Charging Group to related parties does not exceed 15% of the Company's capital, calculated in accordance with the Relevant Regulations.

REPORTING TO TRUSTEE

To ensure that the Trustee is adequately informed, the following information must be provided to the Trustee:

- Audited financial statements, within 3 months of the end of each financial year, and audited financial statements, within 3 months of the end of the first half of each financial year.
- An annual report and half year report from the Auditors to the Trustee.
- Monthly Asset Quality, Liquidity and Management accounts.
- Quarterly reports and certificates from the Directors on various matters concerning the Company.
- Other reports, if the Trustee considers that there are special circumstances warranting them.

These requirements are more specifically detailed in the Trust Deed.

DUTIES OF THE TRUSTEE

The Trustee's duties are to hold the charges created under the Trust Deed on behalf of all Secured Debenture Stockholders, to receive and consider regular financial reports furnished by the Company and its Auditors as specified in the Trust Deed, and, if necessary, to enforce the Trust Deed on behalf of all Secured Debenture Stockholders.

ENFORCEMENT

The Trustee is also bound to carry out the duties prescribed in Schedule 15 of the Securities Regulations 2009. In particular, the Trustee is required to exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed, or the terms of offer of the Secured Debenture Stock, has occurred and, except where it is satisfied that a breach will not materially prejudice the security of the Secured Debenture Stock or the interests of the Secured Debenture Stockholders, the Trustee must do whatever it is empowered to do to cause any breach to be remedied. The Trustee must also exercise reasonable diligence to ascertain whether or not the assets of the Company that are, or may be, available, are sufficient, or likely to be sufficient, to discharge the amounts of the Secured Debenture Stock as they become due.

The Trust Deed provides for various events which will cause the security to become enforceable. These include payment defaults, insolvency events, enforcement by other creditors, breach of Trust Deed provisions and statutory management. On enforcement, the Trustee can require immediate payment of all outstanding Secured Debenture Stock and can appoint a receiver of the Company and any Charging Subsidiary.

Meetings of the Secured Debenture Stockholders

Meetings of Secured Debenture Stockholders can be called by the Company, the Trustee, or by Secured Debenture Stockholders holding not less than 10% of the aggregate principal amount of the Secured Debenture Stock. Fourteen days' written notice of each meeting must be given to the Secured Debenture Stockholders. A quorum for passing an Extraordinary Resolution is Secured Debenture Stockholders present in person or representative, holding or representing a majority in nominal amount of the Secured Debenture Stock. A quorum for the transaction of any business other than passing any Extraordinary Resolution is Secured Debenture Stockholders present in person or by proxy or by attorney or by representative, holding at least 10% in nominal amount of the Secured Debenture Stock.

The Secured Debenture Stockholders have various powers exercisable by Extraordinary Resolution, including the power to amend the Trust Deed. An Extraordinary Resolution, unless the context expressly otherwise requires, is a resolution passed by 75% of the votes cast at the meeting. At a meeting of Secured Debenture Stockholders, each Secured Debenture Stockholder present in person or by proxy has one vote or, if a poll is demanded, one vote for every dollar nominal amount of Secured Debenture Stock held. Extraordinary Resolutions bind all Secured Debenture Stockholders whether or not they are present at the meeting or vote for or against the Extraordinary Resolution. However, no amendment may be made which is prejudicial to the rights and interests of any Secured Debenture Stockholder unless that person has approved the amendment by written notice to the Trustee.

A person nominated in writing by the Trustee will be Chairperson of the meeting and any director, officer or solicitor of, or person authorised by, the Company or the Trustee may attend any meeting and has the right to speak at the meeting.

This summary is not a full description of the Trust Deed. Investors should take their own advice. If desired, a copy of the Trust Deed should be obtained.

The Trustee's letter is set out on page 61.

ADDITIONAL STATUTORY INFORMATION

INSPECTION OF DOCUMENTS

The constitution of Avanti Finance Limited and the Trust Deed or copies may be inspected without fee during normal business hours at Avanti Finance Limited, Level 2 Building B, 65 Main Highway, Ellerslie, Auckland.

They can also be viewed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, the documents can be obtained by telephoning the Companies Office Business Centre on 0508 266 726.

PENDING PROCEEDINGS

The Company is not aware of any legal proceedings or arbitrations that are pending against the Company that may have a material adverse effect on the Company.

ISSUE EXPENSES

The estimated amount of the expenses of this issue is \$30,000. This includes accounting, auditing, legal and printing expenses, all of which are payable by the Company.

Brokerage is not payable by investors. The Company may from time to time pay brokerage to brokers, financial planners or investment advisors on the nominal value of accepted applications for Secured Debenture Stock at the rates set out on page 12.

MATERIAL CONTRACTS

Except for the Contracts described in the next 2 paragraphs, there have been no material contracts entered into by the Company (other than in the ordinary course of business) during the 2 years preceding the date of registration of this Prospectus.

Avanti Finance entered into a Deed of Guarantee with the Crown on 21 November 2008 (with effect from 12 October 2008), wherein the Crown guarantees due and punctual payment to deposit holders who are New Zealand citizens or New Zealand tax residents and whose deposits became due and payable prior to 12 October 2010. Related parties, persons who are not New Zealand citizens or New Zealand tax residents, financial institutions, and some persons or organisations acting as a nominee of or trustee of these parties, are not covered by this guarantee. The maximum liability of the Crown to each depositor is \$1.0m. Avanti's Crown guarantee expires on 12 October 2010.

On 10 September 2009, Avanti Finance Limited and Galatos Finance Limited entered into an agreement that obliges Galatos if called upon by Avanti at any time and from time to time, to purchase up to \$1.0m of loans from Avanti each month at face value for cash, provided that the liability Galatos has under this call option at any time cannot exceed the undrawn amount that Galatos has under its Bank facility with ANZ National Bank.

OTHER MATERIAL MATTERS

There are no material matters that are not disclosed in this Prospectus but the attention of investors is drawn to the matters set out below.

As noted on page 34 and 53, the liquidity tables for Avanti (on page 35) and Galatos (on page 53) have been prepared on a contractual maturity basis. These differ from expected maturities, but the directors consider the contractual maturities to be a more conservative analysis, because the experience of Avanti and Galatos has been that expected and actual net cashflows from assets and liabilities exceed those assessed on a contractual maturity basis. In the case of Avanti, this reflects the circumstances whereby the effects of the delayed receipts from finance receivables are generally exceeded by the effects of decisions by certain debentureholders to capitalise their monthly interest entitlements or to reinvest their debentures at maturity date. In the case of Galatos, this reflects circumstances here delayed receipts from finance receivables generally do not impact on incomings relative to outgoings as repayments to the Bank by Galatos are made as and when receivables are repaid and the term of the bank facility is renegotiated 12 months prior to expiry.

Avanti intends to purchase the shares in Galatos from G&S at net asset value in October 2010 in exchange for shares in Avanti, issued at net asset value. On completion of this purchase (**Galatos Purchase**), Galatos will become a wholly owned subsidiary of Avanti. However, we intend to continue with business as usual after the Galatos Purchase. In particular, the arrangement between Avanti and Galatos for the sale and purchase of loans will continue.

Upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under Avanti's Trust Deed, meaning that it will be a guarantor of the securities offered under this Prospectus, however, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority for all moneys outstanding to the Bank from time to time.

On completion of the Galatos Purchase, Avanti will continue to borrow under its Trust Deed, and Galatos will continue to borrow from its Bank. However, this charge to be granted by Galatos in favour of the Trustee will rank behind the existing general security agreement granted by Galatos in favour of its Bank (which shall have priority for all moneys outstanding to the Bank from time to time). The Bank will not take any security over Avanti as a result of the Galatos Purchase. Therefore, following the Galatos Purchase, the funding arrangements for Avanti and Galatos will remain substantially as they are now.

RESTRICTIONS ON DIRECTORS' POWERS

The following modifications, exceptions or limitations on the powers of the directors of the Company are imposed by the Companies Act 1993 (the Act) or the Company's constitution:

- the directors may not delegate the powers conferred on them by the sections of the Act listed in the Second Schedule of the Act;
- the directors may not authorise a dividend in respect of some but not all shares in a class that is of a greater value per share than the dividend in respect of other shares of that class, otherwise than in proportion to the amount paid on the share;
- the directors may not authorise entry into a "major transaction" unless the transaction is approved by, or contingent on approval by, a special resolution. A "major transaction" is essentially a transaction, the value of which exceeds half the value of the Company's assets before the transaction;
- the directors may refuse or delay the registration of share transfers in certain circumstances.

INVESTMENT STATEMENT FOR AN ISSUE OF SECURED DEBENTURE STOCK

(The information in this section is required under the Securities Act 1978)

IMPORTANT INFORMATION

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 all of the answers to the questions that can be found on the following pages.

In addition to the information in the Investment Statement section of 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. Please note that for this offer the Investment Statement and Prospectus have been combined.

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 one 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.

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

ANSWERS TO IMPORTANT QUESTIONS

WHAT SORT OF INVESTMENT IS THIS?

Your investment represents a loan made to Avanti Finance for a fixed term at an interest rate that remains fixed for the full term of the investment.

All investments offered by this Investment Statement take the form of Secured Debenture Stock issued by Avanti Finance under the terms of its Trust Deed, which creates a first ranking general security interest over all the assets of Avanti Finance to secure all Secured Debenture Stock, but subject to any prior charges (if any) and liabilities (if any) preferred by operation of law.

Upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under the Trust Deed, meaning that it will be a guarantor of the securities offered under this Investment Statement, however, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority for all moneys outstanding to the Bank from time to time.

All Secured Debenture Stock issued pursuant to the Trust Deed rank equally in terms of security.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

All Secured Debenture Stock offered under this Investment Statement is for such periods and interest rates as Avanti Finance determines from time to time and these are displayed on the current rate card accompanying this Investment Statement or available from the Company.

A Secured Debenture Stock Certificate recording the details of your investment will be sent to you within a few days of you making your investment.

Avanti Finance will use the proceeds of issue of the Secured Debenture Stock to make personal loans, dealer loans and short term property loans to customers in the ordinary course of its business as a finance company providing consumer finance.

The Issuer:

Avanti Finance Limited of Level 2, Building B, Avanti Finance Centre, 65 Main Highway, Ellerslie, Auckland. The directors of Avanti are Stephen Eltringham, Glenn Hawkins and Paul Bravo.

The Trustee:

Covenant Trustee Company Limited, 48 Emily Place, Auckland, the Secured Debenture Stockholder Trustee, appointed under the Company's Trust Deed.

ROLE OF THE TRUSTEE

A Trustee has been appointed pursuant to a Trust Deed to act on behalf of all investors.

Secured Debenture Stock is issued pursuant to the terms and conditions of the Trust Deed. All these investments are secured by a first ranking general security interest created by Avanti Finance in favour of the Trustee under the Trust Deed. This security is over all of Avanti Finance's assets and undertaking and is for the benefit of all investors, who rank equally in relation to that security.

Upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under the Trust Deed, meaning that it will be a guarantor of the securities offered under this Investment Statement, however, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority for all moneys outstanding to the Bank from time to time.

The Trustee does not guarantee the payment of the Secured Debenture Stock or the interest thereon.

Further details relating to the Trust Deed are contained in this document in the sections "Trust Deed Information" and "What are my Risks?".

WHAT DOES AVANTI FINANCE DO?

Avanti Finance provides finance to individuals classified as Personal Loans and Dealer Loans and Short Term Property Loans.

All of Avanti Finance's lending is approved and documented through its head office located at Ellerslie, Auckland. Finance is provided to customers that either originate directly or are referred from Avanti Finance's nationwide relationships with finance and mortgage brokers.

Avanti Finance has been providing finance to its customers since 1994. During that time the Company has established a reputation as a sound and reputable operator in the consumer finance market. Avanti's commitment to sound business practices and personal service has attracted significant long term loyalty from both depositors and customers.

Personal and Dealer Loans require repayments of principal and interest on a regular basis. Personal loans are typically secured by first charges over motor vehicles or by first or second mortgages over residential property, however, in some instances the company provides smaller personal loans to approved individuals without a vehicle or property as security. Dealer loans are secured by a first ranking security interest over the motor vehicle being purchased by our customer but can sometimes also be secured over an additional motor vehicle or property. Short Term Property loans are secured by a first or second ranking mortgage over residential property. Avanti Finance operates under lending criteria that reflect its experience in the consumer finance sector. The Company's policy is to make loans that reflect the ability of its customers to repay. By doing this and spreading its credit risk among a wide range of customers, Avanti has built a loan book with a risk profile it considers is manageable.

The Company is careful to ensure that the growth in its business is matched by recruitment of appropriate additional people, so that the risks associated with growth can be properly managed.

HOW MUCH DO I PAY?

Avanti currently employs in excess of 40 full time staff, and is committed to an employment and training policy designed to produce the skills necessary to manage and develop the Company's business.

If you wish to apply for Secured Debenture Stock you must apply and pay for a minimum amount of \$10,000 and thereafter in multiples of \$5,000 (or such other minimum and multiples as the Company may agree).

Applications must be made on the Application Form accompanying this offer document and in accordance with the instructions set out in that Application Form.

The Application Form, together with your payment, must be sent or delivered to Avanti Finance Limited, Private Bag 11917, Ellerslie, Auckland 1542 or to Level 2, Building B, Avanti Finance Centre, 65 Main Highway, Ellerslie, Auckland. Alternatively payment may be made by direct credit to our bank account, which can be provided to you upon request.

Avanti Finance reserves the right to refuse any application, or to accept any application in part only, without assigning a reason. If payment is made by cheque, the Company may delay issue of the Secured Debenture Stock until the cheque has been cleared. If Avanti Finance refuses any application, in whole or in part, the application moneys (or the relevant part of the application moneys) will be returned to the applicant without interest.

WHAT ARE THE CHARGES?

An investor does not pay any charges for an investment in Secured Debenture Stock other than the money paid for the Secured Debenture Stock applied for by the investor.

The Company may allow early repayment of Secured Debenture Stock before its maturity date if:

- (a) a sole Secured Debenture Stockholder dies; or
- (b) exceptional or unforeseen circumstances exist for the Secured Debenture Stockholder to seek repayment.

In the case of early repayment, the Company has the right to adjust the interest rate to match that applicable to the actual term for which funds were invested.

WHAT RETURNS WILL I GET?

Nature of Returns

The returns to an investor will be the interest paid on the Secured Debenture Stock.

Key Factors

Avanti Finance determines the interest rates for Secured Debenture Stock after considering the market interest rates for investments of a similar type and term.

Interest rates are displayed on a rate card available from the Company from time to time and are calculated on a per annum basis.

Returns Promised

Once Avanti Finance has accepted an application for an investment at a particular rate, the Company will pay that rate for the term of the investment.

Taxes

Investor returns, in the form of interest paid on their investments, are subject to Resident Withholding Tax (see below).

Frequency of Payments

Interest will accrue on applications that are accepted from the day the application money is received in cleared funds by the Company. Interest will accrue on a daily basis from that date (on the basis of a 365 day year) and will be paid at the intervals and the rates as set out in the application form on which the investment was made or as otherwise agreed with the Company.

Interest payments will only be made to the person in whose name the Secured Debenture Stock is registered. Where there are joint holders, interest may be paid by the Company to the holder whose name first appears in the Register maintained by the Company.

Changes to Interest Rates

Avanti Finance may vary the interest rates offered for new investments. However, a change in interest rates will not affect the rate on any Secured Debenture Stock already issued. If the Company reduces an interest rate after an investor completes an application form but before the relevant Secured Debenture Stock Certificate is issued, it will notify you of the new rate. You may then confirm your application at the reduced rate, otherwise your application money will be refunded within 14 days. No interest will be paid on refunded investments.

The Company may adjust the interest rate applicable for any Secured Debenture Stock if you seek early repayment in the circumstances set out in the section "What are the Charges?". The new rate will be a rate the Company determines is applicable for the period during which the investment was held.

Withholding Tax

The Company is obliged to deduct Resident Withholding Tax (RWT) from your interest returns. If a Secured Debenture Stockholder supplies their IRD Number to the Company the rate of RWT will normally be 21% but you can elect to have RWT deducted at 33% or 38%. If you do not supply the Company with your IRD Number, RWT will be deducted at the rate of 38%. From 1 October 2010 RWT rates reduce to 17.5%, 30% and 33% respectively.

RWT will not be deducted if you hold a certificate of exemption and a copy of the certificate of exemption is supplied to the Company. Under current tax law, interest paid to overseas residents is subject to non-resident withholding tax. Alternatively, an overseas Stockholder can elect to have the Approved Issuer Levy of 2% deducted from interest payments.

Where a person becomes entitled to an investment following the death, insanity or bankruptcy of a Secured Debenture Stockholder, the Company may retain the principal and interest until a transmission or transfer to the person has been registered.

The Company, Avanti Finance Limited, is legally liable to repay the Secured Debenture Stock and all interest thereon.

Deposit Statements

Avanti Finance will issue an Investment Certificate to you after your application has been accepted, to provide you with a record of the terms on which the investment has been accepted. It will send an interest statement to you providing details of transactions for the interest period, the balance of your investment at the end of each period and interest earned and tax deductions for the period and year to date.

When your investment matures, you simply provide the Company with your signed, written instructions for repayment or re-investment and these will be verified and actioned accordingly.

Galatos to become Guarantor

Upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under the Trust Deed, meaning that it will be a guarantor of the securities offered under this Investment Statement (However, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority for all moneys outstanding to the Bank from time to time). The guarantee of Galatos will not be subject to any conditions, will be unlimited in amount, and extend to all moneys payable by the Company under the Trust Deed, but the Trustee's security over Galatos supporting that guarantee, whilst also being unlimited in amount and securing all moneys payable under the guarantee from time to time, will rank behind the Bank's security, are described in the previous sentence. Upon completion of the Galatos Purchase, the Company and Galatos will be associates, being parent and subsidiary.

Investment risks include general risks arising from an investment in Secured Debenture Stock issued by finance companies and risks specific to the Company.

Risk is the chance of something happening that will have a negative impact on the Company including a loss of: earnings, capital, access to markets, reputation or the ability to continue business. It is measured in terms of a combination of the impact of an event and the likelihood of the event. Risk is characterised by uncertainty.

WHAT ARE MY RISKS?

The Company has adopted a Risk Management Programme ("RMP") to systematically identify and manage its exposure to risk. The Company is required to have a RMP that complies with the risk management programme requirements established under the Reserve Bank of New Zealand Act 1989 for non-bank deposit takers. The RMP sets out the procedures that the Company uses for the effective identification and management of risks that include credit risk, liquidity risk, market risk, and operational risk.

General Risks

Every investor in Secured Debenture Stock or other deposits is exposed to the risk that the issuer of the Secured Debenture Stock or other deposits becomes insolvent and is unable to repay that Stock or those other deposits and accrued interest in full.

This risk has to date been mitigated by the guarantee that the Company has under the Crown Retail Deposit Guarantee Scheme. Under the Scheme, the Crown guarantees due and punctual payment of money deposited with the Company by depositors who are New Zealand citizens or defined as resident in New Zealand pursuant to the Income Tax Act 2007 and whose deposits become due and payable prior to 12 October 2010. Related parties, persons who are not New Zealand citizens or New Zealand tax residents, financial institutions, and some persons or organizations acting as a nominee of or trustee of these listed parties, are excluded from the Scheme. The maximum liability of the Crown to each depositor is \$1.0m.

However, the Company's participation in the Scheme will cease on 12 October 2010, since the Company is not eligible to participate in the extended Crown Guarantee Scheme as the minimum credit rating required to participate in the extended scheme is BB, whereas Avanti's credit rating is BB-.

With the Company's participation in the Scheme due to cease on 12 October 2010, the Company has been aware of the risk that subscribers might only wish to invest in secured debenture stock maturing prior to that date. This had the potential to result in a concentration of maturities leading up to October 2010. The Company's approach to this issue has been to continue to spread its debenture maturities and where possible only accept new deposits that mature outside the current guarantee period. All the Company's Debentures now mature after the expiry of the Company's Crown guarantee on 12 October 2010.

There is still a risk that the Company may suffer a decline in reinvestment rates for its secured debenture stock as a result of the Company not participating in the extended Crown Guarantee Scheme. Should this happen, it might result in a reduction in secured debenture stock as a source of funding for the Company, which if unable to be replaced, could have a material adverse effect on the financial performance and financial condition of the Company or its liquidity position. The Directors have managed the Company on the basis that it does not have a Crown Guarantee and the Directors consider that the Company's access to liquidity through repayments from its principal and interest loans, and its arrangements with Galatos (which has a term funding facility from ANZ National Bank Limited), is such that any reduction in secured debenture stock deposits would not have a material adverse effect on the financial performance or financial condition of the Company or its liquidity position.

There are a number of risks to which the Company is exposed which could lead to its insolvency and inability to repay Secured Debenture Stock or other deposits and accrued interest in full.

These risks include:

- **Credit Risk:** The risk of loss to the Company arising from borrowers from the Company not being able to meet their obligations, or who default on their commitments.
- **Liquidity Risk:** The risk that the Company is unable to meet its financial commitments (including, in particular, commitments to its depositors) as they fall due or that the Company suffers material loss in doing so.
- **Market Risk:** The risk from changes in interest rates payable to depositors, and interest rates chargeable to borrowers, including the risk that interest from loans is not sufficient to service interest payable on deposits.
- **Operational Risk:** The risk arising from human error, system failures, and inadequate procedures and controls.

These risks, regulatory risk, the Company's credit rating, environmental risk, litigation risk and risks specific to the Company are described in further detail below.

While there are differences between the Company and Galatos in some of the statistics measuring risk i.e. the age of loan receivables (see page 28 for the Company, and page 50 for Galatos) and levels of loans rolled over or extended (see page 36 for the Company and page 55 for Galatos, where reference is made to approximately 45% for the Company, and 60% for Galatos, of short term property loans (by value) having been extended or rolled over as at 31 March 2010), the Company considers the two companies to have similar risk profiles for reasons that are outlined in the section headed "Liquidity Risk" below.

Credit Risk

The Company is reliant on its borrowing customers meeting their commitments to pay interest and repay the principal on time.

The Company looks to mitigate the risk of a customer failing to pay through lending and credit policies and procedures whereby the Company undertakes credit checks on potential customers, lends within preset limits and other lending criteria that have regard to concentration risk, takes security over assets, actively monitors and reviews loans, and implements credit recovery programmes on an appropriate, efficient and prudent basis.

The Company assesses the credit quality of each customer. The Company makes an evaluation of the customer's financial strength and its ability to meet its obligations when they fall due. Collateral is taken on the provision of a loan facility based on management's evaluation of customer credit risk. Collateral primarily takes the form of first charges over motor vehicles and first or second mortgages over residential property.

An important aspect of credit risk is concentration risk. This is the risk of over-exposure to individual borrowers, and to a single industry sector. The Company's personal loans and dealer loans usually range in amount from \$1,000 to \$50,000, and its short-term property loans usually range from \$50,000 to \$500,000. A loan for an amount over \$50,000 must be approved by directors and secured over real property. The exposure to the six largest debtors as at 31 August 2010 was 6.7% of total receivables. The Board has a policy at present of no new loans over \$500,000 and no new property development loans. Lending is spread over the three types of loans which are usually made to customers for personal rather than business purposes, although the Company does have some business loans.

Another important aspect of credit risk is related party lending. The Company currently has no related party lending. The Company sells loans to Galatos Finance Limited (Galatos) on an arms length basis for cash at face value and manages those loans on their behalf. Both the Company and Galatos are owned by G & S Investments Limited (which does not guarantee the securities offered under this Prospectus).

Avanti intends to purchase the shares in Galatos from G&S at book value in October 2010 in exchange for shares in Avanti, issued at book value. On completion of this purchase (**Galatos Purchase**), Galatos will become a wholly owned subsidiary of Avanti. However, we intend to continue with business as usual after the Galatos Purchase. In particular, the arrangement between Avanti and Galatos for the sale and purchase of loans will continue.

On completion of the Galatos Purchase, Avanti will continue to borrow under its Trust Deed, and Galatos will continue to borrow from ANZ National Bank. As a result of becoming a wholly owned subsidiary of Avanti, Galatos will become a guarantor of the securities offered under this Prospectus and Investment Statement, and grant a charge in favour of the Trustee to support that guarantee. However, this charge will rank behind the existing general security agreement granted by Galatos in favour of its Bank (which shall have priority for all moneys outstanding to the Bank from time to time). The Bank will not take any security over Avanti as a result of the Galatos Purchase. Therefore, following the Galatos Purchase, the funding arrangements for Avanti and Galatos will remain substantially as they are now.

While there are differences in aging of loan receivables for Avanti and Galatos, Avanti considers the two companies to have similar credit risk profiles, for reasons that are outlined in the section headed "Liquidity Risk" below.

If a customer does not honour his or her loan commitments the value of the security may not be sufficient to cover the loan and interest outstanding. When this happens, the Company suffers a loss on the loan. If this was to happen in relation to a significant number of the Company's loans, the Company risks insolvency.

The breakdown of loan receivables including past due (not impaired) and impaired receivables, along with the allowance for impairment (provision for doubtful debts) is set out in Note 12 on page 28. There has been no material change in these amounts from March 2009 to March 2010 nor in the period from March 2010 to September 2010. The directors are satisfied that the level of provision for doubtful debts is sufficient to cover expected bad debts (see Note 13 on page 30).

As part of its monitoring and review of loans, the Company has regard to:

- (a) the continuing ability of customers to meet their obligations; and
- (b) any changes in the value of any security given for its loans.

The Company looks to identify potential defaulting loans or adverse trends in its loan book, particularly when economic conditions change, such as where there is an increase in interest rates, falls in asset prices, or an increase in unemployment.

If there are signs of any deterioration in credit quality, the Company looks to work with the customer to manage payments, particularly if loans reach the past due or impairment stage.

The Company keeps its lending and credit policies and procedures under regular review, particularly where economic conditions change, with Board approval required for any changes.

Should any of the events referred to in the above description of credit risk occur, this could have a material adverse effect on the financial performance and financial condition of the Company, as well as its reputation.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds available to meet its payment obligations without affecting either the daily operations or the financial condition of the Company. The Company's Liquidity Management Policies are designed to ensure that it has sufficient funds available, even in adverse circumstances, to meet its obligations.

The Company relies on payment of interest on its loans and repayment of those loans to pay its expenses and other liabilities as they fall due. The key to achieving positive cashflow is to manage the timing of interest and principal payments due on Secured Debenture Stock on the one hand, whilst also managing receipts of interest and principal on loans and other finance provided to the Company's customers on the other hand. The Company plans its borrowing and lending activities with a view to ensuring positive cashflow on a daily basis.

The Company's loans comprise a mix of new loans and loans that the Company has agreed to roll over following the expiry of the initial term of the loan. The Company varies or extends loans each month and expects that at any time approximately one-third of its loans will be loans that have been varied or extended ie rolled over. During the financial years ended 31 March 2009 and 31 March 2010 28% of the Company's loans represented loans that had been varied or extended by agreement with the customer. During the period from March to September 2010 this percentage decreased to approximately 26% (annualized). This is in line with historical levels and the directors are satisfied that these loans have been included in the financial statements at their appropriate value.

For principal and interest loans, before a personal loan or a dealer loan is rolled over the Company needs to be satisfied that the payment history has been adequate. This usually means that the customer must have been able to pay most of the instalments due in the last three months. Generally, no additional information is required to support rollovers of these loans.

Short-Term Property Loans may be rolled over or extended at the end of their term. As at 31 March 2010 approximately 45% of short-term property loans (by value) have been extended or rolled over. Before a short term property loan is rolled over the company will assess the customer's capacity to make ongoing monthly payments at an acceptable level, the current "loan to security value" position, and any customer commitments to selling the secured property. Rollovers of these loans must be signed off by a director.

As per the Liquidity Statement on page 37 of this Prospectus, maturing assets under contract terms due within 6 months (and in total) significantly exceed liabilities falling due. This position has not materially changed as at the date of this Prospectus. As at 1 September 2010 the total value of Debenture Stock on issue was \$20.3m.

Upon completion of the Galatos Purchase, investors should assess the liquidity risk of both the Company and Galatos. The Company considers that both companies have a similar liquidity risk profile, mainly because they both rely largely on loans that are initially written by Avanti (in the case of Galatos the loans are written by Avanti and sold to Galatos). Distinctions are not drawn in the credit quality of loans retained by Avanti, and loans sold to Galatos ie there is not a "good bank" "bad bank" concept operating between these companies. Whilst Avanti administers both its loans, and the Galatos loans, Galatos is ultimately responsible for decisions relating to its loans such as rollovers. However, both companies apply the same methodologies relating to their loan books, including those relating to customer assessment, valuation, criteria for rollover and provisioning. At any point in time there are differences between these two companies in relation to factors such as the level of due and impaired

loans (see page 28 for the Company, and page 50 for Galatos) and the level of loans that have been rolled over or extended (see page 36 for the Company, and page 55 for Galatos). Nevertheless, the Company considers that over time the liquidity profile of the two companies is comparable. Each company has different sources of funds; Avanti funds through debenture stock, whereas the funding for Galatos comes from its bank. Whilst different in nature, both have historically been stable sources of finance (the Avanti debenture stock because of the high reinvestment rate, and the Galatos funding because of the continued support of its bank). The Company's assessment, therefore, is that the Company and Galatos offer comparable liquidity risk profiles.

The Company manages liquidity risk in accordance with its Liquidity Management Policy and reviews projected cash receipts and payments on a weekly basis and maintains a rolling cash flow forecast that considers particular sensitivities in order to maintain target cash holdings. If shortfalls are envisaged management places limits on lending. The Company's liquidity is also assisted by its ability to sell loans to Galatos, and the bank facility that Galatos has with ANZ National Bank, which Galatos draws on to finance the purchase of loans from the Company. Both the Company and Galatos are owned by G & S Investments Limited (which does not guarantee the securities offered under this Prospectus), but Avanti intends to acquire Galatos in October 2010 (see page 6 for further details). If called upon by Avanti, Galatos is obliged to purchase up to \$1.0million of loans from Avanti each month, provided that the liability Galatos has under this call option at any time cannot exceed the undrawn amount that Galatos has under its Bank facility. The Bank facility that Galatos has with ANZ National Bank has recently been renewed for a further 2 years expiring on 1 August 2012. If this facility was terminated for any reason then this would impact adversely on the ability of Galatos to purchase loans from the Company, which in turn could have a material adverse effect on the financial performance and financial condition of the Company.

Both the Company's secured debenture stock trust deed and the banking facility provided to Galatos require compliance with financial covenants. While the Company considers that both the Company and Galatos will be able to comply with their respective financial covenants, a significant decline in earnings, as a result of a deterioration in general economic conditions or otherwise, could cause the Company and/or Galatos not to comply with its financial covenants. While the Company considers this to be unlikely, a failure to comply with financial covenants could lead to an enforcement of security interests.

At the time of the credit crisis in 2008 the Company was exposed to an increased liquidity risk on account of the potential for loss of investor confidence. However, notwithstanding the credit crisis, the Company's reinvestment rate remained over 80% in the two year period to 31 March 2010 and in the 5 months ended 31 August 2010.

In October 2008, the Company applied and was accepted under the Crown Retail Deposit Guarantee Scheme. The Company's Crown Guarantee expires on 12 October 2010. The Company's approach in relation to the expiry of the Guarantee has been to continue to spread its debenture maturities and, where possible, to only accept new deposits maturing outside the current guarantee period. All of the Company's deposits now mature after the expiry of the Company's Crown Guarantee on 12 October 2010. The Company is not eligible to participate in the extended Crown Guarantee Scheme as the minimum credit rating required is BB whereas Avanti's rating is BB-.

There is still a risk that the Company may suffer a decline in reinvestment rates for its secured debenture stock as a result of the Company not participating in the extended Crown Guarantee Scheme. Should this happen, it might result in a reduction in secured debenture stock as a source of funding for the Company, which if unable to be replaced, could have a material adverse effect on the financial performance and financial condition of the Company or its liquidity position. The Directors have managed the Company on the basis that it does not have a Crown Guarantee and the Directors consider that the Company's access to liquidity through repayments from its principal and interest loans, and its arrangements with Galatos (which has a term funding facility from ANZ National Bank Limited), is such that any reduction in secured debenture stock deposits would not have a material adverse effect on the financial performance or financial condition of the Company or its liquidity position.

The Company's liquidity might also be affected by its credit rating (discussed under Credit Rating on page 75). However, the Company does not expect its credit rating to have a material impact on investor confidence and liquidity. Nevertheless, notwithstanding the expectations of the Company, it is possible that the rating might have a material adverse effect on the Company's liquidity, and its business generally.

The liquidity of the Company and Galatos might also be affected by the Matter of Uncertainty mentioned in the Company's audit report on page 39, and the Matters of Emphasis and Uncertainty mentioned in the audit report for Galatos on page 57. The first of these matters (common to both companies) is that the domestic economy continues to be impacted by recessionary conditions which create uncertainty regarding the ability of borrowers to meet their loan repayments and also regarding the value and timing for realisations of secured property and other assets.

These uncertainties in turn cause uncertainty as to whether the currently determined allowances for impairment losses will adequately cover actual losses as may be incurred in future periods. All of these uncertainties represent risks for the liquidity of the Company and Galatos.

The second matter of uncertainty relates to Galatos, and is the risk that the financing provided by ANZ National Bank of New Zealand Limited is discontinued which, should it happen and Galatos not be able to refinance, could make the assumption that Galatos will remain a going concern invalid unless other funding is put in place. At all times the facility is assessed 12 months prior to expiry, however if a new facility could not be put in place, provision would have to be made for any possible loss on realisation of the Galatos loan receivables and the repayment of loans over time.

Should any of the events referred to in the above description of liquidity risk occur this could have a material adverse effect on the financial performance and financial condition of the Company, as well as its reputation.

Regulatory Risk

Regulatory risk is part of operational risk, but due to its heightened significance at the present time is being described separately under its own heading.

The Company closely monitors the regulatory environment in which it operates, and seeks to comply in all respects with all applicable legislation. The Company's Board and management have many years experience in the finance industry. They keep up to date with current developments and issues through involvement in the wider business community, as a member of the Financial Services Federation and by engagement of external advisors.

At the present time, the New Zealand financial sector is undergoing substantial regulatory reform. This reform included the amendment to the Reserve Bank of New Zealand Act in 2008, which has extended the Reserve Bank's responsibility to being a regulator of non-bank deposit takers such as finance companies, and further regulations. The new regulations have included the requirement to obtain and maintain a credit rating and to have a formal risk management programme. Further proposed changes include the requirement for at least two independent directors on the Board, restrictions on related party credit exposures, a minimum capital ratio and liquidity requirements.

The Company presently has a BB- credit rating from Standard & Poor's and a formal risk management programme which has been approved by our Trustee and sufficient capital to comply with anticipated minimum capital ratio requirements. The changes are being gradually introduced, with full compliance expected by the end of 2010.

The Company expects to comply with all the proposed changes as they are introduced and does not expect the reforms to have a material adverse effect on the financial condition of the Company.

Market Risk

Market risk is the risk of loss from adverse movements in market prices or rates. Market risk includes interest rate, foreign currency and equity risk:

- Interest rate risk is defined as the risk of loss resulting from a change in interest rates.
- Foreign currency risk is defined as the risk arising from a change in an exchange rate; and
- Equity risk is defined as the risk arising from changes in the price of equity instruments.

The Company needs to ensure that the margin between its borrowing rates and its lending rates is such that interest received on loans to customers and on bank balances is at least sufficient to pay interest due on Secured Debenture Stock as well as pay all of the Company's other liabilities. Interest rates paid on Secured Debenture Stock are set by the Company having regard to current deposit rates for finance companies. Lending rates to borrowers are set by the Company having regard to current borrowing rates from finance companies and the need to set lending rates at an appropriate margin above borrowing rates to ensure that incomings are at least sufficient to meet outgoings, having regard to the potential for default by borrowers and other factors affecting incomings. The Company lends at fixed rates of interest over relatively short time periods and actively manages maturity profiles. The Company actively monitors its interest rate structures to ensure appropriate interest rate margins are maintained.

The Company manages this risk in accordance with its Market Risk Policy.

The Company is not exposed to foreign currency as it operates solely within New Zealand and does not write any foreign currency denominated loans. The Company is also not exposed to equity risk as it does not have exposure to equity instruments.

The Company considers it unlikely that changes in interest rates could have a material adverse effect on the financial performance and financial condition of the Company.

Operational Risk

Operational risk is the risk arising from a human error, system failures and inadequate procedures and controls. For example, operational risk can arise from deficiencies in information systems, technological or physical failures, breaches in internal controls, or fraud or other criminal activities. This risk includes, among other things, legal risk (including, for example, exposure to fines, penalties or damages), risks arising from money laundering and regulatory risk.

Operational risk relates to both internal events (such as a breakdown in internal procedures and controls) and external events (such as natural disasters).

Operational risk exposes the Company to potential financial loss and/or damage to its reputation.

The Company carefully screens potential employees to see that they are appropriate people for the Company to employ. The Company promotes a friendly work environment with suitable training programmes and incentives for personal development. Employees have clearly defined responsibilities and are accountable for their actions in accordance with prescribed reporting lines established as part of the Company's Delegated Authority Policy that extends ultimately to senior management and the Board. The potential for conflict between an employee's personal interests and duties to the Company is addressed through the Company's Conflict of Interest Policy.

The Company has sound computer and information systems that senior management of the Company are required to monitor in accordance with the Company's Information Technology Policy and which are designed to provide detailed information on deposit liabilities, loan advances and the age and status of the Company's receivables.

Senior management implement the Board approved Lending and Security and Treasury Management Policies that are designed to ensure there are proper procedures and controls relating to the Company's lending operations and management of the cash flows associated with its business.

However, the Company is exposed to the possible loss of its most competent personnel. The Company is also exposed to risk of fire or other damage to its computer equipment and other facilities and its premises. Possible failure of the power supply to service the Company's computers and other facilities is another risk. The Company seeks to mitigate these risks through its Business Continuity and Disaster Recovery Policy that is overseen by senior management. This is designed to minimise interruption to business affecting employees, technology and premises, and ensure, as far as practicable, that business interrupted in this way can be resumed as quickly and efficiently as possible. This includes, keeping hard copies of data as a backup to computer data, maintaining appropriate insurance, and knowing how to access generators in the event of power failures.

The Company's operational procedures and controls are assessed for compliance by senior management of the Company on a regular basis.

The Company obtains advice from external legal counsel on matters of legal risk, including regulatory risk.

Should any of the events referred to in the above description of operational risk occur this could have a material adverse effect on the financial performance and financial condition of the Company, as well as its reputation.

Credit Rating

The Company has a BB- credit rating from Standard & Poor's Rating Services. In order to continue operation under the regulatory reforms (discussed under Regulatory Risk above) all finance companies (unless exempted) must have a credit rating with an approved credit rating agency.

Standard & Poor's base this rating on an independent review and analysis of the Company which includes a review of the Company's ownership, management and governance structures, loan book, credit quality, level of appropriate diversification, competencies and lending procedures. Standard & Poor's ratings range from AAA (extremely strong) to CC (highly vulnerable). Companies which achieve a rating of BBB- or above are considered "investment grade".

Companies which attain a rating of BB+ or below are regarded as "speculative grade". Credit ratings issued by Standard & Poor's Ratings Services are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of credit ratings issued by Standard & Poor's Ratings Services should not rely on any such ratings or other opinion issued by Standard & Poor's Ratings Services in making any investment decision. Credit ratings may be changed, withdrawn or suspended at any time. A full copy of Standard & Poor's latest report is available from Standard & Poor's at www.standardpoors.com. The Company's BB- credit rating means that Avanti is not eligible to participate in the extended Crown Guarantee Scheme as the minimum to be eligible is BB.

Crown Retail Deposit Guarantee Scheme

The Company currently has the benefit of a Crown Guarantee under the Crown Retail Deposit Guarantee Scheme for retail deposits. Further information about the Scheme is available, free of charge, and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury (which is currently www.treasury.govt.nz). The most recent audited statement of financial position of the Crown is available, free of charge, and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury (which is currently www.treasury.govt.nz). However, Avanti's Crown guarantee expires on 12 October 2010, and Avanti is not eligible to participate under the extended Crown Guarantee Scheme as the minimum credit rating required to participate in the extended scheme is BB whereas Avanti's credit rating is BB-.

With the Company's participation in the Crown Guarantee Scheme due to cease on 12 October 2010, the Company has been aware of the risk that subscribers may only wish to invest in secured debenture stock maturing prior to that date. This had the potential to result in a concentration of maturities leading up to October 2010. The Company's approach to this issue is to continue to spread its debenture maturities and where possible only accept new deposits that mature outside the current guarantee period. All the Company's Debentures mature after the expiry of Avanti's Crown guarantee on 12 October 2010.

There is still a risk that the Company may suffer a decline in reinvestment rates for its secured debenture stock, as a result of the Company not being able to participate in the extended Crown Guarantee Scheme. Should this happen it might result in a reduction in secured debenture stock as a source of funding for the Company, which if unable to be replaced, could have a material adverse effect on the financial performance and financial condition of the Company or its liquidity position. The Directors have managed the Company on the basis that it does not have a Crown Guarantee and the Directors consider that the Company's access to liquidity through repayments from its principal and interest loans, and its agreements with Galatos (which has a term funding facility from ANZ National Bank Limited), is such that any reduction in secured debenture stock deposits would not have a material adverse effect on the financial performance or financial condition of the Company or its liquidity position.

Environmental Risks

There are several external factors which impact the Company's activities over which it has little or no control, including the political and economic environment in New Zealand, a prolonged global recession, pandemics, a downturn in a financial market or the failure of a major finance company.

Events of this type could affect investment and reinvestment rates, and the availability of bank facilities, which can impact on costs of funds and liquidity.

The New Zealand economy is experiencing a range of adverse effects which are resulting in challenging market conditions. A continued and/or prolonged deterioration in general market conditions will tend to result in reduced demand for finance, reduced ability to service existing loans and reduced earnings. Reduced or negative growth, such as a reduction in demand for consumables and motor cars, could have a material adverse effect on the financial performance of the Company.

The Company regularly monitors local and global economic and business conditions, in order to identify and assess any potential risks which may impact on its operations. However, economic changes are not always predictable, and significant changes in the local economy could impact the Company's business.

The Company is also subject to various other risks that could affect financial performance, including competitor activity and new competitors putting pressure on borrowing and lending rates.

Litigation Risk

Litigation risk is the risk that the Company may become involved in a dispute that results in court or arbitration proceedings. Such proceedings can be both costly and time consuming. Further, the result of any proceedings is uncertain and may affect the Company's business. The Company is not aware of any litigation in which the Company is or may become involved at the date of this Prospectus which is likely to materially or adversely affect its position.

Specific Risks

The Company's main activity is to provide principal and interest loans and short term property loans to customers. Customers include people on lower incomes, those whose needs are often not adequately catered for by Banks, and middle income earners who choose to deal with the Company in order to get quicker, more personalised service. Prospective customers are assessed against the Company's lending criteria, and an appropriate interest rate is charged. The rate is a reflection of the risk involved and our overall lending assessment.

Specific risks associated with the provision of loans by the Company are:

- That customers, particularly customers on lower incomes, fail to pay on due date;
- That the Company is not able to recover repayment of the loan, or part of the loan, through its credit recovery programme;
- That realisation of any security for the loan does not produce sufficient proceeds to recover the amount outstanding under the loan;
- That capitalisation of interest results in loan balances being greater at the end of the loan than at the beginning.

If the Company is unable to recover a significant proportion of its loans, the result for the Company could be insolvency and in that event you may receive less than the amount of your original investment.

HOW RISK IS MANAGED

The Company manages identified risks with a view to lessening possible loss by a number of means described above, as well as those described below:

- the Company has in place a Risk Management Programme as required by the Reserve Bank of New Zealand Act 1989, along with ongoing contractual arrangements with Ernst & Young Limited to provide Internal Audit Services and advise on Risk Management and Corporate Governance;
- the Company has regular Board meetings to monitor business results and covenant compliance and is subject to monthly prudential reporting to the Reserve Bank of New Zealand under the government guarantee scheme, to regular reporting to its Trustee, to monitoring by the Rating Agency and to six monthly external audits;
- the Company's senior personnel have extensive experience in personal financing and carefully manage their staff development and training;
- the Company utilises sound and efficient computer technology and other operating systems;
- the Company operates a margin risk and cash flow policy that anticipates certain levels of default, having regard to the Company's customer profile. The Company's liquidity is assisted by its ability to sell loans to its sister company, Galatos. Galatos has the benefit of a term loan facility with ANZ National Bank;
- with regard to the management of liquidity risk, the Company policy is (and has been for at least the last 10 years) to only accept debenture investments and renewal of debenture investments for terms of one year or longer. No call money is accepted.

- as soon as customers fall into arrears with loans they are contacted and the loan is then carefully managed with a view to regular payments being reinstated as soon as feasible;
- where payments cannot be reinstated, credit recovery programmes are implemented and, if necessary, security for the loan is sold and debt collection through the Courts is pursued. At this point each loan is assessed individually for likely recovery and provision made for any expected non-recovery. The Company has over 10 years' history which is used to assess the required level of provisioning;
- the Company has a policy of conservative balance sheet gearing;
- where interest is capitalised, the security required for the loan is assessed on the projected balance and the quantity of loans in this area is restricted. At the date of this Prospectus, fully capitalising loans represent less than 2% of the total receivables of the Company;
- the Company also benefits from being a member of the Financial Services Federation;
- where legal issues arise, the Company consults with its external legal advisors.

Independent Review

The Company has contracted an independent audit and risk advisor (Ernst & Young Limited) to periodically assess the Company's Risk Management Programme.

Consequences of Insolvency

No Secured Debenture Stockholder will be obliged to pay any further money to the Company as a result of insolvency of the Company.

The following claims on the assets of the Company will or may rank ahead of claims of Secured Debenture Stockholders if the Company is put into liquidation or receivership:

- Claims of holders of prior charges permitted under the Trust Deed (the Trust Deed permits prior charges to secure financing of the cost of acquisition, construction or development or improvement of property up to an amount that does not exceed two thirds of the cost of that acquisition, construction, development or improvement together with interest, discounts and other financing charges and ancillary sums). Upon completion of the Galatos Purchase, Galatos will become a Charging Subsidiary under the Trust Deed, meaning that it will be a guarantor of the securities offered under this Prospectus (However, the charge to be granted by Galatos in favour of the Trustee in support of that guarantee will rank behind a first ranking security previously granted by Galatos in favour of ANZ National Bank which shall have priority from all moneys outstanding to the Bank from time to time).
- Claims of various preferential creditors under the Seventh Schedule of the Companies Act 1993.
- Claims of the Trustee or any receiver for costs, liabilities and remuneration under the Trust Deed.
- The Company is also permitted by the Trust Deed to create a charge over all or any of its charged assets in favour of the Trustee ranking equally with the charge created by or pursuant to the Trust Deed to secure debenture stock ranking equally in point of priority with the Secured Debenture Stock.
- In a liquidation of the Company, all claims of Secured Debenture Stockholders rank equally and rank ahead of all other creditors of the Company other than those listed above.

However, as Avanti Finance has a guarantee under the original New Zealand Deposit Guarantee Scheme, the Crown will make due and punctual payment of any money owing to a deposit holder whose deposit becomes due and payable prior to 12 October 2010 that Avanti Finance is unable to make as a result of Avanti Finance being insolvent, provided that the deposit holder is not a party that is excluded from the guarantee scheme (see page 70 of this Prospectus under the section entitled "General Risks" for details on deposit takers who are excluded).

Avanti is not eligible to participate in the extended Crown Guarantee Scheme. The minimum required credit rating is BB, whereas Avanti's credit rating is BB-.

CAN THE INVESTMENT BE ALTERED?

The specific terms on which you invest (such as maturity date and interest rate) cannot be changed unless agreed between the Secured Debenture Stockholder and the Company. However, the Company and the Trustee can be required to change the Trust Deed which governs your investment by direction from an Extraordinary Resolution of Secured Debenture Stockholders. The Company and the Trustee can also agree between them to change the Trust Deed in limited circumstances such as to correct any formal or technical errors, to comply with statutory requirements, or if the Trustee is of the opinion that the alteration will not be prejudicial to the general interests of Secured Debenture Stockholders.

HOW DO I CASH IN MY INVESTMENT?

The Company is only obliged to repay your Secured Debenture Stock on the agreed maturity date.

Repayment of your Secured Debenture Stock upon Maturity

Avanti Finance will write to you at least fourteen days before the maturity date, stating your options on maturity, and asking for your instructions. On maturity of your Secured Debenture Stock you have the option to have all or any part of your principal and/or any outstanding interest (if any) either repaid or re-invested.

If you have not given the Company any instructions regarding either the reinvestment or repayment of your investment by the maturity date, the Company reserves the right to:

- Repay your investment (together with accrued but unpaid interest), by cheque posted to your last known address;
- Hold that investment "at call" at the Company's "at call" rate; or
- Reinvest your investment for the same term, earning interest at the Company's current rate for that term.

Early Repayment of Secured Debenture Stock

The Company has a discretion to repay the Secured Debenture Stock early if:

- a sole investor dies; or
- there are exceptional or unforeseen circumstances that cause the investor to seek repayment.

In the case of early repayment, the Company has the right to adjust the interest rate to a rate applicable to the period during which the Secured Debenture Stock was actually outstanding.

Register and Transfers

A Register of Secured Debenture Stockholders will be maintained by Avanti Finance Limited at its office at Level 2, Building B, Avanti Finance Centre, 65 Main Highway, Ellerslie, Auckland.

Transfers of Secured Debenture Stock may be made on the form commonly used for security transfers, or on any other form approved by the Company. Registration of transfers will be effected as soon as the Company is practicably able, following receipt of a properly executed transfer. On the death of a Secured Debenture Stockholder a transfer can be effected to an executor or beneficiary as soon as probate or letters of administration are presented to the Company.

A Secured Debenture Stockholder may sell his or her Secured Debenture Stock, but a transfer must not result in a Secured Debenture Stockholder holding Secured Debenture Stock of less than \$500.

The Company may refuse to register a transfer of Secured Debenture Stock if:

- the Register is closed; or
- a duly completed transfer and the relevant Secured Debenture Stock Certificate is not left at the registered office of the Company; or
- the Directors of the Company decide, in their absolute discretion, to refuse to register a transfer.
- In the Company's opinion, there is no established market for such sales.

**WHO DO I CONTACT
WITH ENQUIRIES
ABOUT MY
INVESTMENT?**

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

Enquiries about Secured Debenture Stock should be made to:

Glenn Hawkins, Avanti Finance Limited, Level 2, Building B, Avanti Finance Centre, 65 Main Highway, Ellerslie, AUCKLAND 1542.

Telephone: (09) 571 0720, Facsimile: (09) 571 2406 Email: glenn@avantifinance.co.nz

Complaints about Secured Debenture stock investments should be made to:

- Stephen Eltringham, Avanti Finance Limited
Level 2, Building B, Avanti Finance Centre
65 Main Highway, Ellerslie, AUCKLAND 1542

Telephone: (09) 571 0720

Facsimile: (09) 571 2406

Email: steveeltringham@xtra.co.nz

- The Corporate Business Manager
Covenant Trustee Company Limited
48 Emily Place, AUCKLAND

Telephone: (09) 302 0638

Facsimile: (09) 302 1037

- The Executive Director
The Financial Services Federation (Inc.),
6th Floor, Wakefield House
90 The Terrace PO Box 10 053, WELLINGTON

Telephone: (04) 472 1731

If you have followed Avanti's internal complaints procedure and you are dissatisfied with the way a complaint has been handled, you may refer your complaint to Financial Services Complaints Limited (FSCL), an independent, not-for-profit, external dispute resolution scheme approved by the Minister of Consumer Affairs under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. FSCL's contact details are:

- Financial Services Complaints Limited
PO Box 5967
Lambton Quay
Wellington 6145
- Telephone: 0800 347 257 or (04) 472FSCL (472 3725)
Facsimile: (04) 472 3728
Email: info@fscl.org.nz

There is no ombudsman for this class of investment.

**WHAT OTHER
INFORMATION CAN I
OBTAIN ABOUT THIS
INVESTMENT?**

Other information about the Company and the Secured Debenture Stock is contained in the Company's current Prospectus and financial statements. A copy of the current Prospectus, and financial statements, are available free of charge on request by telephone or in person from:

Glenn Hawkins
Avanti Finance Limited
Level 2, Building B
Avanti Finance Centre,
65 Main Highway, Ellerslie, AUCKLAND 1542

Telephone: (09) 571 0720
Facsimile: (09) 571 2406
Email: glenn@avantifinance.co.nz

A copy of the Trust Deed is available for inspection at the Company's above address.

Please note that for this offer, the Prospectus and Investment Statement have been combined.

Copies of the current Prospectus, financial statements and other documents relating to the Company can also be viewed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, the documents can be obtained by telephoning the Companies Office Business Centre on 0508 266 726.

Further information about the Deposit Guarantee Scheme is available, free of charge, on the internet site maintained by, or on behalf of, the Treasury (which is currently www.treasury.govt.nz).

The most recent audited statement of financial position of the Crown is available free of charge, on the internet site maintained by, or on behalf of, the Treasury (which is currently www.treasury.govt.nz).

A full copy of the Standard and Poor's Credit rating for the Company can be found at www.standardandpoors.com.

**MATTERS REQUIRED TO BE STATED OR CONTAINED IN THIS
PROSPECTUS BY SCHEDULE 2 TO THE SECURITIES REGULATIONS 2009**

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APPLICATION FOR: SECURED FIRST RANKING DEBENTURE STOCK

Avanti Finance Limited Level 2, Building B, 65 Main Highway, Ellerslie, Auckland.
Phone. 09 5710720 or 0800 800107 **Facsimile.** 09 5712406
Email. investment@avantifinance.co.nz

Broker's Stamp

INVESTOR DETAILS

Investor *Mr/Mrs/Miss/Ms*

First names in full

Surname

IRD No.

Joint Investor *Mr/Mrs/Miss/Ms*

First names in full

Surname

IRD No.

Residential Address

Please indicate your choice of Resident Withholding Tax Rate below:

17.5% 30% 33% Other
 (from 1 October 2010) Specify

Email Address

Daytime Phone no.

Please Note: If we do not have your IRD number on file we are required to deduct Resident Withholding Tax (RWT) at 38%

Mailing Address (if different from above)

New Investment

Reinvestment

INTEREST PAYMENT OPTIONS

Compound Interest Quarterly

Bank

Branch

Pay Interest Quarterly to bank account:

Bank

Branch

Account No.

Suffix

INVESTMENT DETAILS

All cheques should be crossed 'Not Transferable' and made payable to Avanti Finance Limited

Term	INVESTMENT AMOUNT	INTEREST RATE
5 years		
4 years		
3 years		
2 years		
1 year		

Minimum investment \$10,000, thereafter in multiples of \$5,000

SIGN & DATE THIS APPLICATION

I/We hereby apply for Secured First Ranking Debenture Stock subject to prior permitted charges and the terms and conditions of the Trust Deed and the current Registered Prospectus and Investment Statement. I/We confirm that the details shown on this form are correct and that Avanti Finance Limited may offer or provide me/us with information on its products and services. I/We acknowledge that I/we have received a copy of the current Prospectus and Investment Statement.

Signature

Signature

Date

Please attach your cheque to this completed application form and post to:

Avanti Finance Limited
 Private Bag 11917
 Ellerslie
 Auckland 1542

DIRECTORY

THE COMPANY

Avanti Finance Limited
Level 2, Building B
65 Main Highway
Ellerslie
Auckland

DIRECTORS

Stephen Alan Eltringham M. INST. D
C/- Avanti Finance Limited
Level 2, Building B
65 Main Highway
Ellerslie
Auckland

Glenn Matthew Hawkins BCOM, CA
C/- Avanti Finance Limited
Level 2, Building B
65 Main Highway
Ellerslie
Auckland

Paul Victor Harris Bravo
C/- Avanti Finance Limited
Level 2, Building B
65 Main Highway
Ellerslie
Auckland

REGISTERED OFFICE

Level 2, Building B
Avanti Finance Centre
65 Main Highway
Ellerslie
Auckland

Private Bag 11917
Ellerslie
Auckland 1542

AUDITORS

PKF Ross Melville Audit
Chartered Accountants
50 Anzac Avenue
Auckland 1010

SOLICITORS TO THE COMPANY

Minter Ellison Rudd Watts
Lumley Centre
88 Shortland Street
Auckland 1010

BANKERS (to Galatos Finance Limited)

ANZ National Bank
209 Queen Street
Auckland 1010

RISK MANAGEMENT ADVISERS

Ernst & Young Limited
41 Shortland Street
Auckland 1010

TRUSTEE FOR THE SECURED

DEBENTURE STOCKHOLDERS
Covenant Trustee Company Limited
48 Emily Place
Auckland 1015

SOLICITOR TO THE TRUSTEE

Richard Hanna
149-155 Parnell Road
Auckland 1151

Member of the Financial Services Federation (Inc.)

AVANTI | FINANCE

AUTHORITY FOR AGENT TO SIGN PROSPECTUS
(Section 41(b))

Issuer Name: Avanti Finance Limited

Issuer Number: 659638

I, Stephen Alan Eltringham, being a director of the Issuer hereby authorise Glenn Matthew Hawkins to sign on my behalf as my agent:

- a combined Prospectus and Investment Statement to be dated on or about *27 September* 2010 (or any date during the week preceding or during the week following that date) for an offer of secured debenture stock of the Issuer on the terms set out in the combined Prospectus and Investment Statement; and
- such reports, certificates, statements, documents or other papers referred to in, or ancillary to, the Prospectus and Investment Statement as my agent may consider necessary or desirable for the purposes of the issue and distribution of the Prospectus and Investment Statement.



Stephen Alan Eltringham
Director of Issuer

Date: *12 August 2010*

AVANTI FINANCE LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 18 to 38. The financial statements provide information about the past financial performance of the company and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 21 to 25.

Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company as at 31 March 2010 and of the results of its operations and cashflows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand auditing standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other audit related and taxation services to the company. These services have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Matter of Uncertainty

We refer to the disclosures made in Notes 1(b), 1(i), 12, and 25(i) relating to allowances for impairment losses on the company's loan receivables. The impairment allowances recognised in these financial statements reflect assumptions, estimates and judgements by management and Directors, which are consistent with those made in prior years. The domestic economy continues to be impacted by recessionary conditions. These conditions create uncertainty regarding the ability of borrowers to meet their loan repayment obligations and also regarding the value and timing for realisations of secured property and other assets. These uncertainties in turn cause uncertainty as to whether the currently determined allowances for impairment losses will adequately cover actual losses as may be incurred in future periods.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 18 to 38
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the company as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 June 2010 and our unqualified opinion is expressed as at that date.

PKF Ross Melville Audit

PKF ROSS MELVILLE AUDIT
Chartered Accountants

Auckland



GALATOS FINANCE LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 41 to 56. The financial statements provide information about the past financial performance of the company and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 44 to 47.

Directors' Responsibilities

The Directors are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the company as at 31 March 2010 and of the results of its operations and cashflows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand auditing standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other audit related and taxation services to the company. These services have not impaired our independence as auditors of the company. The firm has no other relationship with, or interest in, the company.

Matters of Emphasis and Uncertainty

As stated in note 17, the financial statements have been prepared on the going concern basis, based on the Directors' confidence that the company will continue to receive financing from the ANZ National Bank of New Zealand Limited. Should this financing not be continued, the going concern basis may be invalid and provision would have to be made for any possible loss on realisation of the company's finance receivables.

We also refer to the disclosures made in Notes 1(b), 1(i), 10, and 20 relating to allowances for impairment losses on the company's loan receivables. The impairment allowances recognised in these financial statements reflect assumptions, estimates and judgements by management and Directors, which are consistent with those made in prior years. The domestic economy continues to be impacted by recessionary conditions. These conditions create uncertainty regarding the ability of borrowers to meet their loan repayment obligations and also regarding the value and timing for realisations of secured property and other assets. These uncertainties in turn cause uncertainty as to whether the currently determined allowances for impairment losses will adequately cover actual losses as may be incurred in future periods.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements on pages 41 to 56
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of the financial position of the company as at 31 March 2010 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 15 June 2010 and our unqualified opinion is expressed as at that date.

PKF Ross Melville Audit

PKF ROSS MELVILLE AUDIT
Chartered Accountants

Auckland

AUDITORS' REPORT

The Directors
Avanti Finance Limited
Level 2, Building B, 65 Main Highway
Ellerslie
Auckland

27 September 2010

Auditors' Report for inclusion in the Prospectus

Dear Sirs,

We have prepared this report for inclusion in a prospectus dated 27 September 2010 for the issue by Avanti Finance Limited ("the Company") of Secured Debenture Stock to a maximum of \$25 million.

As auditors of the Company and of Galatos Finance Limited ("Galatos"), and in accordance with the requirements of the Securities Act 1978 and clause 22 of Schedule 2 to the Securities Regulations 2009 ("Schedule 2"), we report as set out below.

Financial Statements for Year to 31 March 2010 for Company and Auditors' Report thereon

The latest financial statements for the Company, which have been registered under the Financial Reporting Act 1993, were for the year ended 31 March 2010. These financial statements, and the Auditors' Report thereon, were issued on 15 June 2010 and are included in this prospectus at pages 18 to 39.

In our opinion, the financial statements on pages 18 to 38:

- comply with the requirements of clauses 16 to 18 of Schedule 2;
- subject to those requirements, comply with generally accepted accounting practice in New Zealand.

Financial Statements for Year to 31 March 2010 for Galatos and Auditors' Report thereon

The latest financial statements for Galatos, which have been prepared under the Financial Reporting Act 1993, were for the year ended 31 March 2010. These financial statements, and the Auditors' Report thereon, were issued on 15 June 2010 and are included in this prospectus at pages 41 to 57.

In our opinion, the financial statements on pages 41 to 56:

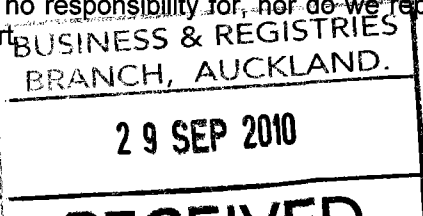
- comply with the requirements of clauses 16 to 18 of Schedule 2;
- subject to those requirements, comply with generally accepted accounting practice in New Zealand.

Additional Auditor Reporting

We are also responsible for reporting, in accordance with clause 22(1)(h) of Schedule 2, on:

- the amounts included in the summary of financial statements of the Company for the years ended 31 March 2006 to 31 March 2010 (inclusive);
- the amounts included in the summary of financial statements of Galatos Finance Limited ("Galatos") for the years ended 31 March 2006 to 31 March 2010 (inclusive);
- the amounts included in the ranking of securities of the Company as at 31 March 2010.

We take no responsibility for, nor do we report on, any part of the prospectus not mentioned in this report.



Basis of Opinion on Summaries of Financial Statements for Company and Galatos

We have undertaken procedures to provide reasonable assurance that:

- the amounts set out in the summary of financial statements for the Company on page 13, pursuant to clause 8 of Schedule 2, have been correctly taken from the audited financial statements of the Company for the years ended 31 March 2006 to 31 March 2010 (inclusive).
- the amounts set out in the summary of financial statements for Galatos on page 15, pursuant to clause 9(3) of Schedule 2, have been correctly taken from the audited financial statements of Galatos for the years ended 31 March 2006 to 31 March 2010 (inclusive).

Basis of Opinion on Ranking of Securities of Company

We have undertaken procedures to provide reasonable assurance that the amounts set out in the ranking of securities on page 10, pursuant to clause 13 of Schedule 2, have been correctly taken from the audited financial statements of the Company as at 31 March 2010.

Unqualified Opinion on Summaries of Financial Statements for Company and Galatos and on Ranking of Securities of Company

We have obtained all the information and explanations we have required. In our opinion:

- The amounts stated for the company, pursuant to clause 8 of Schedule 2, on page 13 have been correctly taken from the audited financial statements of the Company for the years ended 31 March 2006 to 31 March 2010.
- The amounts stated for Galatos, pursuant to clause 9(3) of Schedule 2, on page 15 have been correctly taken from the audited financial statements of Galatos for the years ended 31 March 2006 to 31 March 2010.
- The amount stated relating to ranking of securities of the company, pursuant to clause 13 of Schedule 2, on page 10 has been correctly taken from the audited financial statements of the Company for the year ended 31 March 2010.

Statement of Consent

We completed our work for the purposes of this report on 27 September 2010 and our unqualified opinion is expressed as at that date.

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in your prospectus dated 27 September 2010 of this report in the form in which it appears.

Yours faithfully



PKF ROSS MELVILLE AUDIT
Chartered Accountants, Auckland



Covenant Trustee Company

27 September 2010

The Directors
Avanti Finance Limited
Level 2, Building B
Avanti Finance Centre
65 Main Highway
Ellerslie
AUCKLAND

Dear Sirs

Debenture Trust Deed dated 30 November 1994

Covenant Trustee Company Limited as trustee under the above Debenture Trust Deed confirms that the offer of debenture stock set out in the prospectus of Avanti Finance Limited dated 27 September 2010 complies with any relevant provisions of the Debenture Trust Deed.

The words "any relevant provisions of the Debenture Trust" refer only to the provisions of the Debenture Trust Deed which:

- (a) entitle Avanti Finance Limited to constitute and issue the debenture stock under the Debenture Trust Deed; or
- (b) impose restrictions on the right of Avanti Finance Limited to offer the debenture stock;

and are described in the summary of the Debenture Trust Deed contained in the prospectus. This statement is made in terms of Clause 14(3) of Schedule 2 to the Securities Regulations 2009 and is given in reliance on the information supplied to us by Avanti Finance Limited pursuant to the Debenture Trust Deed, in respect of which the Trustee has not sought independent verification.

Covenant Trustee Company Limited does not guarantee the repayment of the debenture stock or the payment of interest thereon.

Yours faithfully
COVENANT TRUSTEE COMPANY LIMITED



Stewart Lockhart
CORPORATE BUSINESS MANAGER

Ministry of Economic
Development



Manatū Ōhanga

CERTIFICATE OF REGISTRATION OF PROSPECTUS

(Under Section 42(5) of the Securities Act 1978)

AVANTI FINANCE LIMITED
659638

This is to certify that a Prospectus for AVANTI FINANCE LIMITED dated the 27th day of September 2010 was registered on the 29th day of September 2010.

Neville Harris

Registrar of Companies

Dated this 18th day of August 2010

