

Document Number

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The Securities Act 1978

# MEMORANDUM OF AMENDMENTS TO A REGISTERED PROSPECTUS

(Section 43)

Name of  
Issuer

MUTUAL CREDIT FINANCE LIMITED

Issuer Number

125046

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## Introduction

Mutual Credit Finance Limited (the *Company*) registered a prospectus for an issue of \$20,000,000 of first ranking secured debt instruments and \$20,000,000 of second ranking secured debt instruments dated 2 November 2009 under the Securities Act 1978 (the *Act*) at the Companies Office (the *Prospectus*).

The *Company* now wishes to amend the *Prospectus*, in accordance with section 43 of the *Act*.

## Amendments

The amendments to the *Prospectus* are as follows.

- 1 On the cover page of the *Prospectus*, after the words "2 November 2009", add the words: "(as amended by Memorandum of Amendments dated 23 December 2009)".
- 2 On page 1 of the *Prospectus*, under the heading "*Prospectus*", after the words "This *Prospectus* dated 2 November 2009", add the words "(as amended by Memorandum of Amendments dated 23 December 2009)".
- 3 On page 1 of the *Prospectus*, under the heading "*Prospectus*", replace paragraph two headed "*Important Note*" with the following:

***Important Note:*** *The Company's existing guarantee under the New Zealand deposit guarantee scheme will be withdrawn with effect from 1 January 2010 due to the Company determining not to enter into a revised guarantee deed with the Crown. As a result, it is important that Investors' note the following:*

- (1) *All new investments made or investments that are rolled over after 31 December 2009 will not be covered by any deposit guarantee scheme.*

- (2) *All new investments made or investments that are rolled over on or prior to 31 December 2009 will continue to be covered by the terms of the Company's existing Crown guarantee deed, until 12 October 2010. Any principal and interest payments that become payable to holders of Debt Instruments after 12 October 2010 will not have the benefit of the guarantee.*

*In addition, as a result of the Company determining not to enter into a revised guarantee deed with the Crown, the Company is not eligible to apply to join the separate extended guarantee scheme. See the "Guarantors" section of this Prospectus on page 30 for further information about the guarantee scheme."*

- 4 On page 3 of the Prospectus, under the heading "Address from the Directors":
- (a) *replace paragraph four with the following: "The Government announced in November 2009 that it intended to withdraw the Company's existing Crown guarantee deed. While the Company was offered the opportunity to enter into a revised deed of guarantee with the Crown, the Company decided not to enter into the revised deed. The replacement guarantee would provide no additional security to existing investors as the Company is no longer offering new deposits that mature prior to the original expiry date of the Crown guarantee. Consequently, the Company's existing guarantee deed will be withdrawn with effect from 1 January 2010."*;
- (b) *replace the first sentence of paragraph five with the following: "While the directors expect reinvestment rates and new investment rates to be impacted as a result of the Company determining not to enter into the revised Crown guarantee deed, the Company had already factored into its cashflow projections a reduced level of new deposits. The directors are still expecting a significant improvement in trading results compared to the loss that was incurred for the year ended 31 March 2009."*
- 5 On page 3 of the Prospectus, in the definition of "Prospectus", after the words "means this Prospectus dated 2 November 2009", add the words "(as amended by Memorandum of Amendments dated 23 December 2009)".
- 6 On page 17 of the Prospectus, under the subheading "(v) Related party transactions", second paragraph, replace the reference to "pages 34 and 35" with a reference to "pages 35 and 36".
- 7 On page 27 of the Prospectus, under sub-sub heading "Reinvestment Risk", paragraph two, replace the first sentence with the following: "The Company expects reinvestment rates and new investment rates to be impacted as a result of the Company determining not to enter into a revised Crown guarantee deed under the Crown Guarantee Scheme."

- 8 On page 30 of the Prospectus, under heading "Statutory Information", under clause 3 "Guarantors", replace the first paragraph with the following:

*"The Company has a guarantee under the New Zealand deposit guarantee scheme, by virtue of entering into a Crown Deed of Guarantee with Her Majesty the Queen in right of New Zealand dated 21 November 2008. In November 2009, the Crown announced that it had decided to withdraw the existing Crown guarantee deeds (including the Crown guarantee deed entered into with the Company) and offered each entity covered by such existing Crown guarantee deed (including the Company) the opportunity to enter into a revised guarantee deed. The Company declined the offer and consequently, the Company's existing Crown guarantee deed will be withdrawn with effect from 1 January 2010, resulting in:*

- (a) all new investments made in the Company or investments that are rolled over in the Company after 31 December 2009 not being covered by any Crown guarantee scheme; and*
- (b) all new investments made in the Company or investments that are rolled over in the Company on or prior to 31 December 2009 continuing to be covered by the terms of the Company's existing Crown guarantee deed until 12 October 2010. Principal and interest amounts that become payable to Debt Instrument Holders after this date will not have the benefit of such guarantee.*

*It was announced in late August 2009 that the guarantee scheme will be extended from 13 October 2010 to 31 December 2011 but that the extended scheme will in effect be a new scheme with new entry criteria. While the extension of the guarantee scheme is separate to the offer to the Company to enter into a revised Crown guarantee deed, the Company is not eligible for cover under the extended scheme as a result of its decision not to enter into a revised deed of guarantee with the Crown.*

*The Company expects reinvestment rates and new investment rates to be impacted as a result of the Company determining not to enter into a revised deed of guarantee with the Crown and not being eligible to obtain cover under the extended New Zealand Deposit Guarantee Scheme. The Company has forecasted that it requires reinvestment rates to remain at approximately 50% in the next 12 months to remain cashflow positive. The First Ranking Debt Instrument reinvestment rate for the financial year ended 31 March 2009 was 52.5% while the First Ranking Debt Instrument rate from 1 April 2009 to 31 August 2009 was 78.5%."*

- 9 On page 31 of the Prospectus, under heading "Statutory Information", under clause 3 "Guarantors", last paragraph, after the words: "Other than the guarantee

*under the New Zealand deposit guarantee scheme" add the words: "described above".*

- 10 On page 32 of the Prospectus, under clause 9 "Material contracts", sub heading "Crown Deed of Guarantee", replace the first paragraph with the following:

*"The Company has a guarantee under the New Zealand deposit guarantee scheme, by virtue of entering into a Crown Deed of Guarantee with Her Majesty the Queen in right of New Zealand dated 21 November 2008. This Crown guarantee deed will be withdrawn with effect from 1 January 2010.*

*For further information on the guarantee scheme see the "Guarantors" section of this Prospectus on page 30."*

- 11 On page 34 of the Prospectus, under clause 17 "Other material matters", insert a new section entitled "Breach of financial limitation in Trust Deed" after the "Breach of bank covenants" section as follows:

***"Breach of financial limitation in Trust Deed***

*During the period from 30 September 2009 to 18 December 2009, the Company was in breach of the financial limitation in the Trust Deed under which the Total Liabilities of the Company must not exceed an amount equal to 12 times Shareholder's Funds.*

*The breach was identified by the Company's auditors in the course of their audit of the Company's interim financial statements for the six months ended 30 September 2009 and has arisen due to the incorrect treatment by the Company of its unused tax losses carried forward.*

*The Company notified the Trustee of the breach on 16 December 2009 and remedied the breach on 18 December 2009. The breach was remedied by the Company issuing to its sole shareholder 1,000,000 shares at an issue price of \$0.50 per share. The issue price for such shares was paid to the Company in cash on 18 December 2009".*

- 12 On page 34 of the Prospectus, under clause 17 "Other material matters" delete the section entitled "Crown Guarantee".
- 13 On page 34 of the Prospectus, under clause 17 "Other material matters", insert a new section entitled "Resignation of director" before sub heading "Sale of Receivables", to read as follows:

***Resignation of director***

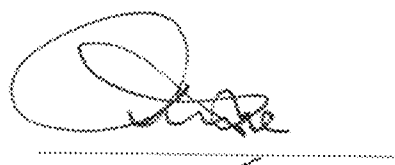
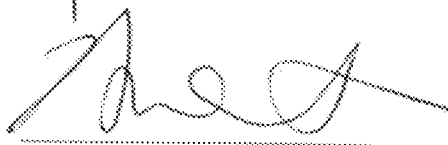
*Notwithstanding any other provision in this Prospectus, Mr John Worrall Wheelans resigned as a director of the Company on 18 November 2009.*

- 14 On page 76 of the Prospectus entitled "Directory", under the sub heading "Directors", delete the reference to "John W Wheelans, CA (Retired), Company Director, 62 Rugby Street, Christchurch" in the list of directors of the Company.

A copy of the Prospectus as amended accompanies this memorandum.

**Dated:** 23 December 2009

**Signed by all the directors of Mutual Credit Finance Limited**

  
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J A Wheelans  
.....  
P Rae  
.....  
A M Oorschot