

23 March 2010

Dear Sir/Madam

Investor update

We take this opportunity to provide you with an update of our activities and the finance industry in general, and report on changes to Resident Withholding Tax (RWT).

Gold Band Finance moved to new office premises in January this year, located at Level 4, 69 Cambridge Terrace, Christchurch. The move occurred at the expiry of the lease of our Kilmore Street premises that were larger than required for our present level of operations, as a consequence of a review of accommodation requirements. The move is consistent with our strategy of effectively managing resources and reducing costs where possible. The new premises provide good on-street parking on Cambridge Terrace, and is located conveniently close to the city centre.

The company recorded modest levels of profit for the most recently completed six month financial periods (the audit for the six months ended 28/2/10 is not yet complete at the time of writing), reflecting the cautious approach adopted, while the pace and sustainability of economic recovery remains uncertain, and while investment markets remain subject to the distortion brought about by the Government guarantee. That is evident from the high levels of cash reserves we currently hold (approximately \$5m), which although not contributing to profitability, provide the levels of liquidity considered prudent in the current environment.

In addition to strong liquidity, investors can be satisfied with the strength of the company's balance sheet, featuring further improvement to gearing (liabilities as a proportion of assets), represented by \$1.33 of total assets for each \$1.00 owed to investors (as per unaudited financial statements as at 28/2/10).

Government guarantee

The Crown Retail Deposit Guarantee Scheme Act 2009 was passed on 9 September 2009 extending the guarantee scheme for a further period ending 31 December 2011, but on materially different terms to the current guarantee scheme. The extended guarantee scheme terms include reducing the maximum amount per depositor guaranteed, the requirement for the institution to pay a fee of up to 150 basis point (1.5% p.a.) on guaranteed deposits, and institution eligibility criteria including a minimum credit rating of BB.

The Company has not applied to join the extended guarantee scheme, preferring to offer higher interest rates to investors, reflecting the different risk profile to guaranteed investments offered by other issuers accepted into the extended guarantee scheme. That interest rate differential is expected to reflect the additional cost to guaranteed issuers of the extended guarantee (up to 1.5% p.a.).

We have been encouraged to make the decision not to apply for the extended guarantee by the level of support from investors, many of who have elected to reinvest for terms maturing beyond the expiry of the current guarantee scheme.

We are continuing to offer the increased 0.5% reinvestment premium over the standard rate for new investments (the usual premium is 0.25%) to acknowledge that support from existing investors.

Non Bank Deposit Taker (NBDT) Regulations

The first of the regulations has been introduced by the Reserve Bank. The purpose of the regulations is to promote and maintain a sound and efficient financial system.

From 1 March 2010 the Reserve Bank of New Zealand Act 1989 (“the Act”) requires deposit takers to hold a credit rating, subject to certain exemptions. The Company is not rated because it is operating under an exemption (Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 pursuant to section 157G) from the requirement under the Act to have a credit rating.

The exemption applies because the Company and the Group has liabilities of less than \$20 million, and recognises that the compulsory credit rating requirement would bring with it disproportionate compliance costs for smaller scale issuers. The availability of the exemption is consistent with the Reserve Bank’s objective of maintaining diversity within the NBDT sector, by accommodating smaller issuers that would otherwise be disadvantaged by the cost of credit rating, reducing the risk that the sector consolidates to comprise a small number of similar large-scale issuers.

While credit ratings can be useful tool for investors’ assessment of risk, the well-documented failure of formerly highly rated companies highlight the limitations of credit ratings. We trust that investors will continue to judge Gold Band Finance on its merits and based on its record over the previous 24 years.

Further information about the Government guarantee and NBDT regulations is included in the Investment Statement and Prospectus, both of which are available from our website at www.goldbandfinance.co.nz or by telephoning us at 0800 55 3000.

Changes to RWT rates

On 1 April this year the RWT (resident withholding tax) rates on interest are changing to align with the income tax rates introduced last year.

Current RWT rates are:

Income range	RWT rate
Individuals:	
\$0 - \$48,000	19.5%
\$48,001 - \$70,000	33%
\$70,001 and over	38%
No-notification rate	39%
Company rate	33%

The RWT rate of 19.5% is being replaced by a new rate of 21%.

All investors who have previously had RWT withheld at the 19.5% rate will automatically transition to the 21% rate from 1 April 2010.

New RWT rates from 1 April 2010

Income range	RWT rate
Individuals:	
\$0 - \$14,000 *	12.5%
\$14,001 - \$48,000	21%
\$48,001 - \$70,000	33%
\$70,001 and over	38%
No-notification rate	38%
Company rate **	30%

* The new lower rate of 12.5% is only available to individuals who have a reasonable expectation of earning \$14,000 or less for the year.

** Companies and those taxed as companies will be taxed at the RWT rate of 30%.

The “default” rate applies to investors who have provided their IRD number but not elected an RWT rate. From 1 April 2010 the default rate for existing investors is 21% for individuals and 30% for companies. The default rate for new individual investors from 1 April 2010 will be 38% and for companies 30%.

Trusts

Trustees of trusts other than trading trusts will continue to use the RWT rates for individuals; however only trustees of testamentary trusts will be able to elect the 12.5% rate.

The RWT rate you should use is dependent on your income level. To make sure you’re on the right rate, and to find out about your obligations after the end of the tax year, go to www.ird.govt.nz/rwt or call 0800 870 700.

Note that the changes only **come into effect from 1 April 2010**.

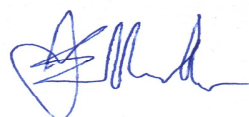
In the mean time you should:

1. Check to see if you will be affected by the changes
2. If you are affected, confirm which rates apply to you
3. If you need to change your rate, contact us by telephoning **0800 55 3000**

Please note that if your current RWT rate is 19.5% and will be 21% on 1 April 2010 **you do not need to do anything**. That change will be made for you.

If your investment is taxed as a company we will change your RWT rate to 30% from 1 April 2010, and **you do not need to do anything**.

Yours faithfully
Gold Band Finance Limited



John Mander
Chief Executive