

PROSPECTUS OF PROMETHEUS

-relating to-
an Offer of Debt Securities by Prometheus Finance Limited
This Prospectus is dated 19 September 2011

(As Amended by a Memorandum of Amendments dated 5 January 2012)

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All legislation referred to in this prospectus may be viewed online at www.legislation.govt.nz

Prometheus Finance

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 Wellington

Telephone (04) 890 4555, Facsimile (04) 890 4550

E-mail: info@prometheus.co.nz

1. MAIN TERMS OF OFFER

1.1 Name and Address of the Offeror

Name of Company: Prometheus Finance Limited ("Prometheus").
Registered Office: 12th Floor, St Johns House, 114 The Terrace, Wellington 6011
Office Hours: Monday to Friday 9.00am – 5pm

Service Location: 12th Floor, St Johns House, 114 The Terrace, Wellington, 6011,
PO Box 5926, Lambton Quay, Wellington
Telephone (04) 890 4555, Facsimile (04) 890 4550

Prometheus does not have a credit rating issued by a rating agency approved by the Reserve Bank of New Zealand under section 157J of the Reserve Bank of New Zealand Act 1989. Further details about this are given in section 11 on page 8 below.

1.2 Description of the Activities of Prometheus, Risks Related to them, and the Securities Being Offered

Prometheus and its Activities

Prometheus is a financial organisation registered as a Company under the Companies Act 1993. Prometheus was incorporated in 1986, but has been trading only since 31 March 2004 when it acquired the business then known as "Prometheus Ethical Finance". That business was previously operated by the Prometheus Credit Union, which was itself dissolved on that date.

The objectives of Prometheus are:

- to encourage people to develop an awareness of the nature and uses of money and provide services that promote community development, enhance social and economic participation and ensure a sustainable future for the natural environment;
- to foster an awareness of economic and social realities and the impact of financial decisions on our society and the environment;
- to advocate sustainable finance for projects that are socially valuable and environment-friendly;
- to offer choice for people in the use of their funds and the returns received;
- to encourage a secure and rewarding employment environment;
- to promote ways by which its business will ensure a fair financial return on capital;
- to conduct its activities in an efficient, effective and professional manner.

Prometheus operates in the socially responsible investment sector ("SRI") sector, and seeks to promote the objectives outlined above. The intention of Prometheus is to make a profit to enable its business to be sustainable, however we are not profit maximising.

Prometheus lends to organisations and people who create real social and environmental value. Investors' funds are used in these sectors which include: Renewable Energy, Resource Recovery and Recycling, Climate Friendly Transport, Habitat Protection, Social and Environmental Housing, Social and Environmental Businesses, Community Development, Adult Education, The Arts, Complementary Healthcare and Sustainable Agriculture.

Prometheus has no material fixed assets, and besides the Trust Deed which is described on pages 11 - 14 of this Prospectus, the assets of Prometheus are not subject to obligations in favour of any other person which modify or restrict the ability of Prometheus to deal with its assets.

Risks Involved in Prometheus Activities

Risks – Insolvency of Prometheus

The main risk to investors of not recovering the money they have paid into their accounts, or not receiving the returns referred to in this prospectus, is the insolvency of Prometheus. Prometheus' continued existence is dependent on its solvency (the degree to which it is able to meet its debts as they fall due).

In addition there are a number of other risks associated with investments in non-bank deposit takers such as Prometheus. As they may apply to Prometheus, those other risks include:

Sector Exposure – Loans: As explained above under "Activities", Prometheus operates in the Socially Responsible Investment (SRI) sector and its loans are typically made to borrowers whose use of the loan is consistent with Prometheus's SRI objectives, as is detailed in note 17 to the Financial Statements that are contained in this Prospectus, under "*Concentration of Credit Risk for Sector*". Although those objectives involve Prometheus lending to a wide range of persons and businesses, nevertheless if there were to be a downturn in the SRI sector of the economy, there is a risk that such a downturn might adversely affect Prometheus to a greater extent than other non-bank deposit takers ("NBDTs"). Prometheus seeks to mitigate this risk by applying prudent credit assessment criteria and by requiring good quality security for its loans.

In that context, Prometheus considers good quality security to include mortgages over land and buildings and other assets and personal guarantees. As at 31 March 2011 the percentage of loans secured by first ranking mortgages over freehold property was 58%. Prometheus requires that all security must be readily saleable, and guarantors must evidence their ability to repay if called upon. The value of all security is discounted at the time a loan is made

In the period prior to 31 March 2011 (being the date of the financial statements in this Prospectus) Prometheus considers there was some downturn in the economy, including in the SRI sector. As a result, Prometheus loan assets did not grow at the same rate as in previous periods. This in turn resulted in Prometheus having higher than usual levels of cash and short term deposits with its bankers, ANZ National Bank Limited. As is shown in note 17 to the Financial Statements that are contained in this Prospectus, as at 31 March 2011 such balances totalled \$10,277,865 or 60% of total assets. Prometheus expects that high level of bank deposits to reduce when economic activity increases, in the SRI sector and generally, resulting in the growth of Prometheus loan assets.

Credit Risk Concentration: Credit risk is the risk that Prometheus takes on the ability of borrowers to repay their loans. As at the date of this prospectus, the 6 largest loans made by Prometheus represent approximately 35% of total Prometheus loans and approximately 10% of total Prometheus assets. As a result the failure of several of those borrowers could have a material adverse effect on Prometheus. Prometheus again seeks to mitigate this risk by applying prudent credit assessment criteria and by requiring good quality security for its loans.

Apart from loans made in the ordinary course of business, Prometheus's largest credit exposure at 31 March 2011 was to the ANZ National Bank Limited, as explained under "**Sector Exposure – Loans**" above.

Sector Exposure – Funding: Just as Prometheus's loans are typically made within the SRI sector, Prometheus's funding tends also to be materially sourced from investors who share Prometheus's SRI values, which has historically resulted in high reinvestment rates as shown below. While such investors come from a wide range of backgrounds, nevertheless if there were to be a decrease in the number or worth of investors with such values, there is a risk that such a downturn might adversely affect Prometheus's funding to a greater extent than other NBDTs.

Historical Prometheus reinvestment rates for the 12 months to 31 March 2011, (after excluding an unusually large deposit inclusion of which would have increased the percentages shown) were as follows:

Month	<u>Percentage Reinvestment Rate for Maturing Deposits</u>
April 2010	96%
May 2010	98%
June 2010	93%
July 2010	93%
August 2010	93%
September 2010	93%
October 2010	93%
November 2010	93%
December 2010	91%
January 2011	88%
February 2011	90%
March 2011	90%

Geographic Exposure – Loans: Although Prometheus’s SRI focus means that Prometheus does not focus on lending to borrowers in any particular geographic region, more than half of Prometheus’s loans are to borrowers in the Auckland and Wellington Regions, as is detailed in note 17 to the Financial Statements that are contained in this Prospectus, under “*Concentration of Credit Risk by geographical location*”. This might mean that Prometheus could be exposed to downturns in the economies of, and property values in, those regions to a greater extent than financial institutions whose activities are focused in other regions.

Capital Adequacy: This is the risk that Prometheus may not have sufficient capital to withstand significant losses or other adverse trading conditions. As with other NBDTs Prometheus is required to maintain a minimum capital ratio by its Trust Deed and regulations made under Part 5D of the Reserve Bank of New Zealand Bank Act 1989 (“RBNZ Act”). Prometheus complies with those requirements and seeks to further manage this risk by maintaining a buffer above its current 11% minimum capital ratio in order to better protect investors against the risk of losses.

Liquidity Risk: Liquidity risk involves the risk that loans made by Prometheus may not fall due until future dates, and that in the meantime Prometheus may need liquid assets and cash to meet obligations that fall due sooner than that. In this regard, the extent to which Prometheus’s monetary assets matched its monetary obligations as at 31 March 2011 is detailed more fully in note 16 to the Financial Statements that are contained in this Prospectus, under “*Liquidity profile based on contractual terms*.” As that illustrates, Prometheus’s funding includes a significant level of short term investments, and Prometheus is consequently reliant on significant levels of reinvestment of those investments, and on new investments. To address these risks, Prometheus’s Trust Deed requires Prometheus to maintain a minimum level of liquid assets. Prometheus seeks to further mitigate these risks by regularly monitoring liquidity, and has maintained high levels of liquidity during the current market volatility.

Interest Rate Risk: Interest rate risk arises from differences between the timing of Prometheus’s funding and lending activities, and is the risk that the rates of interest payable by Prometheus on its funding may exceed the rates of interest receivable by Prometheus on its loans. Most borrowing is undertaken by Prometheus for relatively short periods, whereas lending can be for longer terms. Interest rate risk may arise from any mis-match of these two activities, for example by deposit rates payable by Prometheus rising rapidly due to market conditions. Further information about how the interest rates on Prometheus assets as at 31

March 2011 matched the interest rates payable by Prometheus is given in note 18 to the Financial Statements that are contained in this Prospectus, under "*Interest rate risk profile*".

Regulatory Risk: NBDTs have in recent years been regulated to a far greater degree than previously, for example as described under "**Capital Adequacy**" above, and Prometheus complies with all such recent regulation. Despite such recent regulation, it is possible that further regulation of the NBDT sector might yet involve further costs to Prometheus which could adversely affect the Prometheus business and its profitability. Prometheus is not aware of any such regulatory proposals that might have any material such effects.

Competition Risk: Prometheus has for some time operated in the NBDT sector across which there is healthy competition. In so far as Prometheus focuses on the SRI sector of the economy, Prometheus may face less competition than some other NBDTs, as not all other NBDTs share Prometheus's SRI focus. It is possible that in future Prometheus may face increased competition from other NBDTs with an increased SRI focus. However, Prometheus considers that its experience in the SRI sector means it is well placed to meet any such future competition.

Operational Risk: Operational Risk principally comprises risks arising from human error, internal processes and system failures, or inadequate procedures and controls. Prometheus seeks to mitigate technology and systems risk by using technology that is widely used in NZ and supported by technology providers to a level Prometheus considers satisfactory, and by undertaking daily back ups of systems, which are kept off site. Processes, procedures and controls are in place to mitigate operational risks as far as possible and where appropriate risks are mitigated by insurance. A Risk Management Programme is maintained which includes operational risk and which is required by the RBNZ Act to be provided to the trustee Perpetual Trust Limited.

Securities being offered

The securities being offered by this prospectus are debt securities in the form of at call, savings or term deposit accounts with Prometheus ("accounts"), each of which constitutes secured debenture stock issued by Prometheus. The debt securities are issued at par. There is no minimum amount payable, and the price for every Dollar of debt securities issued is one dollar (\$1.00).

Each type of account may offer differing terms and conditions as to interest returns, the minimum amount required and the timing of repayment.

The rate of return is dependent on the type of account which an investor selects for his or her funds, the terms of that account, the timing of the application and the duration of the term. During the term of this Prospectus, Prometheus reserves the right, subject only to any restriction in this Prospectus, the Trust Deed, the terms and conditions of the account or otherwise at law, to alter the terms and conditions as to interest returns, the minimum amount of investment required and the timing of repayment rates or any other terms of any account or of subordinated term deposits. To confirm the terms of any securities offered by Prometheus at the date of application, please contact Prometheus.

Savings, On Call, Notice of Withdrawal Accounts (and subordinated term deposits not offered in this Prospectus) will, subject to Prometheus' right to vary the rate of return, receive interest on a quarterly basis.

Term Accounts will earn interest at the fixed rate specified at the time of application. Term accounts will mature, and interest on them will be paid, on their respective maturity dates. If an investor has given instructions for the monies held in a term account or in a subordinated term deposit to be automatically reinvested at the end of the term, the monies reinvested will earn the interest rate applicable at the time of reinvestment to the type of account or deposit

nominated, and the investor will not be advised unless notice of reinvestment has been specifically requested.

The maximum amount of securities which Prometheus may offer pursuant to this Prospectus is \$40,000,000. If Prometheus were to accept investments under this Prospectus to a level that meant that Prometheus's liabilities became greater than \$20 million, this would have consequences for the exemption that Prometheus presently has from the requirement to have a credit rating. This is detailed at section 11 below, under "Credit Rating".

Returns

Interest paid on investments is dependent on the type of account in which funds are placed, the terms of the account, the timing of the application and the term of the investment selected. Prometheus reserves the right, subject only to any restriction in this Prospectus, the Trust Deed, the terms and conditions of the relevant investment or otherwise at law, to alter the terms and conditions as to interest returns. Current interest rates on all accounts are available on request from Prometheus' office.

As any interest return is dependent on the terms and duration of the investment and the general level of interest rates in the financial market, the return attributable to each type of investment cannot be quantified in this Prospectus.

Payment of Returns

Returns payable on investments with Prometheus will, unless otherwise advised in writing or as provided in the terms of the investment, be credited to the relevant account at such intervals as is provided in the terms of the relevant investment.

Fees and Charges

Usually, no fees or charges are paid on opening a Prometheus account or on transactions in the account, except for the charges specified below. The practice of Prometheus is to minimise these charges and to ensure an equitable spread of costs incurred.

If an account is inactive for more than 1 year and the investor cannot be located or is inactive and has a balance below the minimum account balance of \$25 the account is treated as dormant and a Dormant Account fee of \$10 is charged for the transfer to dormancy and for each subsequent year of inactivity. Prometheus will use reasonable endeavours to contact investors affected to reactivate their account.

The above fees may be altered by Prometheus at any time. However, it is Prometheus' intention to give notice of any alteration to all affected investors.

Other charges:

Where Prometheus incurs a charge from another organisation when acting on an investor's behalf (for example, in the form of bank fees for overseas remittances), Prometheus will pass these costs on to the investor by debiting the investor's account. The costs passed on to investors will be equivalent to the costs incurred by Prometheus and an invoice will be provided at the request of the investor.

To confirm the types, level and method of calculating the fees and charges payable at any particular time, please contact Prometheus. Prometheus' contact details are included in the Directory.

Withdrawals

Requests for withdrawals can be made at Prometheus' offices, branch offices or service locations, during normal office hours. All requests for withdrawals must be made in writing and signed by the investor, unless an alternative method of withdrawal is specified as an authorised method in the terms of the account.

Maturity

Term Accounts will mature on their respective maturity dates. If an investor has given instructions for any monies held in such an investment to be automatically reinvested at the end of the term, the monies reinvested will earn the interest applicable at the time of reinvestment to the term investment nominated. Prometheus will not be required to give any investor notice of the reinvestment of their term account, unless Prometheus has received notice in writing from the investor that notice of reinvestment is required.

Early Repayment

The policy of Prometheus is to not make repayments prior to maturity. In the event of financial hardship or extraordinary circumstances, written application may be made to Prometheus, which may exercise its discretion to repay the funds in whole or in part.

Where an application for early repayment is approved, the interest payable may be subject to adjustment in accordance with any applicable terms of the account (or if none, to reflect the actual term of the investment) and will only be credited to the date of termination of the investment.

Taxation

Prometheus is required by law, to deduct Resident Withholding Tax ("RWT") from any interest paid or credited to any person resident in New Zealand, and to account for this deduction to the Inland Revenue Department ("IRD"). Provided investors supply Prometheus with their IRD number and nominate the RWT rate at which they wish deductions to be made, RWT will be deducted at the rate nominated. In the event that:

- (a) an investor omits to notify Prometheus of their IRD number, Prometheus is required by law to deduct RWT at 33% (or such other amount as required by law);
- (b) an investor has notified Prometheus of their IRD number, but omits to nominate at which RWT rate they wish RWT to be deducted, RWT will be deducted at 33% (or such other amount as required by law).

Prometheus is not required to deduct RWT from any investor who holds a valid Certificate of Exemption. Investors who hold a Certificate of Exemption are required to forward a copy to Prometheus.

The interest earned by non New Zealand residents is subject to Non-Resident Withholding Tax ("NRWT") of 10 or 15% depending on the country of residency. Non New Zealand residents may elect to have the Approved Issuer Levy (currently 2%) deducted in lieu of NRWT.

An investment in Prometheus will have taxation implications. The effect of taxation will vary according to each investor's personal circumstances. Prospective and existing investors are encouraged to obtain independent professional advice on their personal circumstances.

Loans

Prometheus makes loans from the invested funds at Prometheus. The availability of loans to investors is dependent upon the availability of funds at Prometheus at any particular time. Prometheus reserves the right to decline any application for a loan without giving any reason.

2. DETAILS OF INCORPORATION OF PROMETHEUS

2.1 Incorporation

Prometheus was incorporated on 29 August 1986 under the Companies Act 1955, and became re-registered under the Companies Act 1993 on 1 July 1997. Prometheus' registration number is 316304

2.2 Public File of Prometheus for Inspection

The public file relating to the registration of Prometheus can be viewed on the Companies Office website at www.companies.govt.nz. Copies of the documents on it may also be obtained (on payment of a fee) by telephoning the Ministry of Economic Development Business Service Centre at 0508 266-726.

2.3 Constitution of Prometheus

Prometheus operates under a Constitution registered with the Registrar of Companies. Any person may upon request, during normal business hours, at the registered office of Prometheus listed in the Directory, inspect a copy of Prometheus' Constitution. Prometheus will not charge an inspection fee for producing or photocopying the Constitution.

2.4 Restriction on Directors' Powers

Under the Constitution of Prometheus, certain actions may only be taken with the consent of Prometheus Guardian Trust Limited ("Guardian Shareholder") in its capacity as holder of a "Guardian Share". The Guardian Shareholder has these powers in order to ensure that Prometheus's objectives and values are enshrined in the Constitution, and may not readily be departed from.

Matters that may only be undertaken with the consent of the Guardian Shareholder include –

- (a) Any "major transaction" as defined in the Companies Act (for example, a sale of the entire business of Prometheus);
- (b) Any resolution to liquidate Prometheus;
- (c) Any change to the objectives of Prometheus;
- (d) Any director appointments.

Prometheus Guardian Trust Limited does not guarantee any of the securities to which this prospectus relates.

Apart from the above rights and powers of the Guardian Shareholder, there are no material modifications, exceptions or limitations on the powers of Prometheus' directors under the Constitution of Prometheus. However, the directors of Prometheus are subject to the usual limitations and restrictions on directors' powers contained in the Companies Act 1993.

2.5 Other Statutory Information

Application will not be made to the Stock Exchange for listing of any of the securities to which this Prospectus relates.

3. GUARANTORS

Prometheus does not have a guarantee under the New Zealand Government Deposit Guarantee Scheme, and no other person guarantees the securities to which this Prospectus relates.

.4. DIRECTORATE AND ADVISERS

4.1 Directors and Officers

The directors of Prometheus have significant experience in mainstream finance, social finance and growing and developing social businesses. They are:

Glen Saunders BSc, CA (Chair)

A consultant, investment banker and chartered accountant working for the past 25 years in social lending and investment in New Zealand and internationally. Glen was a founder and Managing Director of Triodos Bank UK and a main board director of Triodos Bank, the largest European social bank.

Moving to New Zealand in 2002, he is a board member and treasurer of the United Nations Principles for Responsible Investment, a director of a number of social investment initiatives overseas and until recently a Guardian of the New Zealand Superannuation Fund chairing its responsible investment committee.

Sue Cooper MSc Strategic Management (CEO)

Sue was appointed as CEO of Prometheus Finance in September 2010 following a period of secondment from Triodos Bank.

A banker, she worked for over 20 years for Barclays Bank, a major UK bank, becoming a senior corporate account manager. Sue joined Triodos Bank in 1999 following the establishment of its UK office in 1995. She specialised in lending to social and charitable projects and prior to moving to Prometheus managed a loan book of £225m (NZ\$ 478m) in addition to chairing the bank's credit committee.

Duncan John Power B.Com, Certificate Financial Planning

Duncan trained as an accountant. From 1989 – 1994 he was executive director of Mercury Provident a UK registered bank which merged to create Triodos Bank UK in 1995. With Charities Aid Foundation (CAF) in the UK he worked to establish a successful social venture capital and loan fund for non-profit organisations. From 1998 - 2010 he established and ran CAF Australia a grant maker for non-profit organisations in Australia and Asia.

In 2011 Duncan established Social Enterprise Finance Australia a loan fund for social enterprises supported by the Australian government and other investors.

Noel Josephson

Noel was a member of the organic co-op which became Ceres Enterprises in 1982. Ceres is a certified distributor of organic, biodynamic and GE free products in New Zealand and Australia. He has been central to the growth and development of Ceres Enterprises and is now Managing Director of a business with annual sales of over \$30m.

Noel was part of the founding group of Prometheus Credit Union in 1983 and returned to the board of Prometheus Finance in 2009.

Christopher John Morrison

Chris was co-founder and Managing Director of Phoenix Organics Limited, the first commercial organic drinks producer in Australasia. He developed the company over 20 years until the business was sold in 2005. The company managed its own manufacture and distribution. Prior to the sale the business was profitable with annual sales over \$11m.

He is now chairman of Bio-Gro the organic certification body in New Zealand and growing and developing a new business All Good Organics, importing fair-trade bananas.

For the purposes of section 157L of the Reserve Bank of New Zealand Act 1989 ("RBNZ Act") Messrs Josephson, Morrison and Power are each independent directors. Ms Cooper is not classified as an independent director because as CEO she is an employee of Prometheus and is also a director of Prometheus Social Lending Services Limited ("PSOLS") and a trustee of the Prometheus Gift Trust. Mr Saunders is also a director of PSOLS and a trustee of the Prometheus Gift Trust, but otherwise is independent.

4.2 Auditors

Staples Rodway, Chartered Accountants of Hastings were Prometheus's auditors as at the date of the financial statements contained in the First Schedule of this Prospectus. Their contact details are included in the Directory.

A copy of the Staples Rodway audit report together with their consent to the report appearing in this Prospectus is attached as the Second Schedule to this Prospectus.

As a consequence of Prometheus moving its head office from Napier to Wellington shortly prior to the date of this Prospectus, Staples Rodway resigned as auditors of Prometheus as from 4 November 2011, and as from that date have been replaced as auditors by Grant Thornton, Chartered Accountants of Wellington, whose contact details are also included in the Directory. Grant Thornton accept no responsibility for the financial statements contained in this Prospectus.

4.3 Solicitors

Prometheus has used the services of Crengle Shreves & Ratner, Wellington, in connection with this Prospectus. Their contact details are included in the Directory.

4.4 Trustee

The Trustee is Perpetual Trust Limited. Its contact details are included in the Directory.

4.5 Bankers

At the date of this Prospectus, Prometheus's bankers are National Bank of New Zealand and Westpac. Their contact details are included in the Directory.

5. MATERIAL CONTRACTS

5.1 Amendment to Trust Deed

On 1 December 2010, Prometheus and Perpetual Trust Limited entered into a Deed of Amendment to Trust Deed. This deed was entered into pursuant to section 157ZC of the Reserve Bank of New Zealand Act 1989, in order to meet the requirements of the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 and of the Deposit Takers (Liquidity Requirements) Regulations 2010. The principal effects of this Deed were to amend the Prometheus Trust Deed as follows:

- a) In respect of the capital ratio that Prometheus is required to maintain, so that the Trust Deed now requires as is summarised in (a) (i) –(iii) under the heading "Financial Covenants" in section 8 of this Prospectus;
- b) In respect of liquidity, so that the Trust Deed now requires as is summarised in (c) under the heading "Financial Covenants" in section 8 of this Prospectus;
- c) In respect of Related Party Transactions, so that the Trust Deed now requires as is summarised under the heading Related Party Transactions in section 8 of this Prospectus.

5.2 Otherwise, in the two years prior to the date of this Prospectus, Prometheus has not entered into any material contracts.

6. PENDING PROCEEDINGS

There were no legal proceedings or arbitrations pending at the date this Prospectus was delivered to the Registrar of Companies for registration that may have a material adverse effect on Prometheus.

7. ISSUE EXPENSES

The estimated amount of issue expenses which Prometheus expects to incur in relation to the issue of this Prospectus (excluding brokerage,) is \$ 5,000, comprising-

(a) accounting and audit	\$2,500
(b) legal	\$1,500
(c) other	<u>\$1,000</u>
TOTAL	\$5,000

8. PROVISIONS OF TRUST DEED

Prometheus has appointed Perpetual Trust Limited ("the Trustee") as statutory trustee for the purposes of the Securities Act 1978, by way of a Trust Deed entered into by the Trustee and Prometheus on 11 December 2003, as amended by a Deed of Amendment dated 1 December 2010 ("the Trust Deed"). The Trust Deed sets out the terms of the Trustee's appointment, and creates a security interest in all Prometheus' present and after-acquired property in favour of the Trustee, in order to secure the repayment by Prometheus of all securities issued by it pursuant to this Prospectus.

The Trust Deed also supports the issue of subordinated term deposits (which are not offered by this Prospectus) and other matters relating to all securities issued by Prometheus under this Prospectus. The more important provisions of the Trust Deed presently include the following:

Reports to Trustee:

In order to ensure that the Trustee is adequately informed as to the position of Prometheus at all times, the Trust Deed requires Prometheus to provide the following to the Trustee on an ongoing basis:

- (a) audited annual financial statements, within 3 months of the end of each financial year;
- (b) audited half year financial statements, within 3 months of the end of each half year;
- (c) a monthly report to the Trustee in the form required by Schedule 6 of the Trust Deed.

In addition, certain further reporting obligations are deemed to be included in the Trust Deed by the Securities Regulations 2009. They include:

- (a) Prometheus must provide the Trustee with a copy of its monthly management accounts within 30 days of the end of each month;
- (b) within 30 days of the end of each month, Prometheus must also provide the Trustee with a report on liquidity, asset quality, reinvestment rates and any breaches of financing arrangements with third parties;
- (c) every 3 months, Prometheus must provide the Trustee with a certificate signed by 2 directors which confirms

1. the Prometheus prospectus is up to date and not false or misleading in a

material respect; and

2. that Prometheus has complied with all of the provisions of the Trust Deed;

- (d) Prometheus must advise the Trustee of any changes in its effective control, changes of directors or of senior management, either in advance or as soon as they become known;
- (e) Prometheus must advise the Trustee of any "major transactions" as defined in the Companies Act, before they occur;
- (f) Prometheus must also consult with the Trustee about any changes in its auditor.

Prior Security Limits:

In the Trust Deed, Prometheus has covenanted that it will not grant any security interest which ranks ahead of, or equally with, the security granted in favour of the Trustee by the Trust Deed, except for security interests that-

- (a) secure not more than 45% of the GST exclusive amount payable in respect of any real property purchased by Prometheus; or
- (b) when added to any security interests permitted by (a), do not secure amounts that in total exceed more than 5% of the total tangible assets of Prometheus;

Financial Covenants:

Prometheus has covenanted in the Trust Deed to comply at all times with the following financial ratios:

- (a) Prometheus must ensure that at all times it has a capital ratio as follows:
 - (i) For so long as Prometheus has a credit rating issued by a rating agency approved by the Reserve Bank of New Zealand, capital must be at least 8% of risk weighted assets;
 - (ii) For so long as Prometheus does not have such a credit rating, capital must be at least 11% of risk weighted assets;
 - (iii) If at any time the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010 require a higher capital ratio, Prometheus must satisfy that higher capital ratio;

(For the purposes of (i) – (iii), "capital" and "risk weighted assets" are each determined as required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.
- (b) the total Contingent Liabilities of Prometheus must not exceed 80% of the amount of Prometheus' shareholders funds;
- (c) Prometheus will not permit its total Liquid Assets at any time to be less than 25% of the total principal amount of investments offered under this Prospectus which are outstanding at that time. For this purpose, "Liquid Assets" are cash, bank deposits, public sector securities and any amounts that are able to be drawn by Prometheus under committed bank facilities.
- (d) Prometheus will not permit the total of-
 - (i) the amounts payable by it to stockholders (including any holders of security stock) and to holders of subordinated term deposits;
 - (ii) any amounts secured by a security interest ranking ahead of or equally with the Trust Deed;
to exceed the total of-
 - (i) 100% of Total Readily Realisable Investments (which refers to cash, and to

- Government, Local Body or bank securities);
- (ii) 95% of Total Secured Receivables (which refers to secured loans made by Prometheus);
 - (iii) 90% of Total Unsecured Receivables;
 - (iv) 90% of any real property owned by Prometheus;
 - (v) 70% of total other Tangible Assets of Prometheus.

Prometheus has also covenanted that if it incorporates or otherwise acquires any subsidiary company, it will procure the subsidiary to guarantee the obligations of Prometheus and become a party to the Trust Deed.

Related Party Transactions The Trust Deed also contains provisions which limit the ability of Prometheus to make loans or other financial facilities available to "Related Parties", as defined by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010. These provisions prevent Prometheus from making loans or other financial facilities available to Related Parties unless –

- they are in the ordinary course of business and are certified by two directors of Prometheus to be on arms-length terms; and
- the total value of any exposures to Related Parties at any time does not exceed 15% of the risk weighted capital of Prometheus, with risk weighted capital being determined as required by the Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.

Trustees Powers and duties:

The Trustee has a duty to investors to exercise reasonable diligence to ascertain whether or not any breach of the Securities Act or the terms of the Trust Deed has occurred, and except where it is satisfied that the breach will not materially prejudice the interests of investors, may do all such things as it is empowered by the Trust Deed to do to cause any such breach to be remedied.

The Trustee also has a duty to exercise reasonable diligence to ascertain whether or not the assets of Prometheus that are or may be available are sufficient or likely to be sufficient for Prometheus to meet its obligations to holders of debt securities.

In the performance of those duties the Trustee may rely on the certificates and reports it receives from Prometheus under the Trust Deed, and has complete discretion in the exercise of any of its powers, which may include appointing a receiver in respect of Prometheus if there is any default by Prometheus in performing its obligations.

In addition, under the Securities Regulations 2009, the Trustee also has power to appoint an independent auditor to audit the financial statements of Prometheus, or to engage an expert to assist it in determining the financial position of Prometheus.

Meetings of Stockholders:

The Trust Deed also provides for meetings of stockholders (meaning the holders of secured accounts with Prometheus) which can be called by Prometheus, the Trustee or by stockholders holding 10% or more of all secured accounts with Prometheus.

Fourteen days notice must be given of any meeting of stockholders, and a quorum for transacting business at such a meeting is stockholders holding 10% or more of all secured accounts with Prometheus, except that if a quorum is not present and the meeting is consequently adjourned, those stockholders that attend the adjourned meeting will comprise a quorum.

The statement of the Trustee required by the Securities Regulations 2009 is attached as the Fourth Schedule to this Prospectus.

9. OTHER TERMS OF OFFER AND SECURITIES

All the terms of the offer of securities by Prometheus are set out in this Prospectus and in the Prometheus Investment Statement, other than those:

- (a) implied by law; or
- (b) set-out in a document that:
 - i. is registered with a public official;
 - ii. is available for public inspection; and
 - iii. is referred to in this Prospectus.

Ranking of Securities

Secured Prometheus Investments: All accounts with Prometheus, totalling \$14,977,536 as at 31 March 2011, are secured by a first ranking security interest over the whole of Prometheus' present and future assets and undertaking, created by the Trust Deed, and rank equally with each other. That security interest was granted in favour of Perpetual Trust Limited, in its capacity as the Trustee, has been registered with the Registrar of Companies, and on the Personal Property Securities Register, and is summarised in 8 above.

As at the date of this Prospectus, there are no securities secured over Prometheus' assets that rank ahead of the Trust Deed. Prometheus may only grant a security interest over any part of its assets which has priority over investors' claims in limited circumstances, which are summarised in 8 above.

10. PLACES OF INSPECTION OF DOCUMENTS

10.1 Prometheus

Each investor and prospective investor is entitled to obtain on request and free of charge, the most recent copies of:

- (a) Prometheus' Constitution;
- (b) this Prospectus, the Investment Statement and the Trust Deed; and
- (c) Prometheus' most recent audited financial statements.

These documents can be requested during normal office hours from the office of Prometheus listed in the Directory.

10.2 Companies Office

Copies of:

- (a) Prometheus' Constitution;
- (b) this Prospectus and the Trust Deed; and
- (c) any material contracts;

are also filed on a public register at the Companies Office, and may be viewed by means of the Companies Office website, www.companies.govt.nz. The Companies Office's contact details are also listed in the Directory.

11. OTHER MATERIAL MATTERS

Credit Rating

The creditworthiness of Prometheus is not, and has not been, rated by a rating agency approved by the Reserve Bank of New Zealand Bank under section 157J of the RBNZ Act.

That is because Prometheus is operating under an exemption from the requirement to have a credit rating under that Act, the exemption being contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009.

The general nature and effect of the exemption contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009 is that a deposit taker such as Prometheus is exempt from the requirement to have a credit rating under section 157I of the RBNZ Act if—

- the consolidated liabilities of the borrowing group, or in the case of a deposit taker that is not part of a borrowing group, the liabilities of the deposit taker, are less than \$20 million (measured as an average over a specified 12-month period); and
- the deposit taker meets certain other conditions, including a notification to the Reserve Bank of New Zealand of its intention to operate on the basis of the exemption.

Prometheus meets those conditions and has given such a notification to the Reserve Bank of New Zealand. In particular, Prometheus meets those conditions because it has liabilities of less than \$20 million, making it unduly onerous and burdensome to comply with the requirement under the RBNZ Act to have a credit rating.

Prometheus may accept investments under this Prospectus to a level that meant that Prometheus's liabilities became greater than \$20 million. If that occurred then Prometheus would cease to be exempt from the requirement to have a credit rating, and would be required to obtain one as from the first day of March following the date on which Prometheus's liabilities exceeded \$20 million.

Bad Debt Provision 2011 Financial Statements

The audited financial statements of Prometheus Finance Limited for the year ended 31 March 2011 include a bad debt provision of \$267,425. That provision included a substantial specific provision for a loan secured by a first mortgage over a property which has been sold subsequent to completing the audited financial statements. The provision has been reduced by approximately \$95,000. There remains a shortfall on that outstanding debt which Prometheus Finance Limited is seeking to recover in legal proceedings which it has commenced

Financial Service Providers (Registration and Dispute Resolution) Act 2008:

On 27 November 2010 Prometheus became registered as a financial service provider under the Financial Service Providers (Registration and Dispute Resolution) Act 2008. Its registration number is FSP34501. Prometheus's registration can be accessed at www.fspr.govt.nz.

Financial Advisers Act 2008:

Prometheus and some of its staff are subject to the Financial Advisers Act 2008. Since 1 April 2011, Prometheus has been registered as a "Qualifying Financial Entity" (or "QFE") under that Act. A copy of Prometheus's QFE Disclosure Statement is available from Prometheus on request.

There are no other material matters relating to the offer of securities made by Prometheus under this Prospectus.

12. SUMMARY OF FINANCIAL STATEMENTS

A summary of the financial statements of Prometheus Finance Limited, by which the business of "Prometheus Finance" has been carried on, is contained in the First Schedule of this Prospectus, as required by clause 8 of the Second Schedule of the Securities Regulations 2009.

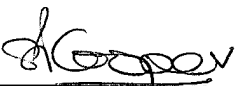
13. FINANCIAL STATEMENTS

The audited financial statements of Prometheus Finance Limited for the year ending 31 March 2011 registered on 6 July 2011 are included in the Third Schedule of this Prospectus.

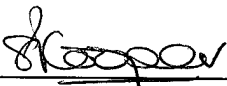
14. DIRECTORS STATEMENT

The Directors having made due enquiry in relation to the period between the date of the latest Statement of Financial Position contained in this Prospectus and the date of delivery of this Prospectus to the Registrar of Companies for registration, are of the opinion that no circumstances have arisen that materially adversely affect:

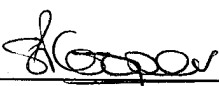
- (a) The trading or profitability of Prometheus;
- (b) The value of its assets; or
- (c) The ability of Prometheus to pay its liabilities due within the next twelve months.



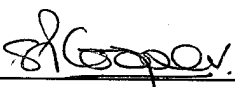
Susan Patricia Cooper Director



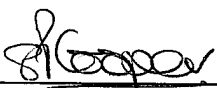
Noel Josephson (by his agent authorised in writing) Director



Christopher John Morrison (by his agent authorised in writing) Director



Duncan John Power (by his agent authorised in writing) Director



Glen Saunders (by his agent authorised in writing) Director and Chairperson

FIRST SCHEDULE

SUMMARY OF FINANCIAL STATEMENTS OF PROMETHEUS FINANCE LIMITED [Paragraph 11]

FIVE YEAR SUMMARY Year ended 31 March

	2011 \$NZ000's	2010 \$NZ000's	2009 \$NZ000's	2008 \$NZ000's	2007 \$NZ000's
Summary statement of comprehensive income					
Revenue	1,123	1,087	1,493	1,462	1,108
Finance costs	532	585	916	877	701
Other expenses	827	475	700	530	403
Tax expense	(64)	8	(37)	18	1
Profit or loss	(172)	19	(86)	37	2
Other comprehensive income	0	0	0	0	0
Total comprehensive income	(172)	19	(86)	37	2
Summary statement of changes in equity					
Opening equity	1,784	1,765	1,851	814	113
Total comprehensive income	(172)	19	(86)	37	2
Equity introduced	0	0	0	1,000	699
Conversion of Subordinated Debt	250	0	0	0	0
Dividends paid	(19)	0	0	0	0
Closing equity	1,843	1,784	1,765	1,851	814
Summary statement of financial position					
Cash and bank deposits	10,278	7,942	8,353	8,223	3,653
Other assets	54	27	23	1	60
Loans and advances	6,531	7,586	8,152	9,279	10,021
Property plant and equipment	9	13	8	10	12
Deferred tax	94	30	27	1	0
Total assets	16,966	15,598	16,563	17,514	13,746
Customer deposits	14,978	13,290	14,237	15,113	12,429
Other liabilities	145	274	312	299	303
Subordinated debt	-	250	250	250	200
Total liabilities	15,123	13,814	14,799	15,662	12,932
Share capital	2,166	1,800	1,800	1,800	800
Retained earnings	(323)	(16)	(35)	51	15
Total equity	1,843	1,784	1,765	1,851	815
Summary statement of cash flows					
Net operating cash flows	2,300	(436)	147	3,451	197
Net investing cash flows	3,345	(5,548)	(1,537)	(422)	(2,957)
Net financing cash flows	(19)	0	0	1,050	3,013
Net increase/(decrease) in cash held	5,626	(5,984)	(1,390)	4,079	253

NOTES TO FIVE YEAR SUMMARY AND ADDITIONAL INFORMATION

- 1. The amounts stated have been taken from audited financial statements. The 31 March 2011 full financial statements are attached as the Third Schedule to this prospectus.**
- 2. There are no extraordinary items that derive from events outside the ordinary activities of Prometheus.**
- 3. The amount provided for interest on term investments and call investments is accrued to 31 March balance date.**
- 4. The equity method of accounting has not been used.**
- 5. No commission is payable in respect of this issue of Prometheus's investments.**
- 6. For the years ended 31 March 2008 to 2011 figures were compiled under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).**
- 7. The 31 March 2007 financial statements were compiled under previous NZ generally accepted accounting practice. No adjustments were required on adoption of NZ IFRS.**
- 8. These summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.**
- 9. Conversion of Subordinated Debt: Please refer to page 9 [Note 4(i)] of the 31 March 2011 full financial statements.**
- 10. The 31 March 2011 full financial statements were authorised for issue on 29 June 2011. The summary financial statements were authorised for issue by the Board of Directors of Prometheus Finance Limited on 7 September 2011.**
- 11. The full financial statements have been prepared in accordance with New Zealand generally accepted accounting practice, as appropriate for profit oriented entities. Prometheus does not qualify for differential reporting.**
- 12. Prometheus made an explicit and unreserved statement of compliance with IFRS in its full financial statements for the 31 March 2008, 2009, 2010 and 2011 years.**
- 13. These summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.**
- 14. The full financial statements have been audited. The audit reports were unqualified and had no explanatory paragraphs.**

Staples Rodway House
205 Hastings Street South
Hastings 4122

PO Box 46
Hastings 4156
New Zealand

Telephone 64 6 878 7004
Facsimile 64 6 876 0078
www.staplesrodway.com



19 September 2011

The Board of Directors
Prometheus Finance Limited
P O Box 5926
WELLINGTON 6145

Dear Sirs

We advise that we consent to our audit report dated 19 September 2011 appearing in the registered prospectus dated 19 September 2011 issued by the company, in the form in which it appears.

Yours faithfully
STAPLES RODWAY HAWKES BAY

A handwritten signature in black ink, appearing to read 'S M Bryant'. The signature is fluid and cursive, with a long horizontal stroke at the end.

S M Bryant
PARTNER
sbryant@stapleshb.co.nz

19 September 2011

The Board of Directors
Prometheus Finance Limited
P O Box 969
NAPIER

Dear Sirs

As auditors of the Prometheus Finance Limited (the company), we have prepared this report in accordance with Clause 22 of the Second Schedule to the Securities Regulations 2009 (the regulations) for the inclusion in the company's Prospectus dated 19 September 2011 for debt securities offered by the company.

Report on the Financial Statements

We have audited the financial statements of Prometheus Finance Limited (the company) on pages 2 to 21 of the third schedule of this prospectus, which comprise the statement of financial position as at 31 March 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has provided tax administration services, technical accounting advice and temporary emergency accounting staff assistance during the year. Other than these matters and in our capacity as auditors, we have no relationship with or interests in the company.

Opinion

In our opinion the financial statements on pages 2 to 21 of the third schedule of this prospectus, provided pursuant to Clause 17 of the Second Schedule to the regulations, and that are required to be audited:

- Subject to the regulations, comply with generally accepted accounting practice in New Zealand;
- Comply with International Financial Reporting Standards; and
- Give a true and fair view of the financial position of the company as at 31 March 2011, and of its financial performance and its cash flows for the year ending 31 March 2011.

Report on other Legal and Regulatory Requirements

In accordance with the Financial Reporting Act 1993 and the regulations, we report that:

- We have obtained all the information and explanations we have required.
- In our opinion proper accounting records have been kept by the company as far as appears from an examination of those records
- The amounts stated pursuant to Clause 8 of the Second Schedule to the regulations set out in the Summary of Financial Statements on page 10 for the five years to 31 March 2011 have been correctly taken from audited financial statements.
- The ranking of securities, stated pursuant to Clause 13 of the Second Schedule to the regulations on page 8 is correctly stated.

Yours faithfully



Staples Rodway Hawkes Bay Partnership
Hastings, New Zealand



FINANCIAL STATEMENTS OF PROMETHEUS FINANCE LIMITED

31 March 2011


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Statement of Changes in Equity	2
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PROMETHEUS FINANCE LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

		3/31/2011	3/31/2010
Shares	(4)	2,166,415	1,800,001
Retained Losses		(323,175)	(16,018)
TOTAL EQUITY		1,843,240	1,783,983
Represented by:			
Cash & cash equivalents		6,039,739	413,257
Term Bank Deposits > 3 mths		4,238,126	7,528,718
Tax Receivable		-	107
Loans and advances	(8)	6,531,221	7,586,348
Trade and Other Receivables	(6)	54,163	26,697
Deferred Tax	(5)	94,241	30,054
Property, Plant and Equipment	(9)	8,323	12,740
TOTAL ASSETS		16,985,813	15,597,921
Employee liabilities		5,916	6,831
Trade and Other Payables	(7)	56,332	125,020
Current Accounts from customers	(11)	2,031,629	2,130,878
Term Accounts from customers	(11)	12,945,907	11,158,646
Prepaid Interest		82,789	142,563
Shareholder's Subordinated Debt	(4)	-	250,000
TOTAL LIABILITIES		15,122,573	13,813,939
NET ASSETS		1,843,240	1,783,982

These financial statements were authorised for issue by the Board on:

29 June 2011



 Director



 Director

SR

PROMETHEUS FINANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Note	3/31/2011	3/31/2010
Interest from Loans		631,294	665,363
Interest on Impaired Loans		4,054	1,059
Interest from Bank Deposits		457,569	387,448
Professional Services		21,419	-
Arrangement Fees		8,110	12,905
TOTAL INCOME		1,122,446	1,086,775
Interest paid on Funds		532,331	584,842
TOTAL INTEREST EXPENSE		532,331	584,842
NET INTEREST INCOME		590,115	501,933
Administration Expenses		85,849	61,339
Professional Services		115,047	47,678
Marketing and Promotion		17,810	10,286
Short-Term Employee and Termination Benefits		226,976	192,311
Post-Employment Benefits		2,200	6,177
Directors Fees		7,858	27,098
Development Consultancy Expenses		86,805	79,370
Trustee and Prospectus Costs		34,723	17,429
Depreciation	(9)	4,055	3,315
Other Expenses		962	1,141
Loans written off		6,957	19,128
Collective Provision	(8)	3,025	-
Specific Provision (write back) Loan Losses	(8)	234,244	9,668
TOTAL OPERATING EXPENSES	(3)	826,511	674,939
Net Surplus/(Loss) before tax		(236,396)	26,994
Taxation expense/(credit)	(5)	(64,187)	8,098
NET SURPLUS/(LOSS)		(172,209)	18,896
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME	(13)	(172,209)	18,896

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Note	Class A Ordinary Shares	Class B Ordinary Shares	Convertible Redeemable Shares	Guardian Share	Retained Earnings/ (Losses)	Total Equity
Balance as at 1 April 2009		700,000	100,000	1,000,000	1	(34,914)	1,765,087
Net profit and comprehensive income for the period						18,896	18,896
Balance as at 31st March 2010		700,000	100,000	1,000,000	1	(16,018)	1,783,983
Balance as at 31 March 2010		700,000	100,000	1,000,000	1	(16,018)	1,783,983
Net loss and comprehensive income for the period						(172,209)	(172,209)
Dividend	(4)	104,414				(122,947)	(18,533)
Conversion of shares	(4)	1,100,000	(100,000)	(1,000,000)		-	-
Conversion of subordinated debt	(4)	262,000				(12,000)	250,000
Balance as at 31 March 2011		2,166,414	=	=	1	(323,175)	1,843,240

PROMETHEUS FINANCE LIMITED
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Note	3/31/2011	3/31/2010
<i>Cash flows from Operating Activities:</i>			
Cash was provided from:			
Interest on Loans		575,573	677,579
Interest on Bank Deposits		402,600	354,702
Other Income		7,470	13,219
Tax (Paid)/Received		(155)	10,321
		<u>985,488</u>	<u>1,055,821</u>
Cash was applied to:			
Interest paid on entrusted funds		(535,707)	(596,860)
Payments to Suppliers and Employees		(648,956)	(484,224)
Tax Paid			
		<u>(1,184,663)</u>	<u>(1,081,084)</u>
Net cashflows from operations before changes in operating assets and liabilities		<u>(199,175)</u>	<u>(25,263)</u>
<i>Changes in operating assets and liabilities</i>			
Loan Repayments		1,768,484	1,781,099
Loan Advances		(957,582)	(1,244,623)
Net Term and Current Accounts from Customers received/(withdrawn)		1,688,329	(947,591)
Net operating cash flows	(13)	<u>2,300,056</u>	<u>(436,378)</u>
<i>Cashflows from Investing Activities</i>			
Cash was (applied to)/received from:			
Bank Deposits > 3 months (net)		3,345,559	(5,540,213)
Purchase of Fixed Assets		(600)	(7,636)
Net Investing Cashflows		<u>3,344,959</u>	<u>(5,547,849)</u>
<i>Cashflows from Financing Activities</i>			
Cash was (applied to)/received from:			
NRWT payments on capital restructure	(4)	(18,533)	-
Net Financing Cashflows		<u>(18,533)</u>	<u>-</u>
Net Increase (decrease) in Cash and Cash Equivalents		5,626,482	(5,984,227)
Cash and Cash Equivalents Opening Balance		413,257	6,397,485
CASH AND CASH EQUIVALENTS CLOSING BALANCE		<u>6,039,739</u>	<u>413,257</u>
Made up of:			
Current Account		52,578	14,198
Call Accounts		747,293	320,558
Bank Deposits		5,239,868	78,501
Cash & cash equivalents		<u>6,039,739</u>	<u>413,257</u>

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PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(1) Statement of Significant Accounting Policies

Reporting entity

Prometheus Finance Limited (Prometheus) is a company domiciled and registered in New Zealand under the Companies Act 1993. Prometheus is an issuer for the purposes of the Financial Reporting Act 1993 and in terms of the Securities Act 1978. The financial report is a general purpose financial report for Prometheus as an individual entity which has been prepared in accordance with the Financial Reporting Act 1993 and the Companies Act 1993. Prometheus is a profit orientated entity for financial reporting purposes. The principal place of business of Prometheus is 27 Tennyson St, Napier, Hawkes Bay. Prometheus operates in the financial services industry, taking deposits from and providing loans to customers.

(a) Basis of Preparation

The financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993 and in accordance with New Zealand Generally Accepted Accounting Practice and they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards (IFRS).

(b) Presentation currency

The financial statements are presented in New Zealand dollars, which is the functional currency of Prometheus. All values are rounded to the nearest dollar, unless otherwise stated.

(c) Basis of Measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

(d) Changes to Accounting Policies

There have been no changes in accounting policies. All policies have been consistently applied throughout the period.

(1) Specific Accounting Policies

(i) Recognition of revenue and expense

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Prometheus' activities. Revenue is shown net of Goods and Services Tax, returns, rebates and discounts.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Fee Income

Fees for services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Finance expenses

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets (except for receivables). All borrowing costs are recognised in profit or loss using the effective interest method.

Lease expenses

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(ii) Financial assets

Prometheus classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. At balance date and in the reported periods, the Company's financial assets were all classified as loans and receivables.

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(1) Statement of Significant Accounting Policies (continued)

(i) Financial assets (continued)

Prometheus has no financial assets at fair value through profit or loss, held to maturity investments nor available for sale financial assets. Prometheus' loans and receivables comprise Cash and Cash equivalents, Term Bank Deposits, Loans and Advances and Other Trade Receivables.

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Prometheus provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Purchases and sales of loans and receivables are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

Loans and receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Prometheus assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(ii) Financial Liabilities

Financial liabilities (current and term accounts, trade and other payables and subordinated debt) are recognised initially at fair value, net of transaction costs incurred. Financial Liabilities are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Prometheus has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is one that takes six months or longer to prepare for its intended use or sale. Prometheus does not have any qualifying assets. Other borrowing costs are expensed when incurred.

(iv) Impaired Financial Assets

Collectability of financial assets is reviewed on an ongoing basis. Individual debts which are known to be uncollectible are written off. A provision for impairment of loans and advances is established when there is objective evidence that Prometheus will not be able to collect all amounts due according to the original terms of the loans and advances. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered objective evidence of impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed and the reversal is recognised in the profit or loss.

Subsequent recoveries of amounts written off are recognised in the profit or loss.

Impaired assets are classified as:

- restructured loans, when the terms of the contract have been modified to provide concessions to the borrower and the yield on the asset following restructuring is equal to or greater than Prometheus average cost of funds.
- other impaired loans when the loan is not expected to be fully recovered in accordance with the loan contract;

Past due loans are those advances in arrears (not being impaired assets), for which instalments have not been received in accordance with the terms of the loan agreement.

(v) Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment includes its purchase/construction price, costs directly attributable to bringing it to the location and condition necessary for it to operate as intended. After initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to Prometheus and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in the profit or loss as an expense as incurred. Where material parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (i.e. if the asset is impaired). An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(1) Statement of Significant Accounting Policies (continued)

(vi) Depreciation

Depreciation is calculated using the diminishing value method to allocate the cost of assets to their residual values over their estimated useful lives. Depreciation is charged to profit or loss. The residual value and useful lives of all assets are reviewed and adjusted if appropriate at each reporting date. Asset classes have the following depreciation rates:

Leasehold Improvements	9.5% on diminishing value
Furniture & Fittings	15% on diminishing value
Data Processing Equipment	48% on diminishing value
Office Equipment	39.6% on diminishing value

(vii) Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Prometheus conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(viii) Employee Benefits

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows. Liabilities for wages and salaries, including non-monetary benefits, statutory days in lieu, annual leave and sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

The company pays contributions to superannuation plans. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as post employment benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits are recognised when the company is contractually obligated to pay the benefit or it is probable that the criteria for payment of the benefit will be met.

(ix) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance date. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(x) Goods and Services Tax

Prometheus provides financial services, which is an exempt supply under s14(1)(a) of the Goods and Services Tax Act 1985. Prometheus is not GST registered, and therefore it cannot recover any GST incurred on expenditure. Irrecoverable GST is included in the amounts recognised as expenses and assets.

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(1) Statement of Significant Accounting Policies (continued)

(a) Statement of Cash Flows

The statement of cash flows has been prepared using the direct approach. Cash flows from customer deposits have been netted to provide meaningful disclosure as many of the cash flows are received and disbursed on behalf of depositors and reflect the activities of depositors rather than those of Prometheus. Cash and cash equivalents reflect the balance of cash used in the day to day management of Prometheus.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Investing Activities are those activities relating to the acquisition and disposal of bank term deposits and property, plant and equipment.

Financing Activities are those activities relating to changes in the size and composition of the capital structure of the Company.

Operating Activities include all transactions and other events that are not investing or financing activities. Cash flows arising from movements in loans and deposits are classified as operating activities. Operating activities are the main trading activities of Prometheus.

(b) NZ IFRS issued but not yet effective

The following NZ IFRS have been issued but are not yet effective.

<i>Standard</i>	<i>Effective for periods beginning on or after</i>	<i>Initial application in year ending</i>
NZ IFRS 9 Financial Instruments	1 January 2013	31 March 2014
NZ IAS 24 Related party disclosures	1 January 2011	31 March 2012

Although NZ IFRS 9 Financial Instruments is applicable for annual periods beginning on or after 1 January 2013, earlier application is permitted.

NZ IFRS 9 is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces amended requirements for classifying and measuring financial assets and liabilities. Management is still assessing the impact that the adoption of NZ IFRS 9 will have.

NZ IAS 24 Related Party Disclosures replaces the 2004 version of the standard. The revised NZ IAS 24 is to be applied retrospectively for annual periods beginning on or after 1 January 2011. Earlier application is permitted. The revised NZ IAS 24 clarifies the definition of a related party and requires the disclosure of commitments involving related parties. Management is still assessing the impact that the adoption of the revised NZ IAS 24 will have. Any impact will be to disclosure only (i.e. there will be no recognition or measurement impacts).

(2) Critical Estimates and Judgements Used in Applying Accounting Policies

The preparation of the financial statements requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. Estimates and judgements are periodically evaluated, assumptions are based on historical experience. The estimates and associated and other factors, including expectations of future events considered to be reasonable. Actual results may differ from these estimates. An explanation of the judgements and estimates made by Prometheus in the process of applying its accounting policies, that have the most significant effect on the amounts recognised in the financial statements are set out below.

Credit Loss Provisioning

Provisions are raised for exposures that are known to be impaired. The required provision is estimated on the basis of historical loss experience for assets with similar credit risk characteristics. The historical loss experience is adjusted based on current observable data. This may include data indicating that there has been an adverse change in the payment status of the borrower, the loan security or national or local economic conditions that correlate with defaults on assets in Prometheus.

At 31 March 2011, Prometheus' total provision for credit impairment was \$267,450 representing 4% of total net loans and advances (March 2010 \$30,179 representing 0.4% of total net loans and advances). Refer note 8 for details.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of credit provision and credit impairment charge recorded in the financial statements.

Deferred Tax

A deferred tax asset has been recognised relating to the doubtful debt provision and cumulative tax losses. The deferred tax asset has been recognised on the basis it will either reverse in the future (doubtful debts provision and tax losses) or be settled in (future doubtful debt provision). The directors believe that Prometheus will earn taxable profits in the future that will offset the cumulative tax losses to date.

SR

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(3) Expenses

	31/03/2011	3/31/2010
Included in expenses are:		
Amount paid to auditors: Audit of Financial Statements	41,786	18,381
Trust deed and prospectus review services	1,969	2,256
Taxation Services	6,283	1,861
Management accounting services	10,223	-
Other Technical Accounting Advice	3,881	4,534
Directors Insurance	9,570	2,737
Office Rent	17,380	17,676

(4) Equity and Subordinated Debt

(i) Capital Restructure

On 30th April 2010 all \$1,000,000 Convertible Redeemable Preference shares (1,000,000 shares @ \$1 per share) and \$100,000 Non-voting B Shares (100,000 shares @ \$1 per share) were converted to Class A voting shares. As part of the restructure a dividend of \$104,414 was declared and capitalised as further Class A voting shares. The cash effect of the conversion was limited to \$18,533 in Non-Resident Withholding Tax payments. The \$250,000 of subordinated debt was converted to \$262,000 Class A voting shares to account for loss of rights resulting from conversion from debt to equity. The restructuring improved the company's equity position ahead of the requirement for all Non-Bank Deposit Takers to meet new Capital Adequacy requirements as set out in the 'Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010'.

The capital structure after the conversion became :

Class A Ordinary Shares	
Prometheus Foundation	1,062,000
Triodos Ventures BV	552,207
GLS Beteiligungs AG	<u>552,207</u>
	2,166,414

Guardian Share

Prometheus Guardian Trust	<u>1</u>
	2,166,415

The authorised shares of Prometheus Finance Limited is 2,166,415.

The single fully paid Guardian Share has as its sole purpose the preservation of the company commitment to Prometheus' objectives of Socially Responsible Finance. This share carries a veto right on the appointment of directors of the company or any major transaction as defined in the Companies Act. This share is owned by the Prometheus Guardian Trust.

Total Shareholder's funds at 31st March 2011 represents 11% of total assets (March 2010 13%).

All other shares are Class A ordinary shares and have equal voting and dividend rights and return of capital rights on winding up.

SR

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(5) Taxation

	3/31/2011	3/31/2010
<i>(i) Current period tax</i>		
Net Surplus/(deficit) before tax	(236,396)	26,994
Taxation @ 30%	(70,919)	8,098
Tax effect of items not subject to tax	-	-
Change in tax rate to 28% effective 1 April 2011	6,732	-
Current period tax charge	<u>(64,187)</u>	<u>8,098</u>

Comprising:		
Current year tax payable	-	10,998
Deferred tax	<u>(64,187)</u>	<u>(2,900)</u>
	<u>(64,187)</u>	<u>8,098</u>

<i>(ii) Deferred tax assets/(liabilities)</i>	Doubtful debts provision	Accrual	Tax Losses	Total
Year to 31/03/2011				
Opening Balance	9,054	-	21,000	30,054
(Charged)/credited to the income statement	71,181	-	(262)	70,919
Change in tax rate to 28% effective 1 April 2011	(5,349)	-	(1,383)	(6,732)
Closing Balance	<u>73,886</u>	:	<u>19,355</u>	<u>94,241</u>
Year to 31/03/2010				
Opening Balance	6,154	21,000	-	27,154
(Charged)/credited to the income statement	2,900	(21,000)	21,000	2,900
Closing Balance	<u>9,054</u>	:	<u>21,000</u>	<u>30,054</u>

<i>(iii) Imputation Credit account</i>	3/31/2011	3/31/2010
Balance at beginning of year	23,198	34,392
Imputation credits attached to dividends received	-	-
Income tax paid	(20,184)	(11,194)
Imputation credits attached to dividends paid	-	-
Balance at end of year	<u>3,014</u>	<u>23,198</u>

(6) Trade and Other Receivables

Related Party Receivables	50,947	25,132
Prepayments	3,216	1,585
Total Trade and Other Receivables	<u>54,163</u>	<u>26,697</u>

(7) Trade and Other Payables

Withholding Tax	19,550	22,610
Accruals	36,782	42,967
Other Financial Liabilities	-	59,443
Total Trade and Other Payables	<u>56,332</u>	<u>125,020</u>

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(8) Loans and advances

(i) Ageing analysis of loans and advances

	3/31/2011	3/31/2010
Performing loans and advances	6,246,206	6,218,972
Past Due 1-30 days	45,706	1,294,817
Past Due 30-60 days	1,899	3,665
Past Due 60-90 days	15,880	15,295
Past Due >90 days	17,812	34,903
Impaired advances	471,168	48,877
Gross secured advances	6,798,671	7,616,529
Less specific provision	264,425	30,181
Less collective provision	3,025	-
Net secured advances	6,531,221	7,586,348

The past due loans detailed above are any loans that are not paid technically within the terms of their contract. The amounts in the past due 1-30 days category include many loans where the borrower is paying the correct amount regularly and is not considered an arrears loan but the timing of the payment is such that it falls slightly outside the contracted payment date.

It is impracticable to provide a valuation of the collateral security held against loans on an aggregated basis because of the large number of loans that Prometheus has and because of ongoing changes to the market valuations of the security held for the loans advanced. Prometheus' security analysis for Loans and advances is detailed in note 17.

(ii) Loan Quality

There are no restructured loans or financial assets acquired through the enforcement of security. All impaired loans are defined as 'Other Impaired Loans'.

3/31/2011	Specific Provision Loan Movements
Opening Balance	48,877
Less: Repayments	-
Performing loans transferred out	-
Write offs	(6,957)
Add: Non performing loans transferred in	429,248
Costs and charges	-
Closing Balance 31/03/2011	471,168

3/31/2010	
Opening Balance	6,087
Less: Repayments	-
Performing loans transferred out	-
Write offs	(19,128)
Add: Non performing loans transferred in	61,918
Costs and charges	-
Closing Balance 31/03/10	48,877

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(8) Loans and advances (continued)

(ii) Provisions

31/3/2011	Specific	Collective	Total
Opening balance			
Less: Over provision/transferred out	30,181	-	30,181
Write offs to bad debts	(8,391)	-	(8,391)
Add: Provision transferred in	(4,262)	-	(4,262)
Additional provisions	-	-	-
Net charge/(credit) to Income Statement	246,897	3,025	249,922
Closing Balance 31/03/2011	<u>234,294</u>	<u>3,025</u>	<u>237,269</u>
	264,475	3,025	267,450
31/3/2010			
Opening balance			
Less: Over provision	20,513	-	20,513
Write offs to bad debts	-	-	-
Add: Provision transferred in	(19,128)	-	(19,128)
Additional provisions	-	-	-
Net charge/(credit) to Income Statement	28,796	-	28,796
Closing balance 31/03/10	<u>9,668</u>	<u>-</u>	<u>9,668</u>
	30,181	-	30,181

Prometheus Finance has no restructured loans or financial assets acquired through the enforcement of security. All impairment provisions are individually assessed. The directors have collectively assessed all loans that are not individually impaired to determine the extent of the collective provision.

Loans totalling \$6,957 have been written off (March 2010 \$19,128).

The proportion of loans with repayments in arrears in excess of three months, including those impaired, is 7.96%. (March 2010 1.1%)

Prometheus regularly reviews its loan portfolio to assess impairment. The impairment provision is adjusted as required based on evidence relating to borrowers' circumstances. In the course of the preparation of these financial statements Prometheus has determined the likely impairment loss on loans including those which have not maintained loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or other economic circumstances. In identifying the impairment likely from these events Prometheus estimates the potential impairment using the length of time the loan is in arrears, historical loss experience and future expectations. The circumstances may vary for each loan over time resulting in higher or lower impairment losses. It is impracticable to value the collateral held for impaired loans.

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(9) Property, Plant and Equipment

(a) Classes of property, plant & equipment

	Leasehold Improvements	Furniture & Fittings	Data Processing Equipment	Office Equipment	Total
31/03/2011					
At cost/valuation	2,220	7,287	3,100	12,487	25,094
Accumulated depreciation	1,115	4,149	1,540	9,968	16,772
Total property, plant and equipment	1,105	3,138	1,560	2,520	8,323
Depreciation Expense for year to 31/03/2011	121	593	1,581	1,760	4,055
31/03/2010					
At cost/valuation	2,449	8,126	19,083	14,721	44,380
Accumulated depreciation	1,103	4,142	16,183	10,212	31,640
Total property, plant and equipment	1,346	3,984	2,901	4,509	12,740
Depreciation Expense for year to 31/03/2010	141	553	751	1,869	3,315

(b) Movements in carrying amounts

	Leasehold Improvements	Furniture & Fittings	Data Processing Equipment	Office Equipment	Total
31/03/2011					
Opening Balance	1,346	3,984	2,901	4,509	12,740
Additions	-	-	600	-	600
Disposals	(60)	(314)	(360)	(229)	(962)
Reclassification	(51)	61	-	-	-
Depreciation Expense	(121)	(593)	(1,581)	(1,760)	(4,055)
Total property, plant and equipment	1,105	3,138	1,560	2,520	8,323
31/03/2010					
Opening Balance	1,487	3,338	1,152	2,441	8,418
Additions	-	1,199	2,500	3,938	7,637
Disposals	-	-	-	-	-
Depreciation Expense	(141)	(553)	(751)	(1,870)	(3,315)
Total property, plant and equipment	1,346	3,984	2,901	4,509	12,740

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(10) Current Assets

	31/03/2011	31/03/2010
Current Account		
Call Accounts	52,578	14,198
Bank Deposits	747,293	320,558
Total Cash and Cash Equivalents	<u>5,239,858</u>	<u>78,501</u>
	6,039,739	413,257
Term Deposits maturing within 12 months		
Loans Receivable within 12 months	4,238,126	7,528,718
Tax Receivable	1,523,270	1,896,210
Trade and Other Receivables	-	107
Total Current Assets	<u>11,829,576</u>	<u>9,839,856</u>
Loans Receivable beyond 12 months		
Deferred Tax	5,007,951	5,690,138
Property, Plant and Equipment	94,241	30,054
Trade and Other Receivables	8,323	12,740
Total Non-current Assets	<u>25,722</u>	<u>25,133</u>
	<u>5,136,237</u>	<u>5,758,065</u>
Total Assets	<u>16,965,813</u>	<u>15,597,921</u>

All loans are on demand, but loan terms may vary and for the purposes of this note are classified as available on contractual repayment date.

(11) Savings and Term Accounts from Customers

Savings and On Call Accounts	2,031,629	2,130,878
Term Accounts payable within 12 months	8,813,573	9,112,852
Term accounts payable beyond 12 months	4,132,334	2,045,794
Total Term Accounts	<u>12,945,907</u>	<u>11,158,646</u>
Total	<u>14,977,536</u>	<u>13,289,524</u>

Entrusted funds (customers call, savings and term accounts) are secured by a first ranking equitable assignment by way of security over the whole of the Company's present and future undertaking, property, assets and revenues, including the proceeds received for the subscription of shares and unpaid capital (if any). The equitable assignment by way of security was granted in favour of Perpetual Trust Limited, the Trustee of the Company under a Security Trust Deed dated 11th December 2003, registered with the Registrar of Companies. The Company has also granted to Perpetual Trust Limited a security interest in all its present and after-acquired personal property as additional security for savers and deposit holders. Perpetual Trust Limited has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same. The grant of this security interest was recorded in the Security Trust Deed dated 11th December 2003 which has been registered with the Registrar of Companies.

The 'Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010' came into force on 1 December 2010. On that date Prometheus entered into a "Deed of Amendment to Debenture Trust deed" with Perpetual Trust Limited to comply with the Regulations.

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(12) Current Liabilities

(1) Current Liabilities

Except for Term Accounts payable beyond 12 months (refer note 11) and some prepaid interest, all liabilities of the company are due within one year of balance date. Prepaid interest is due within 12 months of balance date \$70,962 (\$59,774 March 2010).

(13) Cash Flow Reconciliation

Reconciliation of Net cashflows from operations with Net Surplus/(Loss)

	31/03/2011	31/03/2010
Net Surplus/ (Loss)	(172,209)	18,896
Non-cash items		
Depreciation of Property, Plant and Equipment	4,055	3,315
Fixed Asset Disposals	962	0
Loans written off	6,957	19,128
Increase/(Decrease) Provisions for Doubtful Debts	237,269	9,668
Deferred tax	(64,187)	(2,900)
Movements in working capital		
Trade and Other Receivables and Accrued Interest on Bank Deposits	(77,121)	(57,566)
Employee Liabilities	(915)	(7,470)
Trade and Other Payables	(74,319)	(20,759)
Prepaid Interest	(59,774)	(8,897)
Taxation	107	21,320
Changes in operating assets and liabilities		
Loan Repayments	1,768,484	1,781,099
Loan Advances	(957,582)	(1,244,623)
Net Term and Current Accounts from Customers received/(withdrawn)	1,688,329	(947,591)
Net cashflows from operations	2,300,056	(436,379)

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(14) Related Parties

(i) The Prometheus Foundation

The Prometheus Foundation is an incorporated charitable trust and holds 49.02% of the class A ordinary shares in Prometheus Finance Limited. Each entity has a separate board of Governance. There are no guarantees given or received between Prometheus Finance and the Prometheus Foundation.

(ii) The Prometheus Guardian Trust

The Prometheus Guardian Trust holds the one guardian share in Prometheus Finance Limited.

(iii) Prometheus Gift Trust

The trustees of Prometheus Gift Trust, an incorporated charitable trust, are directors of Prometheus Finance Limited. Expenses paid on behalf of the trust during the period were \$93 (March 2010 \$25,132). The amount receivable from the trust (included in Trade and Other Receivables) is \$25,225 (March 2010 \$25,132).

(iv) Prometheus Social Lending Services

Prometheus Social Lending Services Limited (PSOLS) is an incorporated company which has common directors with Prometheus Finance Limited. PSOLS was incorporated 28 September 2010. Expenses incurred on behalf of PSOLS during the period were \$27,479. The amount receivable from PSOLS (included in Trade and Other Receivables) is \$25,722.

(v) Directors and other Related Parties holdings

31/03/2011 31/03/2010

The total of amounts of transactions for the year and amounts owing from and to the Key Management Personnel (ie Directors and Senior Managers) of Prometheus Finance and other related parties as at balance date is:

Key Management Short Term Employee Benefits	86,212	71,479
Key Management Post Employment Benefits	2,200	1,325
Directors Fees (all Short Term Employee Benefits)	8,675	27,098
Directors Consulting Fees	98,923	57,815
Total Key Management Personnel Benefits	<u>196,010</u>	<u>157,717</u>
Payables to Key Management Personnel	-	25,800
Call/Term Accounts held by Directors	7,962	11,536
Call/Term Accounts held by Companies with common Directors	1,446,752	21
Call/Term Accounts held by Prometheus Foundation	78,012	76,381
Loan Accounts due from Directors	-	-
Loan Accounts due from Companies with common Directors	406,247	461,288
Loan Accounts due from other Related Parties	-	-
Interest Payments to Directors	3	50
Interest Payments to Companies with common Directors	42,931	-
Interest Payments to other Related Parties	13,736	-
Interest Receipts from Directors	-	-
Interest Receipts from Companies with common Directors	43,165	48,019
Interest Receipts from other Related Parties	-	-

The usual terms and conditions applicable to all Prometheus accounts apply. There are no guarantees given or received, nor bad or doubtful debts expensed in relation to these balances. Payables to Directors are due within 30 days.

(15) Fair Value of Financial Instruments

(i) Financial Assets

Cash and cash equivalents and Bank term deposits

The directors believe that any differences between carrying value and fair value are not material because the periods to maturity are relatively short and interest is at market rates.

Loan and Advances

The carrying value is a reasonable estimate of fair value as the interest rate can be adjusted at short notice and because they have been assessed for impairment.

Trade and other receivables

The carrying amount approximates fair value because they are assessed for impairment and all amounts are payable within twelve months of balance date.

(ii) Financial Liabilities

Current and term accounts

The carrying value is a reasonable estimate of fair value as the interest rates reflect market rates and for current accounts the interest rate can be adjusted at short notice and the amounts are repayable on demand.

Trade and other payables

The carrying amount approximates fair value because all amounts are payable within three months of balance date.

Prepaid Interest

The carrying value is a reasonable estimate of fair value as the interest rates reflect market rates.

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(16) Liquidity Profile and Risk

Liquidity Risk Management

Liquidity risk is the risk that under certain conditions, cash outflows can exceed cash inflows in a given period. Prometheus maintains sufficient liquid funds to meet its commitments based on historical and budgeted cash flow forecasts and the requirements of Prometheus' Trust Deed. The Trust Deed requirement for a 'Liquidity Ratio' of 25% specifies the aggregate amount of the Company's Liquid Assets should be no less than 25% of the aggregate principal amount of stock outstanding. The liquidity ratio at 31st March was 69%, (2010 - 59%)

Management of liquidity risk is achieved by maintaining a prudent level of liquid assets including trading bank deposit investments and through management control of the growth of the business. As at 31st March 2011, trading bank deposits totalled \$10.3m, (2010 \$7.9m) The maturities of the trading bank deposits are spread in time, maintaining sufficient cash to meet approved loan commitments and demands for withdrawals from savers.

The tables combine gross loan principal and interest as this is consistent with the management of the cash flows relating to loans. All funding is by way of saving, call and term accounts. Most investors reside in New Zealand and there is no concentration of funding within any geographical area of New Zealand.

1. Liquidity profile based on contractual terms

The contractual liquidity profile below is phased over defined time bands and presents some liquidity gaps, as it assumes no reinvestment of savings or deposits. However, the expected liquidity profile in note 16(8) shows the expected maturities based on historical experience and has cumulative liquidity surpluses in each time band.

3/31/2011	Total	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years
Monetary Assets						
Cash and Cash Equivalents	6,039,739	6,039,739				
Term Bank Deposits > 3 mths	4,238,126	1,085,107	3,152,019			
Liquidity Assets	10,277,865	7,125,846	3,152,019			
Trade and Other Receivables	50,947	25,225	25,722			
Loans & Future Interest	8,891,368	806,891	995,853	2,375,845	4,302,998	409,782
Future Interest Receipts on Liquidity Assets	162,637	72,804	89,833			
Total Monetary Assets	19,382,818	8,030,766	4,263,427	2,375,845	4,302,998	409,782
Monetary Liabilities						
Savings Accounts	2,031,629	2,031,629				
Term Accounts	12,945,907	5,477,860	3,335,713	3,576,024	556,310	
Future Interest Payments	435,818	210,519	113,455	80,674	31,170	
Other Liabilities	139,121	91,813	35,481	11,827		
Total Monetary Liabilities	15,552,475	7,811,821	3,484,649	3,668,525	587,480	
Net Monetary Assets	3,830,343	218,945	778,778	(1,292,680)	3,715,518	409,782
Loan commitments	-	(563,094)	(350,000)	-	225,238	687,856
Net Liquidity Gap	3,830,343	(344,149)	428,778	(1,292,680)	3,940,756	1,097,638
Net Liquidity Gap Cumulative	3,830,343	(344,149)	84,622	(1,208,051)	2,732,705	3,830,342
31/03/2010						
Monetary Assets						
Cash and Cash Equivalents	413,257	413,257				
Bank Short Term Deposits	7,528,718	6,028,508	1,500,210			
Liquidity Assets	7,941,975	6,441,765	1,500,210			
Trade and Other Receivables	25,133			25,133		
Loans	12,139,344	958,583	851,099	1,478,976	3,161,476	5,689,210
Future Interest Receipts on Liquidity Assets	160,649	122,394	38,255			
Total Monetary Assets	20,267,101	7,522,742	2,389,564	1,504,109	3,161,476	5,689,210
Monetary Liabilities						
Savings Accounts	2,130,878	2,130,878				
Term Accounts	11,158,645	5,651,073	3,461,779	1,709,642	336,152	
Future Interest Payments	633,204	290,671	162,967	153,244	26,321	
Other Liabilities	267,583	154,907	29,887	70,962	11,827	
Subordinated Debt	250,000	250,000				
Total Monetary Liabilities	14,440,310	8,477,529	3,654,633	1,933,848	374,300	
Net Monetary Assets	5,826,790	(954,788)	(1,265,070)	(429,740)	2,787,176	5,689,209
Loan commitments	-	(385,000)	-	-	154,000	231,000
Net Liquidity Gap	5,826,790	(1,339,788)	(1,265,070)	(429,740)	2,941,176	5,920,210
Net Liquidity Gap Cumulative	5,826,790	(1,339,788)	(2,604,851)	(3,034,591)	(93,420)	5,826,790

All loans are on demand, but loan terms may vary and for the purposes of this profile, classified as available on contracted repayment dates. No estimates of early loan repayments have been included in this table.

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(16) Liquidity Profile and Risk (continued)

(i) Liquidity profile based on expected cashflows

Expected cashflow projections assume, based on reinvestment history, that 90% of both savings and deposits are reinvested. The "over 5 years" column of future interest payable on savings and term accounts is calculated for one year only. The deposits will be held for an indeterminate time, therefore the full future interest payable cannot be calculated. Expected cashflows and contractual cashflows for monetary assets are not materially different. Expected early repayment and rollovers largely cancel each other out.

	Total	Less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years
3/31/2011						
<i>Monetary Assets</i>						
Cash and Cash Equivalents	6,039,739	6,039,739	-	-	-	-
Term Bank Deposits > 3 mths	4,238,126	1,086,107	3,152,019	-	-	-
Liquidity Assets	10,277,865	7,125,846	3,152,019	=	=	=
Trade and Other Receivables	50,947	25,225	25,722	-	-	-
Loans and Future Loan Interest	8,891,368	806,891	995,853	2,375,845	4,302,998	409,781
Future Interest Receipts on Liquidity Assets	162,637	72,804	89,833	-	-	-
Total Monetary Assets	19,382,817	8,030,766	4,263,427	2,375,845	4,302,998	409,781
<i>Monetary Liabilities</i>						
Savings Accounts	2,031,829	203,163	182,847	164,562	148,106	1,332,952
Term Accounts	12,945,907	550,554	829,070	1,103,765	1,046,252	9,416,266
Future Interest Payments	2,904,983	268,374	252,882	928,588	1,256,711	198,428
Other Liabilities	139,121	91,813	35,481	11,827	-	-
Total Monetary Liabilities	18,021,640	1,113,904	1,300,279	2,208,742	2,451,069	10,947,646
Net Monetary Assets	1,361,177	6,916,862	2,963,147	167,104	1,851,929	(10,537,865)
Loan commitments	=	(563,094)	(350,000)	=	225,238	587,856
Net Liquidity Gap	1,361,177	6,353,768	2,613,147	167,104	2,077,166	(9,850,009)
Net Liquidity Gap Cumulative	1,361,177	6,353,769	8,966,916	9,134,020	11,211,186	1,361,177
31/03/2010						
<i>Monetary Assets</i>						
Cash and Cash Equivalents	413,257	413,257	-	-	-	-
Bank Short Term Deposits	7,528,718	6,028,508	1,500,210	-	-	-
Liquidity Assets	7,941,975	6,441,765	1,500,210	=	=	=
Trade and Other Receivables	26,697	26,697	-	-	-	-
Loans	12,139,344	958,583	851,099	1,478,976	3,161,476	5,689,210
Future Interest Receipts on Liquidity Assets	160,649	122,394	38,255	-	-	-
Total Monetary Assets	20,768,665	7,559,639	2,389,564	1,478,976	3,161,476	5,689,210
<i>Monetary Liabilities</i>						
Savings Accounts	2,130,878	922,712	456,042	400,464	351,660	-
Term Accounts	11,158,645	295,818	421,887	208,354	40,967	10,191,619
Future Interest Payments	5,890,689	475,489	955,736	965,445	2,919,495	574,524
Other Liabilities	267,583	267,583	-	-	-	-
Subordinated Debt	250,000	250,000	-	-	-	-
Total Monetary Liabilities	19,697,795	2,211,604	1,833,665	1,574,263	3,312,122	10,766,143
Net Monetary Assets	570,869	5,337,634	555,899	(95,287)	(150,645)	(5,076,934)
Loan commitments	=	(385,000)	=	=	154,000	231,000
Net Liquidity Gap	570,869	4,952,634	555,899	(95,287)	3,355	(4,845,934)
Net Liquidity Gap Cumulative	570,869	4,952,634	5,508,733	5,413,447	5,416,802	570,869

(ii) Monthly repayments on loans

The monthly repayments on loans for the past year represent an average loan term of 46 months (March 2010 41 months).

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(17) Credit Risk Exposure

Credit Risk Management

Credit risk is the risk of loss arising from the non-performance of a counterparty to an instrument or facility. Credit risk arises when funds are extended, committed, invested or otherwise exposed through contractual arrangements. Credit risk is controlled through a combination of approvals, limits, reviews and monitoring procedures that are carried out on a regular basis, the frequency of which is dependent on the level of risk. Credit risk is managed by a lending committee and involves a thorough evaluation of the credit risk associated with potential borrowers, the taking of security against the loan and close ongoing monitoring of account performance. Loans are secured by personal guarantees and/or mortgages and securities registered in the PPSR. Loans which show signs of adverse performance are actively managed by management which is responsible for the collections and recovery process.

Prometheus is not exposed to currency risk.

Maximum Credit Risk

Maximum exposure to credit risks are the disclosed carrying values of financial assets.

	3/31/2011	3/31/2010
Cash & cash equivalents	6,039,739	413,257
Term Bank Deposits > 3 mths	4,238,126	7,528,718
Loans and advances	6,531,221	7,586,348
Trade and Other Receivables	54,163	26,697
Total Financial Assets	16,863,249	15,555,020

Concentration of Credit Risk by sector

Prometheus has a 100% concentration of loan credit risk in Socially Responsible Investments (SRI) which comprise the following economic sectors:

Schools and Adult Education	609,866	1,036,986
Complementary Healthcare	329,507	52,677
Sustainable Agriculture	491,097	435,273
Renewable Energy	1,133,794	1,421,419
Resource Recovery and Habitat Protection	261,146	398,016
Climate Friendly Transport	92,782	210,275
Social and Environmental Businesses	1,392,507	1,628,814
Social and Environmental Housing	1,184,819	1,180,346
Community Development	1,303,153	1,252,725
Gross loans and advances	6,798,671	7,616,530

Concentration of Credit Risk by geographical location

All credit risks on loans and advances are with New Zealand entities.

Auckland	2,411,662	2,542,965
Hawkes Bay	769,154	841,529
Wellington	1,696,572	1,342,304
North Island (remainder)	724,149	1,459,084
Canterbury (refer to note 21 for details)	564,429	812,108
South Island (remainder)	632,705	618,540
Gross loans and advances	6,798,671	7,616,530

Collateral Held

Prometheus takes collateral to support credit risk on loans and advances.

First Mortgages LVR < 70%	3,433,529	3,833,960
First Mortgages LVR > 70%	544,895	18,688
Second Mortgages	549,680	560,018
PPSR registered securities	2,155,738	3,044,222
Personal Guarantees	67,720	111,091
Other	47,109	48,551
Gross loans and advances	6,798,671	7,616,530

Concentration of Credit Risk to individual and bank counterparties

Number of individual lending and bank deposit counter parties with balances:

	3/31/2011		31/03/2010	
	Loans and advances	Bank Deposits	Loans and advances	Bank Deposits
Between 10-20% of equity	6		5	
Between 20-30% of equity	3		4	1
Between 30-40% of equity				
Between 40-50% of equity				1
Between 50-60% of equity				
Between 60-70% of equity				
Between 70-80% of equity				
Between 80-90% of equity				
Between 90-100% of equity				
		1		

As at balance date the company had \$10,277,865 on call and term deposit with the National Bank of New Zealand Ltd, representing 556% of equity. These funds are deposited on a normal commercial basis in line with the bank's registered prospectus. The National Bank of New Zealand Limited is rated AA by Standard and Pools.

The proportion of loans and advances owed in aggregate by the borrowers who owe the six largest amounts is 29.0% (March 2010 27.6%).

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(18) Market Risk

Interest Rate Risk Management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management's objective is to produce strong and stable net interest income over time. Interest rate risk management focuses on mismatches between the repricing dates of interest bearing assets and liabilities.

Prometheus' normal lending terms allow it to reset interest rates with the exceptions of energy loans whose interest rates can not be varied during the term of the loan and two year fixed rate mortgages. Energy loans are funds lent for the purchase of energy conservation products such as home insulation, double glazing and solar water heating. The interest rates on current accounts are variable. The Term Deposit rates can be changed at maturity.

Effective Interest Rates

The effective interest rates of monetary assets and liabilities are as follows:

	As at 31/03/2011	As at 31/03/2010
Bank Call Account		
Bank Short Term Deposits	3.0%	2.5%
Loans and advances	5.2%	5.1%
Saving Accounts	8.7%	8.8%
Call Accounts	0.9%	0.9%
Notice Accounts	2.5%	2.4%
Term Accounts	3.2%	3.2%
Subordinated Debt	4.1%	4.3%
	n/a	0.0%

Interest rate risk profile

The following schedule details Prometheus' interest rate repricing profile as at balance date:

31/03/2011	Total	0-1 month 4/30/2011	1-3 months 8/28/2011	3-6 months 9/30/2011	6-12 months 3/31/2012	1-2 years 3/31/2013	2-5 years 3/31/2018	over 5 years	Non-Interest Sensitive
Assets									
Cash and Cash Equivalents	6,039,739	799,871	5,239,868						
Term Bank Deposits	4,238,126								
Loans and advances	6,531,221	5,077,905	14,250	1,000,000	3,238,126				
Trade and Other Receivables	50,947			28,977	45,298	194,707	929,867	240,217	
Total Assets	16,860,033	5,877,776	5,254,118	1,028,977	3,283,424	194,707	929,867	240,217	50,947
Liabilities									
Savings Accounts	2,031,629	2,031,629							
Term accounts	12,945,907	448,446	3,730,843	1,326,249	3,335,713	3,576,024	528,632		
Other Financial Liabilities	139,121								
Total Liabilities and Equity	15,116,657	2,480,075	3,730,843	1,326,249	3,335,713	3,576,024	528,632		139,121
Interest Sensitivity Gap	1,743,376	3,397,701	1,523,275	(297,272)	(52,289)	(3,381,317)	401,235	240,217	(88,174)
31/03/2010									
Assets									
Cash and Cash Equivalents	413,257	413,257							
Bank Short Term Deposits	7,528,718	3,209,370	502,714	2,316,634	1,500,000				
Loans and advances	7,586,348	984,229	28,760	48,534	190,823	723,549	2,347,221	3,263,232	
Trade and Other Receivables	26,697								
Total Assets	15,555,020	4,606,856	531,474	2,365,168	1,690,823	723,549	2,347,221	3,263,232	26,697
Liabilities									
Savings Accounts	2,130,878	2,130,878							
Term accounts	11,158,645	375,304	3,936,619	1,339,150	3,461,779	1,709,642	336,152		
Other Financial Liabilities	267,583								
Subordinated Debt	250,000	250,000							
Total Liabilities and Equity	13,807,106	2,756,182	3,936,619	1,339,150	3,461,779	1,709,642	336,152		267,583
Interest Sensitivity Gap	1,747,914	1,850,674	(3,405,145)	1,026,018	(1,770,956)	(986,093)	2,011,069	3,263,232	(240,886)

PROMETHEUS FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

(18) Market Risk (continued)

Interest rate repricing sensitivity

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of Prometheus' financial assets and liabilities to various standard interest rate scenarios. The standard scenario that is considered on a periodic basis is a 1 percent parallel fall or rise in the New Zealand yield curve. The method used in determining the sensitivity is to evaluate the profit based on the timing of the interest repricing on the book of Prometheus for the next year. In doing the calculation the assumptions applied are that:

- the interest rate change would be applied in accordance with the repricing profile
- the rate change would be as at the beginning of the period and no other rate changes would be effective during the period
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable.
- all loans would be repaid in accordance with the contractual repayment terms and replaced with loans of a similar rate and term
- the value and mix of call and term deposits will be unchanged
- the value and mix of loans will be unchanged
- no change in basis risk

There has been no change to Prometheus' exposure to market risk or the way that it manages and measures market risk in the reporting period.

An analysis of Prometheus' sensitivity to an increase or decrease in market interest rates is as follows:

Interest Sensitive Products	Total	Impact on Net Surplus and Equity of 1% Increase	Impact on Net Surplus and Equity of 1% Decrease
Cash and Cash Equivalents	6,039,739	60,397	-60,397
Term Bank Deposits	4,238,126	15,595	-15,595
Loans and advances	6,531,221	51,438	-51,438
Total Assets	16,809,086	127,430	-127,430
Savings Accounts	2,031,629	20,316	-20,316
Term accounts	12,945,907	49,631	-49,631
Total Liabilities	14,977,536	69,947	-69,947
Interest Sensitivity Gap		57,483	(57,483)

31/03/2010

The comparative figures for prior reporting periods are :

Change in net surplus and equity	1 percent increase	45,682
	1 percent decrease	(45,682)

(19) Contingent Liabilities and Commitments

There are no contingent liabilities at balance date (March 2010 nil). Capital commitments total nil (March 2010 nil). Loan contracts approved, but not advanced total \$913,094 (March 2010 \$385,000).

(20) Subsequent Events

No other known events have occurred subsequent to balance date which could materially affect these financial statements

(21) Exposure to Christchurch earthquake

Prometheus has exposure to loans of \$564,429 secured over assets in Canterbury, many of which are in the Christchurch earthquake zone.

Prometheus has contacted all Christchurch borrowers to assess their situation. There has been no significant increase in arrears of Christchurch loans. The directors are satisfied that no additional provision is required.

19 September 2011

The Directors
Prometheus Finance Limited
PO Box 5926
Lambton Quay
Wellington

TRUSTEE STATEMENT FOR PROSPECTUS DATED 19 SEPTEMBER 2011

As required by Clause 14(3) of Schedule 2 of the Securities Regulations 2009 we confirm that the offer of debt securities ("the Securities") set out in the Prospectus complies with any relevant provisions of the Trust Deed dated 11 December 2003 (the "Trust Deed"). These provisions are those which:

- (i) Entitle Prometheus Finance Limited to constitute and issue under the Trust Deed the Securities offered in the Prospectus;
- (ii) Impose restrictions on the right of Prometheus Finance Limited to offer the Securities;

and are described in the summary of the Trust Deed in the prospectus.

The auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or to any other material in the Prospectus which does not relate to the Trust Deed. Subject to the duties imposed by Schedule 15 of the Securities Regulations 2009, Perpetual Trust Limited relies on the information supplied to it by Prometheus Finance Limited pursuant to the Trust Deed and does not carry out an independent check of that information.

Perpetual Trust Limited does not guarantee the repayment of the Securities or the payment of interest thereon.

Yours sincerely,



Stephanie McGreevy
REGIONAL MANAGER – CORPORATE TRUST

FIFTH SCHEDULE

DIRECTORY

PROMETHEUS

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After 4 November 2011

Grant Thornton
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Facsimile (04) 474 8509
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SOLICITORS TO PROMETHEUS

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Napier Branch
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Facsimile (06) 835 8436

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Facsimile (04) 470 9623

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Napier
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DIRECTORY (cont'd)

Directors and Officers

Full Name & Address	Title	Occupation	Qualifications
Susan Patricia Cooper 8A Orleans Street, Ngaio Wellington 6035 [Appointed 8 September 2010]	Director and CEO	Chief Executive Officer	MSc, Strategic Management
Noel Josephson 29 Clifton Road, Herne Bay AUCKLAND	Director	Company Director	
Christopher John Morrison 7 Farrar Street Grey Lynn AUCKLAND 1021 [Appointed 22 November 2010]	Director	Company Director	
Duncan John Power 3A -29 Clovelly Road Hornsby New South Wales 2077 AUSTRALIA	Director	Company Director	B.Com Cert. in Financial Planning
Glen Saunders 61 Bayview Road Church Bay, Diamond Harbour CHRISTCHURCH	Director and Chair	Consultant and Company Director	BSc Chartered Accountant