

THIS DOCUMENT IS IMPORTANT AND REQUIRES ACTION



Pyne Gould Corporation



PYNE GOULD CORPORATION LIMITED
**INVESTMENT STATEMENT
AND PROSPECTUS**

FOR A RENOUNCEABLE RIGHTS ISSUE
OF NEW ORDINARY SHARES



 **FIRST NZ CAPITAL**

FIRST NZ CAPITAL SECURITIES LIMITED
Organising Participant, Lead Manager and Underwriter

MARAC



Perpetual Trust

Perpetual 
Asset Management


PGG Wrightson





Pyne Gould Corporation

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IMPORTANT INFORMATION

THE INFORMATION IN THIS SECTION IS REQUIRED UNDER THE SECURITIES ACT 1978.

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

CHOOSING AN INVESTMENT

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

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

Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including –

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include –

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

¹ This is the wording required by Schedule 3D to the Securities Regulations 1983 which contemplates a separate investment statement and prospectus. This Offer Document combines an investment statement and a prospectus. For the Rights Offer the two documents have been combined and accordingly the prospectus available on request is identical to this Offer Document.

IMPORTANT INFORMATION

Combined document

This Offer Document is a combined investment statement and prospectus for the purposes of the Securities Act and Securities Regulations, relating to a 6 for 1 pro rata renounceable rights offer of New Shares. It is dated and prepared as at 23 September 2009.

In accordance with the Securities Regulations 2009, which are due to come into effect on 1 October 2009, the Securities Regulations 1983 will apply to the Rights Offer and this Offer Document.

The information required to be contained in an investment statement is set out under the heading "Important information" on pages 4 to 7 of this Offer Document and in the section entitled "Investment Statement information - answers to important questions" on pages 54 to 70 of this Offer Document.

The purpose of those sections is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for New Shares under the Rights Offer. Investors should be aware that other important information about the New Shares and the Rights Offer is set out in other sections of this Offer Document.

Important document

This Offer Document is an important document and should be read carefully. Investors should consider the risks that are associated with an investment in the New Shares, particularly with regard to their personal circumstances (including financial and tax issues). A brief summary of the principal risks associated with the Group and the New Shares is set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document.

If you sold your Shares prior to the Record Date for the Rights Offer, please send this Offer Document and the Entitlement and Acceptance Form to the NZX Primary Market Participant through whom you made the sale, requesting that they be forwarded to the new Shareholder.

SECURITIES COMMISSION EXEMPTION

The Company owns 20.7% of PGG Wrightson. On 27 August 2009, PGG Wrightson announced that it is continuing to progress its previously announced debt reduction programme and is also considering the sale of selected assets and a potential equity raising. This may have a material effect on the value of the Shares being offered by the Company. For further information please refer to page 78 of this Offer Document.

Should PGG Wrightson make any material announcement during the course of the Rights Offer the

Company may advise investors of such developments by publishing newspaper advertisements in newspapers, and on the website set up for the Rights Offer and the NZX market announcements platform for the Company, pursuant to an exemption agreed to by the Securities Commission under the Securities Act.

In addition to any other rights of withdrawal that an Applicant may have, an Applicant whose application to purchase Shares was received prior to midnight New Zealand time on the second business day after the publication of the advertisement in accordance with the exemption, may withdraw his or her Application before 4.00 pm New Zealand time on the date which is seven days after the publication of the advertisement and be refunded in accordance with the procedure set out in the advertisement. Investors may provide notice of the withdrawal of their investment by facsimile, by emailing a scanned copy of a signed letter to the Company or by post.

Decision to participate in the Rights Offer

This Offer Document has been prepared without taking into account the investment objectives, financial or taxation situation or particular needs of any Applicant. Accordingly, the information in this Offer Document does not constitute a recommendation to acquire New Shares or financial product advice.

Before applying for New Shares, you should consider whether such an investment is appropriate to your particular needs, considering your individual risk profile for investments, investment objectives and individual financial circumstances. If you are in any doubt about the Rights Offer or the contents of this Offer Document or whether this investment is appropriate for you, you should consult an NZX Primary Market Participant or your stockbroker, solicitor, accountant or other professional adviser without delay.

You should note that the past Share price performance of the Company provides no guidance as to its future Share price performance. Further, the Company advises that it is not licensed to provide financial product advice in relation to the New Shares and cooling-off rights do not apply to an investment in the New Shares.

Restrictions on distribution of this Offer Document

This Offer Document is intended for use only in connection with the offer of the New Shares to Shareholders with a registered address in New Zealand and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register this Offer Document in any jurisdiction other than New Zealand or

IMPORTANT INFORMATION

to otherwise permit an offering of the New Shares to Shareholders in any jurisdiction other than New Zealand. This Offer Document is not to be sent to or given to any person outside New Zealand in circumstances in which the Rights Offer or distribution of this Offer Document would be unlawful. The distribution of this Offer Document (including an electronic copy) outside New Zealand may be restricted by law. If you come into possession of this Offer Document, you should observe any such restrictions and seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws, and persons who receive this Offer Document should seek advice on and observe any such restriction. The Company disclaims all liability to such persons.

Any person outside New Zealand who exercises Rights (and therefore applies for New Shares) through a New Zealand resident nominee will be deemed to have represented and warranted to the Company that the Rights Offer can be lawfully made to their nominee pursuant to this Offer Document. Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

No person may purchase, offer, sell, distribute or deliver New Shares, or be in possession of, or distribute to any other person, any offering material or any documents in connection with the New Shares, in any jurisdiction other than in compliance with all applicable laws and regulations.

Quotation of Rights and New Shares

An application has been made to NZX for permission to list the Rights and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

Registration of this Offer Document

A copy of this Offer Document, signed by or on behalf of the Directors, together with copies of Directors' agent authority forms, a statement from NZX for the purposes of regulation 23 of the Securities Regulations as required by section 41 of the Securities Act and the audited consolidated financial statements for the Company for the financial year ended 30 June 2009, have been delivered to the New Zealand Registrar of Companies for registration under section 42 of the Securities Act.

KPMG Independent Accountant's Report

KPMG has given, and has not, before the distribution of this Offer Document, withdrawn its consent to the distribution

of this Offer Document with the statements made by KPMG on pages 113 and 114 of this Offer Document in the form and context in which they are included.

KPMG of 18 Viaduct Harbour Avenue, Auckland, carried on business as chartered accountants and business advisers. Neither KPMG, nor any officer or employer of KPMG, is intended to be a director, officer or employee of the Company.

KPMG is the auditor of the Company and has provided other services to the Company in relation to audit and other assurance services.

Financial statements

A copy of the audited financial statements of the Company as at 30 June 2009 that comply with generally accepted accounting practice were included in the Annual Report. A copy of the Annual Report containing those audited financial statements was mailed to all Shareholders on 18 September 2009.

The Company is not required to include its most recent audited financial statements in this Offer Document because those financial statements have been distributed to Shareholders as part of the Annual Report. Shareholders may obtain a copy of the Annual Report, containing the Company's latest audited financial statements, by requesting a copy from the Company at the address and details specified in the Directory on the inside back cover of this Offer Document.

Further financial information about the Group is included in the section entitled "Financial overview – historical and prospective" on pages 48 to 51 of this Offer Document. That section of this Offer Document contains a high level summary and commentary on the financial performance and financial position of the Group for the financial years ended 30 June 2008 and 30 June 2009, together with certain details of the Prospective Financial Statements which are included in the Appendix to this Offer Document. Those Prospective Financial Statements are for the financial year ending 30 June 2010.

Future performance and forward-looking statements

Certain statements in this Offer Document constitute forward-looking statements, including the assumptions related to the Prospective Financial Statements set out in the Appendix to this Offer Document. Such forward-looking statements in this Offer Document involve assumptions about known and unknown risks, uncertainties and other factors (many of which are beyond the control of the Company) which may cause the actual results, performance or achievements of the Company, or industry results, to be

IMPORTANT INFORMATION

materially different from any future results, performance or achievements expressed or implied by such forward-looking statements in this Offer Document. Such factors include, but are not limited to, among other things, those discussed under the heading "What are my risks?" on pages 58 to 68 of this Offer Document.

Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements in this Offer Document. In addition, under no circumstances should the inclusion of such forward-looking statements in this Offer Document be regarded as a representation or warranty by the Company, its Subsidiaries, the Underwriter, or any of their respective directors, officers or employees or any other person with respect to the achievement of the results or matters set out in such forward-looking statements or that the assumptions underlying such forward-looking statements will in fact be correct. None of the Company, its Subsidiaries, the Underwriter, or any of their respective directors, officers or employees or any other person warrants or guarantees the future performance of the Company or the New Shares or any return on any investment made pursuant to this Offer Document.

The Company, its Subsidiaries, the Underwriter and their respective directors, officers and employees disclaim any responsibility to update any such risk factors or publicly announce the result of any revisions to any forward-looking statements contained in this Offer Document to reflect any change in expectations in relation to such statements or future developments or events, other than to the extent required to do so to comply with legal obligations or the NZSX Listing Rules.

Definitions

Capitalised terms used in this Offer Document have defined meanings which appear in the Glossary on pages 84 to 91 or within the relevant section of this Offer Document in which the term is used.

All references to "\$" or "dollars" are to New Zealand dollars unless specified otherwise. All references in this Offer Document to dates and times are to New Zealand dates and times.

Privacy Act notice

Any personal information provided by Applicants will be held by the Company or the Registrar at their addresses shown in the Directory on the inside back cover of this Offer Document or such other place as is notified upon request. This information will be used for the purpose of managing your investment in the Company. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you.

Governing law

This Offer Document, the Rights Offer and the contracts formed on completion and acceptance of the Entitlement and Acceptance Form by the Company are governed by the laws of New Zealand. Each Applicant submits to the exclusive jurisdiction of the courts of New Zealand.

Disclaimers

No person named in this Offer Document (including the Company, its Subsidiaries, the Underwriter or any of their respective directors, officers or employees) nor any other person, guarantees the New Shares to be issued pursuant to the Rights Offer. None of the Company, its Subsidiaries, the Underwriter nor any of their respective directors, officers or employees makes any promise as to the future performance of the Company, or the New Shares, or any return on any investment made pursuant to this Offer Document.

No person is authorised to give any information or to make any representation in connection with the Rights Offer which is not contained in this Offer Document. Any information or representation in connection with the Rights Offer not contained in this Offer Document may not be relied upon as having been authorised by the Company, its Subsidiaries, the Underwriter nor any of their respective directors, officers or employees.

ENQUIRIES

Enquiries about the Rights Offer should be directed to your stockbroker, solicitor, accountant or other professional adviser.

You may wish to contact the Rights Offer information line on 0800 742 541 (within New Zealand) if you have any questions about the Rights Offer.

If you have any queries about the number of Rights shown on the Entitlement and Acceptance Form which accompanies this Offer Document or how to complete the Entitlement and Acceptance Form, please contact the Registrar:

Link Market Services Limited
138 Tancred Street
PO Box 384,
Ashburton 7740
New Zealand

Telephone 03 308 8887
Facsimile 03 308 1311
Email Imsenquiries@linkmarketservices.com



SECTION 1

CHAIRMAN'S LETTER

1. CHAIRMAN'S LETTER



SAM MALING
Chairman

23 September 2009



Dear Shareholder

On behalf of the Directors of Pyne Gould Corporation Limited I am pleased to invite you to participate in the Company's pro rata renounceable rights offer of ordinary shares at an issue price of \$0.40 each to raise \$237 million.

You are entitled to subscribe for 6 New Shares for every 1 Share held on the Record Date.

The Rights Offer is fully underwritten by First NZ Capital. The Company is also proposing to undertake a share placement (as described below) immediately following closing of the Rights Offer.

The Company also intends to launch a Share Purchase Plan later this year under which existing Shareholders will each be able to apply for up to \$5,000 worth of Shares.

The Company has recently announced a number of strategic and operational initiatives. Those initiatives, together with the injection of new capital through the Rights Offer, the Placement and Share Purchase Plan, will enhance the long term sustainability and profitability of the Group and bring us closer to achieving our goal of becoming a New Zealand publicly listed banking² and asset management company, something we have been working on for more than twelve months.

We have now completed the purchase of EPAM, an established New Zealand based asset management business. This business now forms a core part of our newly established asset management division, Perpetual Asset Management.

We have established a wholly owned Subsidiary of Perpetual Asset Management, Real Estate Credit, which will acquire the Ex-MARAC Loans immediately following the time of sale of the Rights Offer. As an initial step, MARAC will sell the Ex-MARAC Loans to MARAC Financial Services (also a wholly owned subsidiary of the Company) for their face value (including accrued interest) at the time of sale (estimated to be approximately \$175 million). MARAC Financial Services will then sell the Ex-MARAC Loans to Real Estate Credit for \$90 million (after writing the loans down by \$85 million (before tax)).

As previously announced, the Company has taken a one-off charge of \$85 million (before tax) in its results for the financial year ended 30 June 2009 to reflect the impairments related to the Ex-MARAC Loans. Your Directors believe that the flexible capital structure of Real Estate Credit will assist it to better manage the Ex-MARAC Loans. In the future, some or all of the Ex-MARAC Loans may be sold to Torchlight Credit Fund, a fund which Perpetual Asset Management is establishing.

MARAC's property lending is now limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing. MARAC has strategically refocused on providing financial products to the consumer and commercial lending markets. This, coupled with the sale of the Ex-MARAC Loans to Real Estate Credit, and together with the injection of new equity capital through the Rights Offer and Placement, will considerably improve MARAC's balance sheet.

The Company intends to use the proceeds from the Rights Offer and Placement to inject new equity capital into MARAC, repay bank debt at the Company level, partially fund the sale of the Ex-MARAC Loans to MARAC Financial Services and fund EPAM's participation in the EPIC rights offer. The remaining proceeds, after deducting offer expenses, will be retained by the Company for investment in existing activities, including in the asset management strategy and to position the Group to capitalise on any value-enhancing consolidation opportunities that may arise in the finance sector, in each case, as and when the Directors consider it appropriate.

Pyne Gould Corporation Limited • 233 Cambridge Terrace, PO Box 167, Christchurch 8140, New Zealand
• Ph 03 365 0000 • Fax 03 379 8616 • www.pgc.co.nz

² Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.



The Rights Offer and Placement create a platform on which the Company can move forward. Despite challenging business conditions, there are opportunities for us. As one of the few listed participants in the finance sector, the Company is uniquely placed to seize the initiative and maximise the value-enhancing opportunities that become available. The Company has also secured and retained personnel with the skills and experience necessary to execute such initiatives.

The Company's largest shareholder, Pyne Family Holdings Limited ("PFHL"), which holds approximately 10% of the Shares and is associated with Director George Kerr, has committed to take up its full entitlement to New Shares under the Rights Offer and it (or an associated entity) will sub-underwrite \$27.2 million of the Rights Offer. This represents a significant contribution and commitment to the Company by George Kerr. Neither PFHL (or any of its associated entities), nor any other party, guarantees the New Shares offered under this Offer Document.

Immediately following the Rights Offer, the Group intends to place additional Shares with institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer in order to raise between \$15 million and \$30 million. First NZ Capital, as Lead Manager of the Rights Offer, will manage the sale of the Placement Shares. The price payable by institutional and habitual investors will be determined through a bookbuild process (as described further on pages 14 and 15 of this Offer Document). First NZ Capital will not acquire any Placement Shares but sub-underwriters will have an allocation preference in the Placement. The Placement is not underwritten.

Based on the current outlook for the Company, the Directors are confident that the proceeds of the Rights Offer and the Placement will be sufficient to meet the Group's foreseeable capital requirements in light of the challenges facing it in the current economic climate.

A personalised Entitlement and Acceptance Form has been distributed with this Offer Document. Your entitlement, as an Eligible Shareholder, to New Shares under the Rights Offer is printed on the Entitlement and Acceptance Form. You can take the following actions in respect of your Rights:

- accept all or part of your Rights;
- sell all or part of your Rights on the NZSX;
- accept part of your Rights and sell all or part of the balance; or
- do nothing (in which case your Rights will lapse).

If you wish to accept all or part of your Rights, you must do so by completing the Entitlement and Acceptance Form distributed with this Offer Document.

Additional instructions on how to apply for New Shares and actions that you may take are set out in the section entitled "Action to be taken by Eligible Shareholders" on pages 26 to 28 of this Offer Document.

If you do not accept or sell your Rights, your Rights will lapse and you will not be able to subscribe for any New Shares or realise any other value for your Rights. As a result, your shareholding in the Company will be diluted.

I encourage you to read this Offer Document carefully.

If you have any questions relating to the Rights Offer, please call your usual financial adviser.

Yours faithfully,

SAM MALING
Chairman

Pyne Gould Corporation Limited • 233 Cambridge Terrace, PO Box 167, Christchurch 8140, New Zealand
• Ph 03 365 0000 • Fax 03 379 8616 • www.pgc.co.nz



SUMMARY INFORMATION

2. SUMMARY INFORMATION

Issuer of New Shares	Pyne Gould Corporation Limited
Entitlement of Eligible Shareholders	Eligible Shareholders may subscribe for 6 New Shares for every 1 Share held on the Record Date.
Application Price for each New Share	\$0.40
Use of proceeds of the Rights Offer, the Placement and the Share Purchase Plan	<p>Specific Uses</p> <p>Estimated gross proceeds of the Rights Offer, the Placement* and the Share Purchase Plan of \$265 million will be specifically applied to:</p> <ul style="list-style-type: none"> • inject \$35 million of new equity capital into MARAC; • repay approximately \$35 million of bank debt at the Company level; • partially fund approximately \$125 million of the purchase price of the sale of Ex-MARAC Loans to MARAC Financial Services; and • fund EPAM's \$4.5 million subscription for its entitlement to new shares under the rights offer being conducted by EPIC. <p>General Uses</p> <p>The remaining proceeds (after deducting offer expenses) will be retained by the Company for investment in existing activities, including in the asset management strategy and to position the Group to capitalise on any value-enhancing consolidation opportunities that may arise in the finance sector, in each case, as and when the Directors consider it appropriate.</p>
Closing Date	Applications for New Shares must be received by 5.00 pm on Monday, 19 October 2009 .
Underwriting	The Rights Offer is fully underwritten by First NZ Capital. *The separate Placement of between \$15 million and \$30 million is not underwritten.
Maximum number of New Shares to be issued under the Rights Offer (excluding Shares issued under the Placement and the Share Purchase Plan)	591,577,740

THE CAPITAL RAISING STRUCTURE

The Company is seeking to raise new equity capital from a combination of \$237 million to be raised through the Rights Offer and between \$15 million and \$30 million to be raised from the Placement.

The Rights Offer

The Rights Offer comprises an offer of New Shares at an Application Price of \$0.40 each to Eligible Shareholders under a pro rata renounceable rights offer. The New Shares are offered in the ratio of 6 New Shares for every 1 Share held on the Record Date, subject to the terms of this Offer Document.

The Rights Offer is renounceable, which means that Eligible Shareholders may sell their Rights on or before Thursday, 15 October 2009 on the NZSX.

A Shareholder may elect not to exercise his or her entitlement to take up any Rights, in which case that Shareholder will not be able to subscribe for any New Shares or realise any other value for those Rights. As a result, his or her shareholding in the Company will be diluted.

The Rights Offer is fully underwritten by First NZ Capital.

The Placement

Following the Rights Offer, First NZ Capital, as placement agent for the Company, will be instructed by the Company to place between \$15 million and \$30 million worth of additional new shares ("Placement Shares") with institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer. The issue price for the Placement Shares will be set by a competitive bookbuild process (the "Bookbuild Price"), except in respect of any

Placement Shares acquired by PFHL (or an associated entity) which must pay the higher of the Bookbuild Price or \$0.49 (which is higher than the Application Price for the Rights Offer to be paid by other Shareholders) for any Placement Shares it acquires. Sub-underwriters who bid into the bookbuild at the Bookbuild Price will have an allocation preference in respect of Placement Shares based on the proportion of the Rights Offer they sub-underwrite.

The Placement Shares are not being offered under this Offer Document and the Placement will be open only to institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer. The Placement is not underwritten.

PFHL participation in Rights Offer and Placement

PFHL has agreed with First NZ Capital in the PFHL Firm-in-Relief Commitment Letter to subscribe for its full entitlement under the Rights Offer. That entitlement is to subscribe for 59,200,884 New Shares, representing 8.6% of the Shares on issue post-Rights Offer, for an aggregate subscription price of \$23,680,354.

PFHL has also agreed with First NZ Capital that it or an associated entity will sub-underwrite \$27.2 million (being 11.5% of the underwritten amount of the Rights Offer). The size of PFHL's sub-underwriting commitment has been fixed such that, following completion of the Rights Offer (including any shortfall issued to sub-underwriters), the number of Shares held or controlled by PFHL (and its associated entities) cannot exceed 19.99% of the Shares then on issue.

Pursuant to its sub-underwriting arrangements with First NZ Capital, PFHL (or an associated entity) will be entitled to participate in the Placement. If PFHL (or an associated entity) participates in the Placement, it must pay the higher of the Bookbuild Price or \$0.49 (which is higher than the Application Price for the Rights Offer to be paid by other Shareholders) for any Placement Shares it acquires. PFHL's (and its associated entities') participation in the Placement has been limited to 21.5% of the Placement Shares.

Further details of PFHL's participation in the Rights Offer and Placement, including details of the sub-underwriting fees payable by First NZ Capital to PFHL, are set out under the heading "PFHL participation in Rights Offer and Placement" on pages 22 to 23 of this Offer Document.

Neither PFHL (or any of its associated entities), nor any other party, guarantees the New Shares offered under this Offer Document.

Share Purchase Plan

After completion of the Rights Offer and the Placement, the Company intends to offer to Shareholders the right to participate in the Share Purchase Plan. Under the Share Purchase Plan, each of those Shareholders will be entitled to apply for up to \$5,000 worth of Shares. The subscription price for Shares under the Share Purchase Plan will be the lesser of the Bookbuild Price and the volume weighted average price of the Shares during a period to be specified in the terms of the Share Purchase Plan. The Share Purchase Plan will not be underwritten. The Share Purchase Plan will be undertaken pursuant to the Securities Act (NZX-Share and Unit Purchase Plans) Exemption Notice 2005.

The record date for entitlements under the Share Purchase Plan will be the same record date that applies to the Rights Offer, namely Wednesday, 30 September 2009.

The Company expects to release further details of the Share Purchase Plan after completion of the Rights Offer and Placement.

PURPOSE OF THE RIGHTS OFFER AND PLACEMENT

The proceeds from the Rights Offer and Placement are intended to be applied to:

- inject \$35 million of new equity capital into MARAC;
- repay approximately \$35 million of bank debt at the Company level;
- partially fund approximately \$125 million of the purchase price of the sale of Ex-MARAC Loans to MARAC Financial Services; and
- fund EPAM's \$4.5 million subscription for its entitlement to new shares under the rights offer being conducted by EPIC.

The remaining proceeds (after deducting offer expenses) will be retained by the Company for investment in existing activities, including in the asset management strategy and to position the Group to capitalise on any value-enhancing consolidation opportunities that may arise in the finance sector, in each case, as and when the Directors consider it appropriate.

The Directors believe that it is in the best interests of the Company to recapitalise its balance sheet by way of the Rights Offer and the Placement.

Based on the current outlook for the Company, the Directors are confident that the proceeds of the Rights Offer and Placement will be sufficient to meet the Group's foreseeable capital requirements in light of the challenges facing it in the current economic climate.



INVESTMENT HIGHLIGHTS

The Company is implementing a strategy to achieve its objective of becoming a New Zealand publicly listed banking³ and asset management company.

The Company is a financial services company. The Company offers its customers a comprehensive range of financial products and services across its three core business divisions: MARAC, Perpetual Trust and the newly established Perpetual Asset Management.

The Group's customer base, which represents approximately 69,000 active customers across "heartland New Zealand", is part of a valuable customer segment which the Group believes is currently under-served by other financial service providers. The Group intends to develop complementary capabilities of financial services and asset management. Treating the Group's business divisions' separate customer bases as one "Group customer base", building product capability and the cross-selling of financial products and services is expected to unlock more value from customer relationships.

Each of the Group's business divisions is implementing strategies to establish this twin capability and unlock value for the Group:

MARAC

- Repositioning MARAC out of property lending and refocusing on what MARAC is good at and what it understands – consumer and commercial lending to "heartland New Zealand"
- Post recapitalisation, MARAC will be well positioned to expand its financing activities organically and to take advantage of value-enhancing consolidation opportunities

- MARAC has no related party lending, except the MARAC Financial Services Loan Note (for further discussion see page 79 of this Offer Document)

Perpetual Asset Management

- The creation of a new asset management business, Perpetual Asset Management, its purchase of EPAM and the proposed establishment of Torchlight Credit Fund together with the funds management activities in Perpetual Trust are the basis for establishing a range of new funds that will provide quality investment options for investors including the Group's customers
- Perpetual Asset Management may also pursue growth through acquisition and, post recapitalisation of the Group, will be positioned to execute this strategy

Perpetual Trust

- Perpetual Trust has a customer base of approximately 15,000 active customers consisting of both personal and corporate customers. This customer base provides the opportunity to build cross-selling opportunities with MARAC and Perpetual Asset Management

The Rights Offer is an important foundation for implementing these strategies.

The Company has recently made a number of senior executive appointments to key positions aimed at complementing the existing team and ensuring the Group has the capability to deliver on its strategy. Each of these individuals brings significant experience and expertise across banking, asset management and investment advisory sectors. Key appointments include:

- Jeff Greenslade – Chief Executive Officer of MARAC and the Company;

³ Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.



- Sean Kam – Chief Financial Officer of the Company;
- Craig Stephen – Chief Investment Officer of the Company; and
- John Duncan – Chief Executive Officer of Perpetual Asset Management.

Due to the investment in growth, coupled with the movement away from property derived earnings, the Board expects that the benefits of the implemented strategies will begin to be realised in the financial year ending 30 June 2011.

RISK FACTORS

Investors should consider the risks that are associated with an investment in New Shares, particularly with regard to their personal circumstances (including financial and tax issues). A summary of principal risks associated with the Group and the New Shares are set out under the heading “What are my risks?” on pages 58 to 68 of this Offer Document.

KEY DATES

EVENT	DATE*
Record Date for determining entitlements under Rights Offer and Share Purchase Plan (5.00 pm)	Wednesday, 30 September 2009
Existing Shares quoted ex-entitlements on NZSX	Thursday, 1 October 2009
Rights trading commences on NZSX	Thursday, 1 October 2009
Offer Document and Entitlement and Acceptance Form mailed to Eligible Shareholders and Rights Offer opens for receipt of acceptances	by Thursday, 1 October 2009
Rights trading ceases on NZSX (at close of trading)	Thursday, 15 October 2009
Rights Offer closes (last day for receipt of Entitlement and Acceptance Forms) (5.00 pm)	Monday, 19 October 2009
Allotment of New Shares under the Rights Offer	by Tuesday, 27 October 2009
Settlement and allotment of the Placement	Wednesday, 28 October 2009
Expected despatch of FASTER/shareholding statements for New Shares allotted under the Rights Offer	Wednesday, 28 October 2009

*These dates and the references to them throughout this Offer Document are subject to change and are indicative only. The Company, in consultation with the Lead Manager, reserves the right to amend the dates and times without prior notice, subject to the Securities Act and the NZSX Listing Rules. The Company may withdraw the Rights Offer and/or the Placement and the issue of New Shares at any time before the Allotment Date in its absolute discretion.



SECTION 3

DETAILS OF THE RIGHTS OFFER

3. DETAILS OF THE RIGHTS OFFER

Investors should also refer to the other sections of this Offer Document (in particular the section entitled “Investment Statement information – answers to important questions” on pages 54 to 70 of this Offer Document).

OVERVIEW OF THE RIGHTS OFFER

The Company is seeking to raise \$237 million in new equity capital from the Rights Offer. In addition, between \$15 million and \$30 million may be raised from the Placement to institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer.

The Rights Offer comprises an offer of New Shares at an Application Price of \$0.40 each to Eligible Shareholders under a pro rata renounceable rights offer. The New Shares are offered in the ratio of 6 New Shares for every 1 Share held on the Record Date, subject to the terms of this Offer Document. A personalised Entitlement and Acceptance Form accompanies this Offer Document.

New Shares issued under the Rights Offer will rank equally in all respects, including as to dividends and voting, with existing Shares on issue at the Allotment Date. However, the New Shares will have no entitlement to any dividends with a record date preceding the Allotment Date of the New Shares.

The Rights Offer is renounceable, which means that Eligible Shareholders may sell any of their Rights that they do not accept on or before Thursday, 15 October 2009 on the NZSX.

A timetable for the Rights Offer is set out under the heading “Key dates” on page 17 of this Offer Document.

The Placement Shares are not being offered under this Offer Document and the Placement will only be open to institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer. Details of the Placement are set out on pages 14 and 15 of this Offer Document.

The Company may withdraw the Rights Offer and/or Placement and the issue of New Shares at any time before the Allotment Date in its absolute discretion.

APPLICATION PRICE

The Application Price payable by Eligible Shareholders who wish to subscribe for New Shares under the Rights Offer is \$0.40 per New Share. The Application Price is payable in full on Application.

ELIGIBILITY

The Rights Offer is only open to Eligible Shareholders, being those persons with a registered address in New Zealand, who are registered as Shareholders of the Company on the Record Date (being 5.00 pm on Wednesday, 30 September 2009). Persons who are registered as Shareholders of the Company after the Record Date will not qualify for the Rights Offer.

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form distributed with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder’s entitlement to participate in the Rights Offer.

If you sell any Shares prior to the Record Date, then the Rights transfer to the buyer of those Shares.

The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is eligible to participate in the Rights Offer or not and the Company may reject any Application that it believes comes from a person who is not an Eligible Shareholder.

ENTITLEMENT

Each Eligible Shareholder is entitled to subscribe for 6 New Shares for every 1 Share held on the Record Date (being 5.00 pm on Wednesday, 30 September 2009). Fractional entitlements will be rounded down to the nearest whole number.

The entitlement of each Eligible Shareholder is printed on the personalised Entitlement and Acceptance Form distributed to Eligible Shareholders with this Offer Document. Applications that exceed an Eligible Shareholder’s Rights entitlement will not be accepted, although you may acquire additional Rights on the NZSX. Entitlements are not scaled up to a minimum holding.

You can take the following actions in respect of your Rights:

- accept all or part of your Rights;
- sell all or part of your Rights;
- accept part of your Rights and sell all or part of the balance; or
- do nothing (in which case your Rights will lapse).

Eligible Shareholders who wish to accept all or part of their Rights must do so by completing the Entitlement and Acceptance Form distributed with this Offer Document.

Additional instructions on how to apply for New Shares and actions that may be taken by Eligible Shareholders are set out under the heading "Action to be taken by Eligible Shareholders" on pages 26 to 28 of this Offer Document.

If you do not accept or sell your Rights, your Rights will lapse and you will not be able to subscribe for any New Shares or realise any other value for your Rights. As a result, your shareholding in the Company will be diluted.

OPENING AND CLOSING DATES

The Rights Offer will open for receipt of acceptances on Thursday, 1 October 2009. The Closing Date and time for acceptances and payments is 5.00 pm on Monday, 19 October 2009, subject to the Company varying those dates in accordance with the NZSX Listing Rules.

Eligible Shareholders wishing to accept all or part of their entitlement to Rights must ensure that their Entitlement and Acceptance Form, together with payment of Application Monies, is sent to the Registrar or lodged with any NZX Primary Market Participant or any other channel approved by NZX in time to enable forwarding to the Registrar before the Closing Date.

TRADING OF RIGHTS

Eligible Shareholders are not required to subscribe for all of the New Shares to which they are entitled under the Rights Offer. They may subscribe for a proportion of their Rights or allow some or all of their Rights to lapse. The Rights are renounceable. Accordingly, Rights may be sold by Eligible Shareholders on or before Thursday, 15 October 2009 through the NZSX.

Eligible Shareholders who trade in Rights before receiving confirmation of their allocation of Rights do so at their own risk.

QUOTATION ON THE NZSX

Rights

An application has been made to NZX for permission to list the Rights and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

Rights trading on the NZSX is expected to commence on Thursday, 1 October 2009 and cease at the close of trading on Thursday, 15 October 2009. If you wish to sell your Rights using this method, you must do so before the end of this Rights trading period.

New Shares

The New Shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

RIGHTS OF NEW SHARES

New Shares issued under the Rights Offer will rank equally in all respects, including as to dividends and voting, with existing Shares on issue at the Allotment Date, but will have no entitlement to any dividends with a record date preceding the Allotment Date of the New Shares.

Each New Share will confer on the holder the rights described in the Constitution and as provided for in the Companies Act, including the right to receive notices of, attend and vote at a meeting of Shareholders of the Company in person or by proxy, attorney or representative (subject to any voting restrictions imposed on Shareholders under the Constitution or the NZSX Listing Rules), the right to cast one vote on a poll on any Shareholder resolution, and the right to an equal share in dividends authorised by the Board and in any distribution of surplus assets of the Company.

Applicants for New Shares will be bound by the Constitution and the terms of the Rights Offer set out in this Offer Document.

ALLOTMENT OF NEW SHARES

New Shares are expected to be allotted on Tuesday, 27 October 2009. FASTER statements and holding statements for New Shares allotted under the Rights Offer will be issued and mailed no later than Wednesday, 28 October 2009.

Applicants under the Rights Offer should ascertain their allocation of New Shares before trading in the New Shares. Applicants can do so by contacting the Registrar, whose contact details are set out in the Directory on the inside back cover of this Offer Document.

Applicants selling New Shares prior to receiving a FASTER statement or holding statement do so at their own risk. None of the Company, the Lead Manager, nor any of their respective directors, officers, employees or advisers, accepts any liability or responsibility should any person attempt to sell or otherwise deal with New Shares before a FASTER statement or holding statement showing the number of New Shares allotted to the Applicant is received by the Applicant for those New Shares.

APPLICATION MONIES AND REFUNDS

Application Monies received will be held in a trust account until the applicable New Shares are allotted or the Application Monies are refunded. The trust account will be established by the Company solely for the purpose of depositing Application Monies. Interest earned on the Application Monies will be for the benefit of, and remain the property of, the Company and will be retained by the Company whether or not the allotment of New Shares takes place.

The Company reserves the right to cancel the Rights Offer and issue of New Shares at any time before allotment of the New Shares, in which case all Application Monies will be refunded without interest as soon as practicable.

OVERSEAS SHAREHOLDERS

The Rights Offer is only open to Shareholders with a registered address in New Zealand who are registered as Shareholders of the Company on the Record Date (being 5.00 pm on Wednesday, 30 September 2009). Those Shareholders with a registered address outside New Zealand will not be able to take up their entitlement under the Rights Offer.

The Company considers it unreasonable to make the Rights Offer to Shareholders outside New Zealand having regard to the low number of such Shareholders and the cost and complexity of complying with the legal requirements to enable the Rights Offer to be made to such Shareholders.

The Rights which Shareholders who are resident in jurisdictions outside New Zealand would have otherwise received under the Rights Offer will instead be issued to a nominee, who will endeavour to sell those Rights on the NZSX on their behalf, hold the proceeds on trust and account to such Shareholders on a pro rata basis for the proceeds of sale of those Rights (net of brokerage costs).

This Offer Document may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than New Zealand and no action has been, or will be, taken by the Company which would permit an offer of the New Shares under this Offer Document, or its possession or distribution, in any country or jurisdiction other than New Zealand. Receipt of this Offer Document and/or an Entitlement and Acceptance Form will not constitute an offer in any jurisdiction outside New Zealand.

No person may purchase, offer, sell, distribute or deliver New Shares, or be in possession of, or distribute to any other person, any offering material or any documents in

connection with the New Shares, in any jurisdiction other than in compliance with all applicable laws and regulations.

Any person outside New Zealand who exercises Rights (and therefore applies for New Shares) through a New Zealand resident nominee will be deemed to have represented and warranted to the Company that the Rights Offer can be lawfully made to their nominee pursuant to this Offer Document. Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed. Shareholders who hold Shares on behalf of persons who are not resident in New Zealand are responsible for ensuring that taking up New Shares under the Rights Offer does not breach either the selling restrictions described in this Offer Document or the securities laws in the applicable overseas jurisdiction.

PFHL PARTICIPATION IN THE RIGHTS OFFER AND PLACEMENT

PFHL Firm-in-Relief Commitment Letter

On 23 September 2009, PFHL entered into the PFHL Firm-in-Relief Commitment Letter with First NZ Capital (as the Underwriter). Under the PFHL Firm-in-Relief Commitment Letter, PFHL has agreed to subscribe for its full entitlement under the Rights Offer. That entitlement is to subscribe for 59,200,884 New Shares, representing 8.6% of the post-Rights Offer Shares on issue, for an aggregate subscription price of \$23,680,354.

Sub-underwriting

PFHL has also agreed with the Underwriter that it (or an associated entity) will sub-underwrite \$27.2 million (being 11.5% of the underwritten amount of the Rights Offer). The size of this sub-underwriting commitment has been fixed such that, following completion of the Rights Offer (including any shortfall issued to sub-underwriters), the aggregate number of Shares held or controlled by PFHL (and its associated entities) cannot exceed 19.99% of the Shares then on issue. The aggregate shareholding of PFHL (and its associated entities) in the Company immediately following completion of the Rights Offer may be less than 19.99% depending on the extent of the shortfall under the Rights Offer.

The Underwriter will pay a sub-underwriting fee of \$407,727 to PFHL in consideration for its sub-underwriting commitment.

Placement

Pursuant to its sub-underwriting arrangements with First NZ Capital, PFHL (or an associated entity) will be entitled

to participate in the Placement on the same basis as other institutional and habitual investors (including non-broker sub-underwriters of the Rights offer) except that PFHL (or an associated entity) must pay the higher of the Bookbuild Price or \$0.49 (which is higher than the Application Price for the Rights Offer to be paid by other Shareholders) for any Placement Shares for which it subscribes. PFHL's (and its associated entities') participation in the Placement has been limited to 21.5% of the Placement Shares.

The aggregate number of Shares held or controlled by PFHL (and its associated entities) following completion of the Placement cannot exceed 19.99% of the Shares then on issue.

UNDERWRITING AND SUB-UNDERWRITING

Underwriting

The Rights Offer is fully underwritten by the Underwriter subject to various market standard conditions and termination rights in favour of the Underwriter. Many of the termination rights are outside the control of the Company. Further detail of the Underwriting Agreement is set out under the heading "Rights Offer Underwriting Agreement" on pages 76 and 77 of this Offer Document.

PFHL sub-underwriting

PFHL, a company associated with George Kerr, a director of the Company, has entered into a sub-underwriting commitment with the Underwriter under which PFHL commits that it (or an associated entity) will sub-underwrite \$27.2 million of New Shares not subscribed for under the Rights Offer. Further detail of this sub-underwriting arrangement is set out above under the heading "PFHL participation in Rights Offer and Placement".

BROKERAGE FEES

No investor will pay brokerage on the exercise of the Rights or as a subscriber for New Shares under the Rights Offer.

A stamping fee of 0.5% of Application Monies on New Shares allotted will be paid by the Underwriter to NZX Primary Market Participants who submit a valid claim for a broker stamping fee on successful Applications, subject to a fee limit of \$300 for each such Application. Details of the claims process will be separately communicated directly by the Underwriter to NZX Primary Market Participants.

If you sell or purchase Rights or sell your New Shares, you may be liable for normal brokerage fees.

NO GUARANTEE

Nothing contained in this Offer Document should be construed as a promise of profitability, and no person named in this Offer Document (including the Company, its Subsidiaries, the Underwriter, PFHL nor any of their respective directors, officers or employees) or any other person gives any guarantee or promise as to the future performance of the Company or the current or future value or price of Shares or the return of capital or the payment of any distributions in relation to the New Shares.

TAXATION IMPLICATIONS RELATING TO THE RIGHTS OFFER

A brief summary of the New Zealand taxation implications relating to returns on the New Shares or the sale of Rights is summarised in this Offer Document under the heading "Taxation" on page 57 of this Offer Document. Those comments relate only to New Zealand taxes and are based on tax legislation current at the date of this Offer Document. Investors should consult their own tax or financial adviser concerning the taxation implications, in their particular circumstances, of acquiring, holding and/or disposing of the Rights or the New Shares.



SECTION 4

ACTION TO BE TAKEN BY ELIGIBLE SHAREHOLDERS

4. ACTION TO BE TAKEN BY ELIGIBLE SHAREHOLDERS

AVAILABLE ACTIONS

If you are an Eligible Shareholder, accompanying this Offer Document is a personalised Entitlement and Acceptance Form showing the maximum number of New Shares which you are entitled to subscribe for under the Rights Offer. If you would like to accept all or part of your entitlement to Rights, you must do so on the Entitlement and Acceptance Form.

Applications for the acceptance of all or part of your entitlement to Rights (and the issue of New Shares) cannot be revoked or withdrawn.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date, being 5.00 pm on Monday, 19 October 2009 (or such other date as the Company may determine).

You may take the following actions in respect of your Rights:

- accept all or part of your Rights;
- sell all or part of your Rights;
- accept part of your Rights and sell all or part of the balance; or
- do nothing (in which case your Rights will lapse).

If you do not accept or sell your Rights, your Rights will lapse and you will not be able to subscribe for any New Shares or realise any other value for your Rights. As a result, your shareholding in the Company will be diluted.

For assistance, Shareholders should seek their own investment, financial, taxation or other professional advice.

ACCEPTING ALL OR PART OF YOUR ENTITLEMENT TO RIGHTS

There is no minimum number of New Shares which you must subscribe for under the Rights Offer. You may accept all or any part of your entitlement to your Rights as you wish.

Eligible Shareholders who wish to accept all or any part of their entitlement to Rights should send their completed Entitlement and Acceptance Form to the Registrar or any NZX Primary Market Participant or any other channel approved by NZX in time to enable forwarding to the Registrar on the Closing Date (being 5.00 pm on Monday, 19 October 2009, or such other date as the Company may determine). Payment of the relevant Application Monies must be made by following the instructions set out in the section entitled "Payment" below and on the Entitlement and Acceptance Form. The Company reserves the right to accept late Applications received during the period between the Closing Date and the Allotment Date.

Eligible Shareholders who wish to accept part of their entitlement to Rights and sell all or part of the balance, should:

- instruct an NZX Primary Market Participant to sell the number of Rights they wish to renounce or sell their Rights by private treaty (further instructions on renouncing Rights are provided in this Offer Document in the section below, entitled "Selling all or part of your entitlement to Rights"); and
- indicate the number of New Shares they wish to apply for in the Entitlement and Acceptance Form and send their completed Entitlement and Acceptance Form, together with payment of the Application Monies for the number of New Shares applied for, directly to the NZX Primary Market Participant through whom they sold their Rights.

Additional instructions on how to accept your entitlement under the Rights Offer are set out under the heading "Instructions on how to accept your entitlement", on page 28 of this Offer Document.

Returning a completed Entitlement and Acceptance Form will be taken to constitute a representation by the Eligible Shareholder that they:

- have received a printed or electronic copy of this Offer Document accompanying the Entitlement and Acceptance Form and have read both documents in full;
- declare that all the details and statements in the Entitlement and Acceptance Form are complete and accurate;
- acknowledge that once the Entitlement and Acceptance Form is returned, the Application may not be varied or withdrawn except as required by law;
- agree to be issued the number of New Shares they applied for; and
- authorise the Company and the Lead Manager and their officers and agents to do anything on their behalf necessary for New Shares to be issued to them, including to act on instructions received by the Registrar using the contact details in the Entitlement and Acceptance Form.

If the Company receives, on or before the Closing Date (being 5.00 pm on Monday, 19 October 2009), both an acceptance and a renunciation by a Shareholder in respect of the same Rights, effect will be given to the renunciation in priority to the acceptance and any Application Monies received will be refunded without interest as soon as practicable.

PAYMENT

Eligible Shareholders who wish to accept all or part of their entitlement to Rights should send their completed Entitlement and Acceptance Form to the Registrar or any NZX Primary Market Participant or any other channel approved by NZX in time to enable forwarding to the Registrar on the Closing Date (being 5.00 pm on Monday, 19 October 2009, or such other date as the Company may determine). Payments are to be made by cheque or bank draft in New Zealand dollars for immediate value or by direct credit to the Registrar or by such other method of payment agreed as acceptable to the Company.

Eligible Shareholders who elect to pay by cheque or bank draft should include that cheque or bank draft with their signed Entitlement and Acceptance Form. Cheques or bank drafts must be made payable to "PGC Rights Offer" and crossed "Not Transferable". Cheques must not be post-dated.

Eligible Shareholders who elect to pay by direct credit should transfer funds to the Registrar's trust account, the details of which are set out on the Entitlement and Acceptance Form. Eligible Shareholders paying by direct credit must submit their payment instruction to their bank by no later than 4.00 pm two business days before the Closing Date (i.e. by 4.00 pm on Thursday, 15 October 2009, or such other date as the Company may determine).

If there is a discrepancy between the amount of Application Monies (by way of cheque, bank draft or direct credit) and the number of New Shares indicated on the Entitlement and Acceptance Form, the Company will treat the Application as being for the number of New Shares which the Application Monies will pay for.

If an Applicant's cheque does not clear or the direct credit payment is not received in the Registrar's trust account, any allocation to that Applicant may be cancelled.

The Company reserves the right to accept or reject any Entitlement and Acceptance Form which is not completed correctly, and to correct any errors or omissions on any Entitlement and Acceptance Form. If the Company receives an amount by way of direct credit and does not receive an Entitlement and Acceptance Form from the relevant Applicant making such payment, the Company reserves the right to refund the payment or to contact the Applicant who made the payment and request that they complete an Entitlement and Acceptance Form, and to accept the Application for New Shares from that Applicant. If the Company cannot identify the relevant Applicant making the payment, the Company will refund the payment.

SELLING ALL OR PART OF YOUR ENTITLEMENT TO RIGHTS

The Rights are renounceable. This enables Shareholders who do not wish to take up all or part of their entitlement to the Rights to sell those Rights not taken up.

If you wish to sell all or part of your entitlement to Rights, this can be done on the NZSX by instructing an NZX Primary Market Participant to sell up to the number of Rights specified on the Entitlement and Acceptance Form. If you wish to sell your Rights on the NZSX, you will need to provide both your FASTER identification number ("FIN") and your Common Shareholder Number ("CSN").

Trading of Rights is expected to commence on the NZSX on Thursday, 1 October 2009 and cease at the close of trading on Thursday, 15 October 2009. Your Rights may be sold on the NZSX during this period should you choose not to accept your full entitlement to Rights under the Rights Offer. Renunciations must be received by the Registrar not later than the Closing Date (being 5.00 pm on Monday, 19 October 2009, or such other date as the Company may determine).

INSTRUCTIONS ON HOW TO ACCEPT YOUR ENTITLEMENT

If you are an Eligible Shareholder, then follow the steps below if you wish to accept all or part of your entitlement to Rights under the Rights Offer.

<p>STEP 1 Complete the form</p>	<ul style="list-style-type: none"> • Complete and sign the Entitlement and Acceptance Form in accordance with the instructions set out on the reverse of that form • If you wish to apply for a lesser number of New Shares than your entitlement to Rights under the Rights Offer, you must indicate on the Entitlement and Acceptance Form the number of New Shares for which you wish to apply
<p>STEP 2 Attach payment</p>	<ul style="list-style-type: none"> • Attach your cheque or bank draft in New Zealand dollars for the amount of the Application Monies, payable to "PGC Rights Offer" and crossed "Not Transferable" or submit payment instructions to your bank for payment by direct credit by no later than 4.00 pm two business days before the Closing Date (i.e., Thursday, 15 October 2009, or such other date as the Company may determine) • If an Applicant's cheque does not clear or the direct credit payment is not received in the Registrar's trust account, any allocation to that Applicant may be cancelled • Cheques must not be post-dated • Please do not send cash • Receipts for payment will not be issued • If you do not indicate the number of New Shares which you wish to apply for, or there is a discrepancy between the amount of the cheque or bank draft or amount received by way of direct credit and the number of New Shares indicated, the Company will treat you as applying for as many New Shares as your cheque or bank draft or direct credit will pay • The Company reserves the right to accept or reject any Entitlement and Acceptance Form which is not completed correctly, and to correct any errors or omissions on any Entitlement and Acceptance Form
<p>STEP 3 Return the form</p>	<ul style="list-style-type: none"> • Return your completed Entitlement and Acceptance Form and your cheque or bank draft (where applicable) in the enclosed business reply envelope or hand deliver it to: PGC Rights Offer Link Market Services Limited 138 Tancred Street PO Box 384 Ashburton 7740 • For Eligible Shareholders, Entitlement and Acceptance Forms, together with Application Monies (other than Application Monies paid by way of direct credit), may also be lodged with any NZX Primary Market Participant or any other channel approved by NZX in time to enable forwarding to the Registrar before the Closing Date (being 5.00 pm on Monday, 19 October 2009 or such other date as the Company may determine)
<p>STEP 4 As soon as possible</p>	<ul style="list-style-type: none"> • Please lodge your Entitlement and Acceptance Form AS SOON AS POSSIBLE • Applications received after the Closing Date (being 5.00 pm on Monday, 19 October 2009 or such other date as the Company may determine) will not be accepted unless the Company decides otherwise
<p>STEP 5 Important information</p>	<ul style="list-style-type: none"> • Applications cannot be revoked or withdrawn • If an Applicant's cheque does not clear or the direct credit payment is dishonoured, any allocation to that Applicant may be cancelled. Any notification of an Applicant's allocation of New Shares is conditional on that Applicant's cheque or payment clearing
<p>STEP 6 Further information</p>	<ul style="list-style-type: none"> • You may wish to contact the Rights Offer information line on 0800 742 541 (within New Zealand) if you have any questions about the Rights Offer

SECTION 5

OVERVIEW OF THE COMPANY'S BUSINESS

5. OVERVIEW OF THE COMPANY'S BUSINESS

This section should be read in conjunction with the further information contained in other sections of this Offer Document, including the information set out in the section entitled "Financial overview – historical and prospective" on pages 48 to 51 of this Offer Document, the Prospective Financial Statements of the Group, including the assumptions and sensitivity analysis, set out in the Appendix to this Offer Document, entitled "Prospective Financial Statements" on pages 94 to 114 of this Offer Document and the description of the principal risks relating to the businesses of the Group set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document.

INTRODUCTION

The origins of the Company can be traced back to the mid 19th century when the businessmen, who later merged their companies to form the Group first started trading in Canterbury. Those original businesses were focussed on rural services, financial services, and, later trustee services.

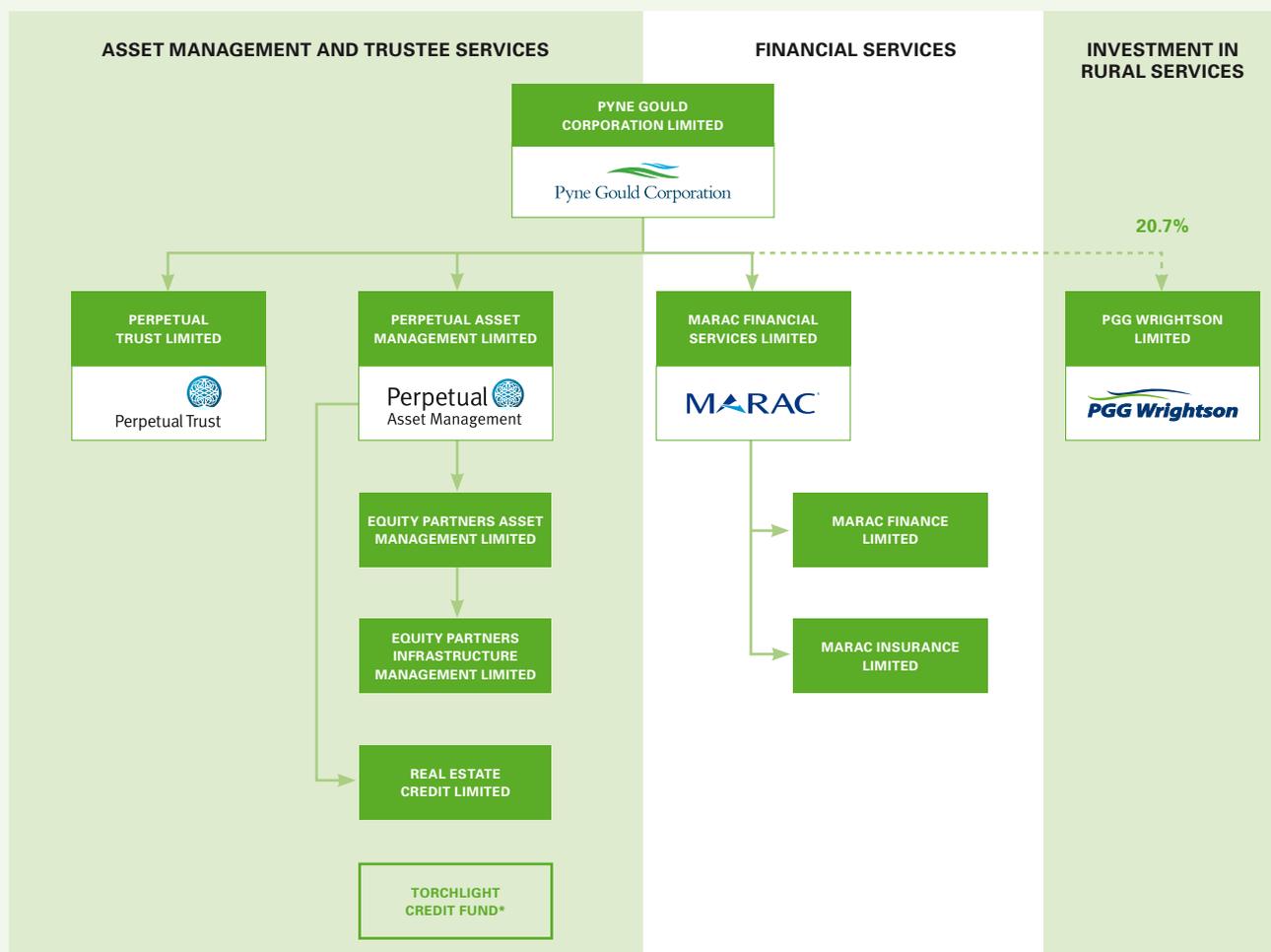
Today, the businesses of the Group comprise:

- financial services – through MARAC and its related businesses, which is 100% owned by the Company;

- trustee services – through Perpetual Trust, which is 100% owned by the Company; and
- asset management – through Perpetual Asset Management, which is 100% owned by the Company.

The Company also has a 20.7% shareholding in the rural services company PGG Wrightson.

The diagram below shows the material operating Subsidiaries of the Group. All Subsidiaries in the diagram are 100% owned.



* Yet to be established.

STRATEGIC OUTLOOK

The Company's stated objective is to become a New Zealand publicly listed banking⁴ and asset management company. A number of strategies are being put in place to achieve this objective and to enhance the long term sustainability and profitability of the Group. The injection of new equity capital through the Rights Offer and the Placement is an important milestone on which these initiatives can be founded.

The Group's customer base comprises "heartland New Zealand" customers. The customer base includes salaried and self-employed New Zealanders, SMEs and their owners, retirees and New Zealanders with funds to invest. MARAC has approximately 54,000 active customers (including investors and borrowers), while Perpetual Trust has approximately 15,000 active customers. This customer base represents a valuable market segment that is currently under-served by other financial service providers.

The Company has identified the twin capability of banking and asset management as the means of meeting the needs of these customers and of optimising value:

- throughout their life cycle the Group's customers are borrowers, lenders and investors and the Group is uniquely placed to provide financial products and services to them;
- banking⁵ and asset management businesses operate under different business models and the proposed combination of these two businesses provides for a more balanced and complementary risk/returns outcome for the Company – for example funds managed by Perpetual Asset Management will invest in opportunities that do not fit with the MARAC business model; and
- an integrated customer strategy will facilitate the cross-selling of products across the Group's customers and derive more value from existing relationships.

Building product capability across the Group's combined customer base will unlock value for the Group and will be achieved by:

- refocusing MARAC from three divisions to the following two divisions:
 - consumer lending: servicing the needs of mainly middle income earning individuals, based primarily on motor vehicle loans; and
 - commercial lending: servicing SMEs primarily through plant and equipment loans and working capital lending;
- the sale of the Ex-MARAC Loans to Real Estate Credit which will have a more flexible capital structure than MARAC to better manage the Ex-MARAC Loans;
- ceasing property development lending (except lending limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing);

- introducing a new working capital lending product for SMEs through MARAC's commercial lending division;
- the creation of a new asset management business, Perpetual Asset Management, and its recent purchase of established infrastructure asset manager, EPAM. This acquisition together with existing capital in Perpetual Trust provides the platform for the establishment and development of Real Estate Credit and ultimately other funds to be managed by Perpetual Asset Management including the proposed Torchlight Credit Fund; and
- Perpetual Trust focusing on achieving its objective of becoming a market leader in the provision of wealth management and professional trustee services.



Due to the investment in growth, coupled with the movement away from property derived earnings, the Board expects that the benefits of the implemented strategies will begin to be realised in the financial year ending 30 June 2011.

The proceeds of the Rights Offer and the Placement and the balance sheet flexibility they create, is expected to drive growth and allow the Group to expand through investing in its existing activities where opportunities fit with its strategy and add value. Opportunities are available to the Group to invest in asset management and a recapitalised MARAC will be well positioned to take advantage of expected consolidation opportunities in the finance sector.

The Company recently announced the appointment of a new Company and MARAC Chief Executive Officer with substantial banking experience, Jeff Greenslade, and the appointments of Sean Kam as the Chief Financial Officer of the Company, Craig Stephen as the Chief Investment Officer of the Company and John Duncan as Chief Executive Officer of Perpetual Asset Management.

4,5 Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.



MARAC

MARAC's strategic focus is on providing financial products in the following market segments:

- consumer lending – motor vehicle loans to mainstream New Zealanders together with a select range of insurance products. The consumer lending division also provides marine and leisure asset lending; and
- commercial lending – primarily the provision of plant and equipment and working capital loans to SMEs.

MARAC's key competitive advantage is its understanding of the productive and realisable values of certain assets: the income generating capability of those assets and the value of those assets in terms of security.

MARAC's core customer base of "heartland New Zealand", combined with MARAC's expertise in providing financial products and services to these customers, is the foundation upon which MARAC intends to implement its strategic objective of becoming a registered bank⁶. MARAC has approximately 34,000 active borrowing customers which provide a diverse base in terms of risk.

The strategic objectives of MARAC are to:

- recapitalise its balance sheet;
- focus on its core business divisions of consumer and commercial lending;
- cease property development lending (except lending limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing);
- take advantage of attractive consolidation opportunities in the finance sector;
- improve its risk profile and refine its internal systems and processes to meet best practice standards; and
- regain an investment grade credit rating.

MARAC intends to apply to the Reserve Bank to become a registered bank⁷ under the Reserve Bank Act. MARAC has not yet made an application for registration and anticipates doing this in the medium term. The Reserve Bank Act does not contain a specific list of requirements for registration as a bank but prescribes factors which the Reserve Bank must take into account when determining an application for registration. These factors include, quantitative criteria such as minimum capital, capital adequacy and related party lending, as well as qualitative criteria such as controls and systems, ownership, financial market standing and suitability of directors and senior managers. The Reserve Bank will determine what specific requirements MARAC must meet in order to satisfy these factors. For further information visit www.rbnz.govt.nz/finstab/banking.

The Board believes that MARAC satisfying the relevant requirements of the Reserve Bank and becoming a registered bank⁸ is achievable in the medium term, but is ultimately subject to the Reserve Bank's approval.

Obtaining registration as a bank is expected to provide MARAC with a number of potential benefits, including:

- a credible platform for expansion within the financial services market;
- greater certainty of access to funding; and
- reduced cost of funding.

Perpetual Trust

Perpetual Trust offers wealth management services for individuals and professional trustee services to personal and corporate customers. Perpetual Trust has approximately 15,000 active customers. Integrating these product capabilities and customers into the Group's strategy will add value because:

- Perpetual Trust is well placed to provide services to MARAC's customer base, including succession planning, wills and retirement planning;
- many of Perpetual Trust's customers are potential customers for the financial products and services which MARAC provides; and
- Perpetual Trust will be able to leverage off the asset management capability of Perpetual Asset Management to offer additional financial products and services to its customers.

Perpetual Asset Management

Perpetual Asset Management is a newly established division of the Group. Perpetual Asset Management's principal business will be to manage the funds it establishes. It may also hold cornerstone investments in some of those funds. The creation of this asset management division is an important step towards implementing the Company's strategic decision to become a New Zealand publicly listed banking⁹ and asset management company.

Perpetual Asset Management recently acquired EPAM, which, through its Subsidiary EPIM, manages approximately \$150 million of infrastructure investments held by EPIC, including investments in Thames Water and Moto Hospitality. In addition to the revenue generated as manager of EPIC,

6,7,8,9 Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.

the acquisition of EPAM provides the following benefits to Perpetual Asset Management:

- an indirect cornerstone shareholding of approximately 10.47% of EPIC; and
- the services of personnel with extensive asset management experience and a strong knowledge base of the asset management sector.

Perpetual Asset Management intends to establish a range of specialised "best of breed" funds. In conjunction with that strategy, Perpetual Asset Management will develop a range of investment products tailored to meet the investment and retirement investment needs of customers of MARAC and Perpetual Trust.

Perpetual Asset Management will assume responsibility for the management of funds currently managed by Perpetual Trust where those funds fit within the business model of Perpetual Asset Management and subject to the relevant procedures being followed for each fund.

Perpetual Asset Management has recently incorporated Real Estate Credit, which will act as a holding company for credit assets which are acquired by Perpetual Asset Management for the purposes of its asset management business. Real Estate Credit will acquire the Ex-MARAC Loans from MARAC Financial Services (see the description of this transaction under the heading "Real Estate Credit" on pages 43 and 44 of this Offer Document). Some or all of the Ex-MARAC Loans may be transferred to Torchlight Credit Fund once it is established.

MARAC

MARAC Finance

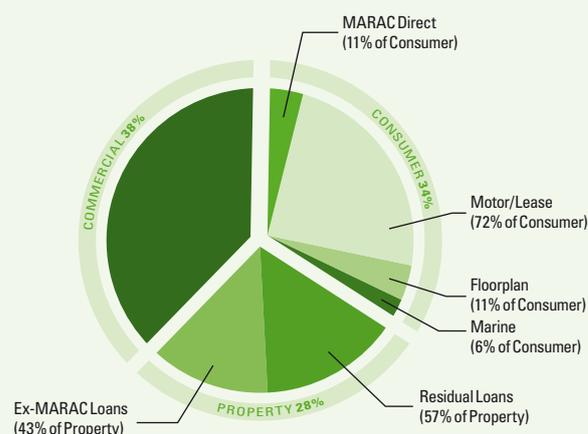
MARAC's core business is the provision of consumer and commercial lending across a broad range of sectors and the provision of a select range of insurance products.

The Board believes that MARAC is one of the strongest finance companies operating within New Zealand for a number of reasons, including:

- MARAC currently has a credit rating from a reputable international rating agency, Standard & Poor's. MARAC is currently rated BB+ (Outlook Negative), as discussed further under the heading "Credit rating"¹⁰ on page 41 of this Offer Document;
- MARAC has a diversified lending base, with lending spread both geographically and over a wide range of sectors;
- MARAC has recently ceased property development lending. New property lending is now limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing. The sale of the Ex-MARAC Loans to Real Estate Credit (which will occur immediately after settlement of the Rights Offer) will significantly reduce MARAC's exposure to property development loans;

- MARAC lends only within New Zealand and has no offshore exposures;
- MARAC has established four funding sources for its business which reduces MARAC's reliance on any one funding source. For more information about MARAC's funding sources, refer to the description under the heading "Funding" on pages 37 to 40 of this Offer Document;
- MARAC's focus is primarily on lending against assets that generate cash flow, assets that have essential uses, assets that have sound realisable values or where payment arrears have been historically low;
- MARAC has no on-balance sheet or off-balance sheet equity investments; and
- MARAC has no related party lending, except the MARAC Financial Services Loan Note (for further discussion see page 79 of this Offer Document).

**MARAC Receivables Analysis – Division
as at 30 June 2009**



Consumer lending

MARAC's consumer lending division provides finance for the purchase and leasing of motor vehicles, marine and leisure assets.

As at 30 June 2009, the consumer lending division had finance receivables of approximately \$459.5 million, being 34% of MARAC's total finance receivables as at that date. MARAC's consumer lending division comprises the following areas:

• Motor vehicles

MARAC provides finance and leasing solutions for purchasers of new and used motor vehicles and loan facilities to selected motor vehicle dealerships to fund their motor vehicle stock (called "floorplan facilities"). This motor vehicle lending represented approximately 83% of MARAC's total consumer lending division receivables as at 30 June 2009.

MARAC's motor vehicle lending and leasing business (excluding floorplan facilities) accounted for approximately 72% of total consumer lending division

¹⁰ Standard & Poor's ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell securities. Ratings may be changed, withdrawn or suspended at any time. For the latest ratings information visit www.standardandpoors.com.

receivables as at 30 June 2009. MARAC's motor vehicle lending and leasing business is principally originated from motor vehicle distributors and franchise motor vehicle dealerships, which accounted for over 58% (\$116.8 million) of total new lending in motor vehicle lending and leasing over the financial year ended 30 June 2009.

The majority of motor vehicle purchasers in this target market are of high credit quality with solid credit records. Customers are also generally middle aged, averaging 41 years. This profile is reflected in the average new loan size for this business of approximately \$17,500 over the financial year ended 30 June 2009.

Competition in this sector of the market has reduced over the last 18 months with a number of MARAC's key competitors reducing their presence or withdrawing from the New Zealand market completely. A number of other New Zealand based competitors have faced funding and credit quality challenges, enabling MARAC during the financial year ended 30 June 2009 to increase both its market share and lending volumes at the quality end of the market in what has been a recessionary environment.

MARAC maintains strict credit control over its motor vehicle lending. All approval and credit decisions remain with MARAC and motor vehicle dealers must undergo a rigorous evaluation process before being approved to offer MARAC products as an authorised MARAC motor vehicle dealer. All motor vehicle lending is secured by way of a first ranking security interest over the motor vehicle being financed. Additional collateral security or guarantees can sometimes be required.

The average contracted loan term for motor vehicle lending originated through motor vehicle dealerships over the 6 month period ended 1 September 2009 was 39 months, with a maximum term of 60 months permitted. Customers typically replace the motor vehicle which secures the motor vehicle loan before that loan is fully repaid, and as a result, the average life of a motor vehicle loan has historically been 23 months.

MARAC also provides loan facilities called "floorplan facilities" to selected motor vehicle dealerships to fund their motor vehicle stock, with a first ranking security interest taken over the dealer's stock and under general security agreements. Guarantees are also required from owners of the relevant dealership, with additional supporting security sometimes taken by way of a mortgage or other collateral. This part of MARAC's motor vehicle lending business made up approximately 11% of MARAC's total consumer lending division receivables as at 30 June 2009. In addition to collecting and monitoring regular financial information from participating dealers, MARAC conducts physical audits of motor vehicle stocks on at least a monthly basis.

MARAC also provides tailored motor vehicle operating lease packages to businesses (specialising in small fleets) and individuals. Motor vehicle operating leases are provided by MARAC to the customer through MARAC's motor vehicle leasing division.



Motor vehicle lease receivables accounted for approximately 7.9% (\$36.2 million) of MARAC's total consumer lending receivables as at 30 June 2009.

- **MARAC Direct**

MARAC Direct is a specialist part of the MARAC consumer lending division which was established to service the financing needs of existing customers with good credit ratings who do not purchase a motor vehicle from a MARAC authorised motor vehicle dealer. Relationships with Kiwibank (which has approximately 646,000 customers) and AA Finance (which is part of the Automobile Association which has approximately 840,000 individual members) have recently been added to broaden MARAC Direct's distribution channels. The Automobile Association member demographic in particular is closely aligned to MARAC's customer demographic.

MARAC Direct accounted for approximately 11% of MARAC's total consumer lending division receivables as at 30 June 2009. The average new loan size for this business was approximately \$15,000 over the financial year ended 30 June 2009.

- **Marine and leisure lending**

MARAC lends to customers seeking finance to purchase marine and leisure assets such as yachts and power boats, either through the marine dealer/broker channels or direct to the customer. Customers in this market generally have high disposable incomes and a strong asset base, thereby reducing credit risk.

Marine and leisure loans accounted for approximately 6% of MARAC's total consumer lending division receivables as at 30 June 2009. The average new loan size for this business was approximately \$31,500 over the financial year ended 30 June 2009.

All marine and leisure lending is secured by way of a first ranking security interest over the asset being financed. Additional collateral security or guarantees can sometimes be required. A greater degree of deposit/equity is generally required on marine and leisure lending, with the underlying asset depreciating at a slower rate than other high value consumer assets.

Commercial lending

MARAC's commercial lending division provides business finance to SMEs through plant and equipment loans and to a lesser extent, working capital facilities. There are plans in place to expand MARAC's working capital finance business in response to customer needs and to introduce new products.

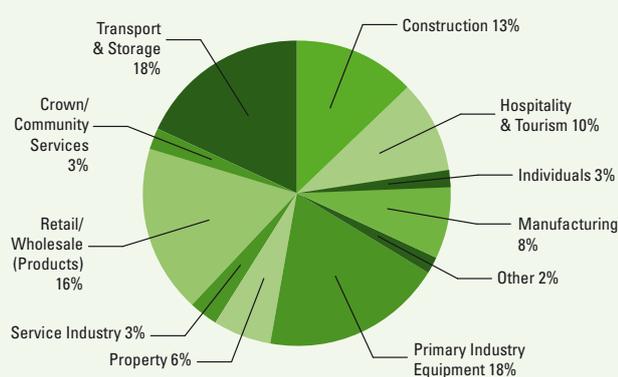
Commercial lending is MARAC's largest lending division with finance receivables of approximately \$514 million, representing approximately 38% of MARAC's total finance receivables as at 30 June 2009.

Commercial lending is either provided directly or through an equipment supplier, in areas as diverse as contracting, agriculture, transport, construction, manufacturing and printing. MARAC's commercial loans on assets amortise over the useful life of the assets securing the advance. As a result, the majority of those loans are over terms ranging from three to five years. The average loan size per customer for this business was approximately \$80,000 as at 30 June 2009.

MARAC believes its lending strength is its focus on the income generating assets of a business. Risk analysis and security is concentrated on the critical parts of a business responsible for creating cash flow. MARAC believes its lending model is based on best practice risk management principles which results in a competitive advantage for MARAC.

MARAC's lending diversity is enhanced by the sector diversification within the commercial lending division, as shown by the breakdown below.

**Commercial Division — Industry Analysis
30 June 2009**



All commercial division lending on plant and equipment assets is secured by a first ranking security interest against such assets and is often further supported by a general security interest granted over all of the property and other assets of the borrower. Personal guarantees are generally also obtained from a borrower's shareholder(s) in support of any loan. Working capital loans are predominantly secured by a first ranking general security agreement or a first ranking mortgage over property.

Property lending

MARAC's property lending division has historically funded investment in existing commercial and industrial properties, and over the last five years, an increasing level of property developments. During 2008 MARAC refocused its operations and ceased all new property development lending.

New property lending is now limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing.

Within the property lending division, as at 30 June 2009, approximately \$240 million or 64% of the total dollar value of MARAC's property loans were secured by a first ranking mortgage, and \$135 million or 36% by a second ranking mortgage. After the sale of the Ex-MARAC Loans to Real Estate Credit, approximately \$131 million or 61% of the total dollar value of MARAC's property loans will be secured by a first ranking mortgage, and \$83 million or 39% by a second ranking mortgage.

The Ex-MARAC Loans will be sold to Real Estate Credit immediately after completion of the Rights Offer. The Ex-MARAC Loans comprise 44 individual loans which are currently all in arrears. Following the sale of the Ex-MARAC Loans, based on the face value of the relevant loans as at 30 June 2009, MARAC will retain approximately \$119 million of property development loans across 68 individual loans and approximately \$95 million of other commercial property loans across 84 individual loans. Of these property development loans, only eleven loans have any construction funding risk remaining. Further discussion on these property development loans is set out under the heading "Property lending risks" on pages 66 and 67 of this Offer Document.

The average loan size within MARAC's property loan portfolio (excluding the Ex-MARAC Loans) was approximately \$1.4 million as at 30 June 2009.

Credit history

MARAC categorises "arrears" as all instalments not paid five days after due date as a percentage of receivables. This policy means that MARAC identifies loans on which recovery action needs to be taken early and enables appropriate action to be taken quickly.

• Consumer lending

Over the last three financial years ended 30 June 2009, consumer lending division arrears have ranged between approximately 0.43% and 1.09% of MARAC's total consumer lending receivables. As at 30 June 2009, consumer lending division arrears were approximately 0.92% of MARAC's total consumer lending receivables (compared to approximately 0.55% as at 30 June 2008 and approximately 0.45% as at 30 June 2007). As at 31 August 2009, consumer lending division arrears were approximately 0.95% of MARAC's total consumer lending receivables.



A degree of seasonality is evident in the consumer lending division arrears, with higher arrears usually experienced between December and April of each year. This arises through typically higher levels of consumer spending during the Christmas/summer holiday period and, as a result, customers then taking time to catch-up with their financing payments.

- **Commercial lending**

Over the last three financial years ended 30 June 2009, commercial lending division arrears have ranged between approximately 0.21% and 0.96% of MARAC's total commercial lending receivables. As at 30 June 2009, commercial lending division arrears were approximately 0.65% of MARAC's total commercial lending receivables (compared to approximately 0.46% as at 30 June 2008 and approximately 0.36% as at 30 June 2007). As at 31 August 2009, commercial lending division arrears were approximately 1.04% of MARAC's total commercial lending receivables.

- **Property lending**

The global financial crisis and a deterioration in the New Zealand property market over the last two years has had a significant adverse impact on MARAC's property loan portfolio. On 30 June 2009, the Company recognised an impairment of \$85 million (before tax) on the Ex-MARAC Loans and MARAC recognised an impairment of \$4 million (before tax) in relation to the other MARAC property loans. Investors should read the further discussion of risks associated with property lending under the heading "Property lending risks" on pages 66 and 67 of this Offer Document as well as other risks set out on page 61 which are relevant to the property loans made by MARAC.

The sale of the Ex-MARAC Loans to Real Estate Credit will remove a significant portion of the impaired property assets from MARAC's property loan portfolio. However, as discussed under the heading "Ex-MARAC Loans" on page 79 of this Offer Document, Real Estate Credit is a wholly-

owned Subsidiary of Perpetual Asset Management, and therefore the Group will still remain exposed to any further impairments on these loans after completion of this sale until the loans are repaid, recovered by enforcement or sold to a third party outside the Group. In addition, if Real Estate Credit can not achieve sale prices for, or realisation returns on, the Ex-MARAC Loans, equal to or greater than the carrying values of those loans, the Group will incur losses on those loans in addition to any impairments recognised in the financial year ended 30 June 2009.

MARAC Insurance

MARAC Insurance has been operating since February 2006 and offers a select range of insurance products to its customers, including lifestyle protection insurance, mechanical breakdown insurance, auto equity shortfall insurance (commonly known as GAP insurance) and private motor vehicle insurance.

All insurance policies written by MARAC (except for the lifestyle protection insurance policies which are underwritten by MARAC Insurance), are underwritten by third parties and MARAC Insurance receives only a marketing or administration fee for arranging the insurance.

An independent actuary has determined that the policy liabilities of MARAC Insurance in relation to the lifestyle protection insurance policies as at 30 June 2009 were \$1.3 million.

Insurance underwriting agreements

MARAC Insurance has a number of underwriting agreements in place, with the following underwriters:

- IAG Limited, which covers the auto equity shortfall insurance MARAC provides directly to customers and through Nissan Insurance, i-Insurance and AA Car Loans, and the extended warranty insurance MARAC provides directly to customers and through Nissan Insurance and i-Insurance;
- Protecta New Zealand Limited / Allianz New Zealand Limited, which covers the auto equity shortfall insurance, mechanical breakdown insurance and private motor vehicle insurance provided by MARAC through Suzuki Insurance;
- AA Warranty Limited, which covers mechanical breakdown insurance provided by MARAC directly to customers and through AA Car Loans and Nissan Insurance; and
- AA Insurance Limited, which covers private motor vehicle insurance provided by MARAC directly to customers and through AA Car Loans and Nissan Insurance.

MARAC Insurance's underwriting agreements are all non-exclusive and are reviewable annually.

Distribution

MARAC Insurance's products are distributed through MARAC authorised motor vehicle dealers, Nissan Insurance, Suzuki Insurance, i-Insurance, AA Car Loans, Kivibank Vehicle Finance and through MARAC Direct.

The distribution of insurance products through authorised MARAC motor vehicle dealers commenced in the 2008 financial year and represented 35% of the total policies written by MARAC Insurance in the 2009 financial year.

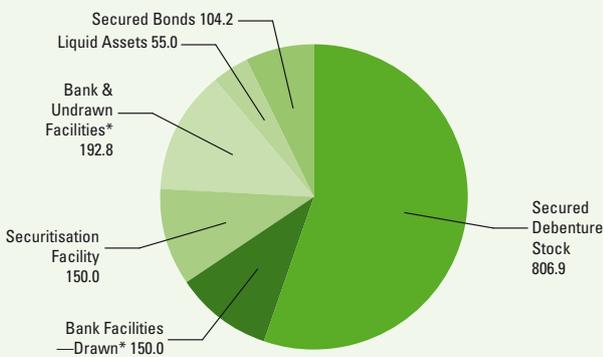
Business strategy

MARAC Insurance is seeking to broaden both the number of insurance products it sells and the distribution channels through which its policies are sold. The exclusive partner relationship MARAC Insurance had with IAG Limited has been replaced with a broader broker model. This enables MARAC Insurance to develop relationships with a number of insurance providers so that MARAC Insurance is in a position to offer a wider range of products to meet the needs of MARAC's customers.

Funding

MARAC sources funds from a diverse base, comprising Secured Debenture Stock, Secured Bonds, a Syndicated Bank Facility and the Securitisation Facility. MARAC's funding is diversified by source, maturity and pricing structure. This diversification of the funding base reduces MARAC's reliance on any single funding source.

**MARAC Funding Sources
30 June 2009 (\$m's)**



*Since 30 June 2009, the facility limit of the Syndicated Bank Facility has been reduced from \$310 million to \$200 million. For further information regarding the Syndicated Bank Facility see pages 39 and 40 and 80 to 82 of this Offer Document.

Funding strategy

MARAC's funding strategy is driven by a number of core principles, being:

- ensuring a diversified funding base through access to multiple sources of funding;
- actively managing liquidity;
- minimising refinancing risk; and
- matching the duration of assets and liabilities.

Maintaining a diversified funding base is a key driver of MARAC's funding strategy. It is intended that retail funding through Secured Debenture Stock and Secured Bonds

will remain the mainstay of MARAC's future funding programme, complemented by a securitisation facility and bank facility which provide liquidity support.

This mix of funding sources, together with the staggering of maturity dates, is expected to provide MARAC with sufficient head room to manage liquidity and re-finance risk.

As part of MARAC's objective to become a registered bank¹¹ MARAC will continue to refine its funding arrangements to meet the liquidity requirements set by the Reserve Bank.

Retail funding programme

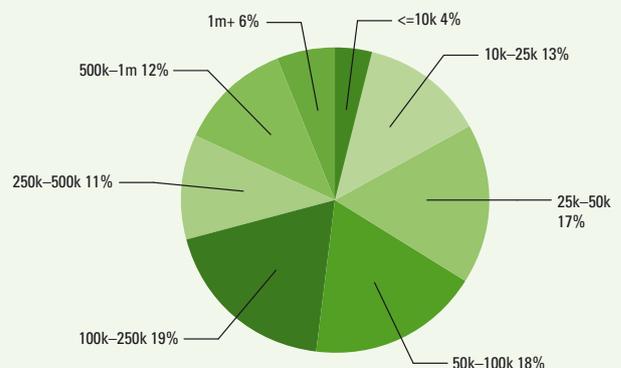
MARAC's retail funding programme consists of Secured Debenture Stock and Secured Bonds. The Secured Debenture Stock and Secured Bonds have been issued under a single trust deed being the Debenture Trust Deed.

Secured Debenture Stock

MARAC operates a Secured Debenture Stock retail programme to provide funds for its lending operations. This retail programme has enjoyed strong and consistent support both directly from the public and through a wide broker network. As at 30 June 2009, approximately 53% of MARAC's retail investments were introduced through its broker network.

As at 30 June 2009, MARAC had \$806.9 million of Secured Debenture Stock on issue held by over 18,000 investors, a significant number of whom have invested with MARAC for many years. MARAC investors are generally retirees, who rely on the income generated from fixed interest on the Secured Debenture Stock to supplement their retirement income. MARAC's investors held over 24,000 investments in Secured Debenture Stock as at 30 June 2009, with an average investment of approximately \$33,000.

**Total investment in Secured Debenture Stock per customer in dollars
30 June 2009**



¹¹ Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.

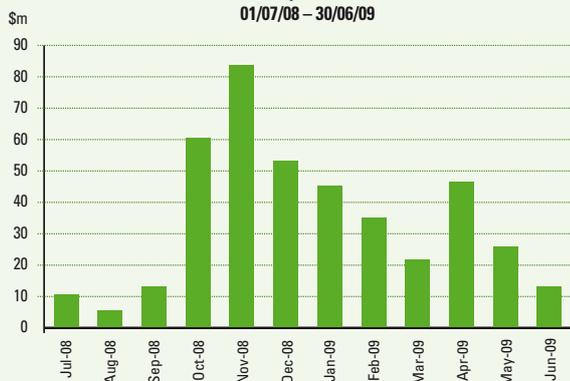
The Secured Debenture Stock varies in term, with a maximum term of five years. For the financial year ended 30 June 2009, MARAC experienced monthly reinvestment rates for Secured Debenture Stock in the range of 52.34% to 77.23% based on the percentage of dollars reinvested. For that same period, monthly reinvestment rates for MARAC's Secured Debenture Stock have averaged 66.21%. This is only slightly below historical levels, which averaged 67.54% in the previous four financial years.

**MARAC Monthly Reinvestment Rate
01/07/08 – 30/06/09**



The recent credit rating downgrade of MARAC by Standard & Poor's (BBB- (Stable) to BB+ (Outlook Negative)) initially had a negative impact on MARAC's reinvestment rate and new investments in Secured Debenture Stock. Reinvestment rates have largely recovered to historical levels. The monthly reinvestment rate for July 2009 was 61.03% and the monthly reinvestment rate for August 2009 was 53.27%. The 15-day average reinvestment rate as at 18 September 2009 was 62.08%.

**MARAC Monthly New Investments*
01/07/08 – 30/06/09**



*Includes new investors and top up investments from existing investors.

The volume of Secured Debenture Stock maturing at any particular time, the reinvestment rate and the level of new customer lending at that time will impact on MARAC's liquidity profile and MARAC's demand for new investments in Secured Debenture Stock to maintain sufficient liquidity levels. MARAC has a range of marketing strategies (including using its broker network) to stimulate the level of new investments in Secured Debenture Stock to assist with meeting MARAC's demand for new investments.

New investments in MARAC's Secured Debenture Stock (that is, excluding reinvestments) averaged approximately \$34.1 million per month during the financial year ended 30 June 2009.

Investors can invest in Secured Debenture Stock through a variety of investment products and flexible options. Investors can choose the term of their investment, ranging from a call account to a five year deposit term and the amount of their investment, subject to a minimum of \$1,000. As at 30 June 2009, approximately 95% of Secured Debenture Stock on issue was issued on a fixed term basis and approximately 5% of Secured Debenture Stock on issue was issued on an on-call basis. Below is a chart summarising the maturity profile of Secured Debenture Stock as at 30 June 2009.

**MARAC Secured Debenture Stock
Maturity Profile 30 June 2009**



MARAC also operates two collective investment schemes which invest exclusively in Secured Debenture Stock: a MARAC retirement bonds superannuation fund and a PIE fund.

Secured Bonds

In July 2008 MARAC completed a \$104.2 million secured bond issue to over 2,000 investors. The Secured Bonds are listed on the NZDX and mature on 15 July 2013. The interest rate payable on the Secured Bonds is 10.5% per annum and is fixed for the term of the Secured Bonds.

The issue of the Secured Bonds has added duration and additional diversification to MARAC's funding sources.



Syndicated Bank Facility

MARAC has entered into the Facility Agreement with the Banking Syndicate comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia, Westpac Banking Corporation and The Hongkong and Shanghai Banking Corporation Limited.

The Syndicated Bank Facility provided pursuant to the Facility Agreement is available in two tranches, being:

- a tranche of \$45 million repayable on 31 March 2010; and
- a tranche of \$155 million repayable on 31 March 2011.

As at 31 August 2009 the Syndicated Bank Facility was drawn to approximately \$151 million.

The Syndicated Bank Facility is secured by first ranking secured bank stock, which ranks equally with all first ranking Secured Debenture Stock and the Secured Bonds issued by MARAC.

MARAC's credit rating downgrade from BBB- (Stable) to BB+ (Outlook Negative) in August 2009 provided the Banking Syndicate with the right to review the Syndicated Bank Facility. The Banking Syndicate has agreed to waive this right of review subject to MARAC agreeing to certain amendments to the Facility Agreement, including:

- an increase in pricing;
- a reduction in the Syndicated Bank Facility limit from \$310 million to \$200 million;
- a restriction on drawing more than \$30 million in new advances (above the level of advances outstanding on the date of the credit rating downgrade, being 14 August 2009) from the date that the amendments to the Facility Agreement took effect until the proceeds of the Rights Offer are received by the Company and MARAC receives not less than \$160 million of those proceeds and

completes the transactions described below required to give effect to the release of the guarantee;

- additional events of review (which are described under the heading "MARAC events of review" on pages 80 to 82 of this Offer Document; and
- the requirement for a guarantee from the Company, as described below.

On 17 September 2009, an amendment to the Facility Agreement reflecting the amendments described above (and requiring entry into the guarantee described below) was entered into by the parties to the Facility Agreement.

The Company has given a guarantee of MARAC's obligations under the Syndicated Bank Facility, limited to \$85 million less payments made to MARAC by the Company under the MARAC Underwriting Arrangement. The guarantee will be released if the Company completes the Rights Offer and the Placement for an amount of not less than \$200 million, funds MARAC in the amount of \$160 million and the Company provides a limited guarantee to MARAC (secured by a general security deed) in connection with certain residual obligations of MARAC Financial Services arising in connection with the sale of the Ex-MARAC Loans to Real Estate Credit, including MARAC Financial Services' obligations under the MARAC Financial Services Loan Note (which will have a principal value of \$50 million) and procures MARAC Financial Services to enter into certain agreements in relation to the sale of the Ex-MARAC Loans to Real Estate Credit (see the discussion on page 79 of this Offer Document).

Under the MARAC Financial Services Loan Note, MARAC Financial Services will agree to repay MARAC the residual \$50 million (together with accrued and capitalised interest) owed by MARAC Financial Services to MARAC as consideration for the sale of the Ex-MARAC Loans (for further details about this transaction see page 79 of this Offer Document).

The terms of the MARAC Financial Services Loan Note require repayment of \$50 million (together with accrued and capitalised interest) on or before 1 July 2010. Failure to repay these amounts in full will be an immediate event of default by MARAC Financial Services under the MARAC Financial Services Loan Note, which will allow MARAC (or, on MARAC's behalf, the trustee under the Debenture Trust Deed or the agent for the Banking Syndicate) to demand repayment by MARAC Financial Services of the residual balance of the MARAC Financial Services Loan Note and commence enforcement action against MARAC Financial Services. In addition MARAC (or, on MARAC's behalf, the trustee under the Debenture Trust Deed or the agent for the Banking Syndicate) can make demand on the Company as guarantor of the obligations of MARAC Financial Services under the MARAC Financial Services Loan Note, and could commence enforcement action against the Company (including by way of appointment of a receiver to the Company under the general security deed entered into by the Company in favour of MARAC as security for its obligations as guarantor).

Further details about the covenants and events of review which apply to the Syndicated Bank Facility under the terms of the Facility Agreement are set out under the heading "Syndicated Bank Facility" on pages 39 and 40 of this Offer Document.

Securitisation Facility

MARAC established the Securitisation Facility on 15 August 2007. Subject to the limit of the bank facility which supports the Securitisation Facility, the Securitisation Facility provides MARAC with the ability to sell up to \$300 million of qualifying receivables into a special purpose Securitisation Trust, MARAC ABCP Trust 1. There is currently a bank facility of \$150 million provided by Westpac Banking Corporation supporting the Securitisation Facility which means that MARAC may fund up to \$150 million of qualifying receivables through the Securitisation Trust.

MARAC continues to administer the securitised receivables sold into the Securitisation Trust on behalf of the Securitisation Trust. The accounting treatment of the finance receivables sold to the Securitisation Trust requires that they continue to appear in MARAC's financial statements. Despite this presentation, the beneficial ownership of the securitised receivables passes to the Securitisation Trust and those receivables are quarantined for the benefit of investors in the Securitisation Trust and no longer form part of MARAC's total tangible assets.

The Securitisation Trust is funded in part through the issuance of commercial paper to institutional investors and also from a bank facility.

MARAC also invests in the Securitisation Trust by way of two subordinated loans. As at 30 June 2009, these loans totalled \$15 million. The size of these loans may vary from time to time. Repayment of these loans by the Securitisation Trust is subordinated to repayment of the commercial paper issued by the Securitisation Trust and is also impacted by the performance of the securitised receivables.

As at 30 June 2009, total finance receivables of \$157.9 million were securitised. For the period 1 April 2009 to 30 June 2009 the limit of the bank facility supporting the Securitisation Facility was \$175 million. In accordance with the terms of the Securitisation Facility Agreement, on 1 July 2009, the limit of the bank facility was reduced to \$150 million. These securitised receivables comprise commercial, motor vehicle and marine and leisure loans. No property loans are included in the pool of securitised finance receivables.

The bank facility supporting the Securitisation Facility had an initial term of 364 days, which can be extended on a rolling basis by MARAC issuing a notice requesting an extension for a further 182 days at any point in time when the facility term has at least 182 days to run. Such extension is subject to the approval of Westpac Banking Corporation. On 14 September 2009 Westpac Banking Corporation advised MARAC that it had approved the extension of the Securitisation Facility maturity date from 10 February 2010 to 11 August 2010.

Crown Retail Deposit Guarantee Scheme

Existing Crown Retail Deposit Guarantee Scheme

The Crown has entered into a guarantee in favour of MARAC in relation to MARAC's retail deposits.

The guarantee is subject to certain limitations. In particular:

- the guarantee expires on 12 October 2010;
- the guarantee only applies to any obligation of MARAC to pay money (whether present or future) to a qualifying creditor pursuant to debt securities issued by MARAC (such as Secured Debenture Stock) which become due and payable, and if a default event has occurred, during the period from 12 October 2008 to 12 October 2010; and
- the maximum liability of the Crown to each qualifying creditor under the guarantee is limited to \$1 million per depositor per institution – this liability cap applies to all indebtedness and all interest accruing on such indebtedness which is due to a qualifying creditor.

MARAC is charged a fee for participating in the Crown Retail Deposit Guarantee Scheme. As an NBDT with retail deposits of less than \$5 billion and with a credit rating of BB+ (Outlook Negative) from Standard & Poor's, MARAC is currently charged 100 basis points per annum. This fee applies to the cumulative increase in MARAC's deposits since 12 October 2008 with an allowance of plus 10 percent per year on this initial amount (for which a fee is not required to be paid). Growth is measured, and the relevant fee paid, monthly.

The Crown may withdraw the guarantee in the event that MARAC fails to comply with its obligations under the Crown Retail Deposit Guarantee Scheme or otherwise engages in inappropriate activity designed to circumvent the terms of the guarantee.

Extension of Crown Retail Deposit Guarantee Scheme

On 12 September 2009 the Crown Retail Deposit Guarantee Scheme Act 2009 was passed. This Act extends the Crown Retail Deposit Guarantee Scheme for a further 14 months to 31 December 2011.

A number of the key terms of the existing Crown Retail Deposit Guarantee Scheme will be amended under the Crown Retail Deposit Guarantee Scheme after 12 October 2010, including:

- fees paid by participating institutions will be changed to reflect the risk profile of the relevant institution based on their credit rating. Thresholds set for fees under the current scheme will be discontinued and the new fees will apply to all funds in the new scheme;
- debt securities issued by participating NBDTs will be guaranteed to a maximum of \$250,000 per qualifying creditor per institution and debt securities issued by participating banks will be guaranteed to a maximum of \$500,000 per qualifying creditor per institution;
- NBDTs with a credit rating of BB or higher that participate in the existing Crown Retail Deposit Guarantee Scheme will be able to apply to participate in the extended scheme. Institutions with a lower credit

rating or no credit rating will not be eligible despite being a participant under the current Crown Retail Deposit Guarantee Scheme; and

- eligible institutions may apply to participate in the extended Crown Retail Deposit Guarantee Scheme in respect of some or all debt securities issued by that institution, provided that any such debt securities that are to be guaranteed under the Crown Retail Deposit Guarantee Scheme fall within all other terms and conditions of the Crown Retail Deposit Guarantee Scheme.

Under the legislation, the Minister of Finance may determine the final criteria that institutions must satisfy to be eligible to participate in the extended Crown Retail Deposit Guarantee Scheme after 12 October 2010 and the Minister of Finance may give a guarantee on any terms and conditions that the Minister thinks fit.

As at 18 September 2009, Treasury began accepting applications for participation in the extended scheme. Based on publicly available information as at the date of this Offer Document, MARAC is of the view that it will meet the criteria to be accepted for participation in the extended scheme.

To the extent MARAC's obligations are guaranteed by the Crown under the existing guarantee entered into by MARAC and the Crown, MARAC is required by the Banking Syndicate to apply for the extended Crown Retail Deposit Guarantee Scheme to apply to those obligations and MARAC intends to do so. MARAC will consider on a case by case basis its participation in the extended Crown Retail Deposit Guarantee Scheme in respect of any debt issues by MARAC not guaranteed by the Crown under the existing guarantee entered into by MARAC and the Crown.

NBDT regulations

Part 5D of the Reserve Bank Act regulates NBDTs such as MARAC. The Reserve Bank has regulation making powers under the Reserve Bank Act to specify the type of credit rating an NBDT must hold and to require NBDTs to:

- maintain a minimum dollar amount of capital;
- meet a minimum capital ratio requirement;
- meet related party restrictions; and
- meet liquidity requirements.

In December 2008, the Reserve Bank published a consultation paper on draft NBDT policies regarding related party requirements and minimum capital ratio requirements. Based on this paper, MARAC understands that policies will be introduced for the measurement and management of capital, liquidity and related party exposures. NBDTs are also required to comply with new risk management requirements and all NBDTs must obtain a credit rating by March 2010.

MARAC believes that it will be able to comply with the proposed policies and has commenced taking steps to assist it with meeting the policies disclosed to date. Details of these steps are set out below.

The terms of the MARAC Financial Services Loan Note require that it is repaid in full by MARAC Financial Services on or before 1 July 2010. This is the only related party lending MARAC is a party to as at the date of this Offer Document.

The Company intends to contribute \$35 million of new equity capital into MARAC following completion of the Rights Offer and the Placement which, together with the sale of the Ex-MARAC Loans, is expected to result in MARAC exceeding the minimum capital requirements of the proposed NBDT regulations (determined in accordance with the asset risk weightings currently proposed for NBDTs). Under the proposed NBDT regulations it is expected that there will be a requirement that related party loans cannot exceed 15% of equity. In order to comply with this requirement, MARAC Financial Services would, to the extent it has not already done so, need to repay part or all of the \$50 million MARAC Financial Services Loan Note issued to MARAC as part of the consideration for the sale of the Ex-MARAC Loans. The MARAC Financial Service Loan Note is repayable in full by 1 July 2010. For further discussion on the MARAC Financial Services Loan Note see page 79 of this Offer Document.

In November 2009, the Company also intends to review the composition of the board of MARAC in order to address the regulations which will govern NBDTs. These regulations will require that the board of MARAC has two independent directors and that the chairperson of the board of MARAC is not an employee of either MARAC or a related party of MARAC.

Credit rating

As at the date of this Offer Document, MARAC has a credit rating of BB+ (Outlook Negative) from international credit rating agency, Standard & Poor's. This credit rating is considered by the investment community as being one level below investment grade. This rating was announced by Standard & Poor's on 13 August 2009 and was a downgrade from MARAC's previous credit rating of BBB- (Stable).

A Standard & Poor's issuer credit rating is Standard & Poor's opinion of an issuer's overall financial capacity to pay its financial obligations. The opinion focuses on the issuer's capacity and willingness to meet its financial commitments as they become due. It does not apply to any specific financial obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. An issuer credit rating is not a statement of fact or recommendation to purchase, sell or hold a security or to make any investment decision. For the latest ratings information please visit www.standardandpoors.com or www.yourinvestments.standardandpoors.co.nz.

Risk management strategies

MARAC's business is subject to a number of risks, as further described under the heading "What are my risks?" on pages 58 to 68 of this Offer Document. MARAC has implemented a range of risk management practices which are aimed at managing those risks. Those risk management practices include:

- MARAC has established a NBDT risk management programme in compliance with the Reserve Bank Act which has received the required trustee approval pursuant to section 157N(2) of the Reserve Bank Act;
- in order to limit the exposure that MARAC has to a single customer, no exposure to a single borrower may exceed 20% of MARAC's shareholder's funds and the Board monitors the amount owing to MARAC by any individual borrower or group of related borrowers (with the only exception to this being the MARAC Financial Services Loan Note to be issued by MARAC Financial Services to MARAC as part of the purchase price for the sale of the Ex-MARAC Loans to MARAC Financial Services);
- to address risk relating to the concentration of lending to a single sector of the economy, MARAC's lending base is diversified as to sector and geography, which mitigates the risk of MARAC being materially adversely affected by a downturn in a particular sector or region. In addition, the Board monitors the amount owing to MARAC by any one sector;
- to manage interest rate risk, MARAC measures sensitivity to interest rate changes against MARAC's treasury management policy parameters. This means that MARAC frequently tests its position against possible interest rate change scenarios to assess potential risk exposure;
- to protect MARAC's competitive position, MARAC ensures that its products and services perform well and are competitively priced, its products and services are convenient and accessible to customers, it provides a high level of efficient service and it undertakes the development of new products and services to meet the changing needs of customers;
- to manage risks associated with funding, MARAC manages liquidity risk by regularly forecasting future cash flow requirements, maintaining liquid reserves, seeking a diverse and stable Secured Debenture Stock and Secured Bond funding base and maintaining the Syndicated Bank Facility and the Securitisation Facility. This diversified funding base reduces MARAC's reliance on any single funding source; and
- to manage risks associated with a failure of MARAC's information technology systems, MARAC has established back up and security procedures.

PERPETUAL TRUST

Perpetual Trust was established in 1884 and offers wealth management services for individuals and professional trustee services for personal and corporate customers.

Perpetual Trust employs approximately 100 people in seven branches and has approximately 15,000 active customers. Perpetual Trust has been actively developing its relationships with these customers, including providing value add services to customers where appropriate.

Perpetual Trust is expected to be a material beneficiary of the Group's integrated strategy. Many customers that

MARAC lends to will, through their lifecycle, develop into potential investors and customers for Perpetual Trust. These customers will be a potential source of business for Perpetual Trust and Perpetual Asset Management. MARAC's Secured Debenture Stock programme is also a potential source of customers for Perpetual Trust.

Corporate trust services

The corporate trust division of Perpetual Trust provides trustee services for investment products, including unit trusts, securitisation structures, group investment funds, superannuation schemes, debt securities and local authority funding. The corporate trust division also acts as statutory supervisor for retirement villages, forestry partnerships and olive groves and as an independent prudential statutory supervisor for credit unions.

The corporate trust division's customers range from small issuers to major corporations, including banks and NZX listed companies. During the financial year ended 30 June 2009, Perpetual Trust was successful in gaining a number of new customers including acting as the corporate trustee for new bank securitisations, corporate bond offerings and managed funds.

Personal customer services

The personal customer services division of Perpetual Trust provides the following services to individuals and their families:

- establishment and management of over 2,000 trusts, including over 250 charitable trusts which Perpetual Trust currently manages;
- asset and estate planning;
- estate administration;
- financial planning and investment advice, including the provision of a United Kingdom pension transfer scheme which has grown strongly on the back of migration from the United Kingdom into New Zealand;
- asset management services, including cash management, property management, investment management and non-resident asset management;
- conveyancing services; and
- a range of accounting and taxation services.

Funds management

The funds management division of Perpetual Trust provides a range of managed investment products for Perpetual Trust customers and to external investors. As at 30 June 2009, Perpetual Trust managed nine funds and had approximately \$230 million of funds under management.

Funds managed by Perpetual Trust include a mortgage fund, cash management fund, New Zealand and Australian share fund, fixed income fund, superannuation scheme fund and three property funds. These funds provide a quality investment profile for investors.

The establishment of Perpetual Asset Management and the acquisition of EPAM, as well as the future establishment of any new funds by Perpetual Trust or Perpetual Asset Management will provide Perpetual Trust's customers with access to additional investment opportunities.

Perpetual Asset Management will assume responsibility for the management of funds currently managed by Perpetual Trust where those funds fit within the business model of Perpetual Asset Management and subject to the relevant procedures being followed for each fund.

PERPETUAL ASSET MANAGEMENT

The Company has recently established a new asset management division called Perpetual Asset Management. The creation of this asset management division is an important step towards implementing the Company's strategic decision to become a New Zealand publicly listed banking¹² and asset management company. With the addition of Perpetual Asset Management, the Group will be able to offer a broader range of financial products and services to customers across the Group.

Perpetual Asset Management's principal business is to develop and manage funds in specialist sectors. Perpetual Asset Management's funds are designed to be "best of breed" – in other words, the funds are designed to be the leading New Zealand funds in the relevant sector in which they operate.

Perpetual Asset Management will typically take a significant cornerstone investment in each of the funds it manages. This has two benefits – first, it assists a fund to obtain sufficient scale upon its establishment; second, it aligns the interests of Perpetual Asset Management with those of the other investors in the fund.

The Perpetual Asset Management group:

- currently manages EPIC, an infrastructure investment fund with over \$150 million of assets, including indirect interests in Thames Water and Moto Hospitality;
- will manage Torchlight Credit Fund which, when established, will focus on investment opportunities available from performing and non-performing credit assets across key sectors in the economy and is expected to be seeded with some or all of the Ex-MARAC Loans; and
- will assume responsibility for the management of funds currently managed by Perpetual Trust where those funds fit within the business model of Perpetual Asset Management and subject to the relevant procedures being followed for each fund.

Perpetual Asset Management intends to develop and manage further funds as its business expands.

EPIC

Perpetual Asset Management acquired EPAM on 14 August 2009 for a purchase price of \$18 million (subject to certain downward post-completion adjustments which are capped at approximately \$8 million).

EPAM is an established New Zealand based asset management firm which has focused on infrastructure assets. EPAM, through its Subsidiary EPIM, currently manages EPIC, an infrastructure asset investment fund. EPAM also owns a cornerstone investment in EPIC of approximately 10.47% (this shareholding may alter as a result of the rights offer and public offer described below). EPIC currently has two principal investments, being a 1.24% indirect investment in Thames Water and a 12.9% indirect investment in Moto Hospitality.

EPIC may make further investments in infrastructure assets that satisfy its investment criteria.

EPIC has recently undertaken a non-renounceable rights offer and public offer seeking to raise a minimum amount of \$27,956,500, to repay short term debt used to fund the recent indirect investment in Moto Hospitality announced in June 2009. EPAM has taken up its full entitlement of 5 million EPIC shares at \$0.90 per share (\$4.5 million) under the rights offer.

Real Estate Credit

Perpetual Asset Management has recently incorporated Real Estate Credit which will act as a holding company for credit assets which are acquired by Perpetual Asset Management for the purposes of its asset management business. Real Estate Credit will initially purchase the Ex-MARAC Loans from MARAC Financial Services. Details of this and other associated transactions are set out under the heading "Ex-MARAC Loans" on page 79 of this Offer Document.



¹² Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.

Real Estate Credit is expected to have a more flexible capital structure than MARAC which will assist it to better manage the Ex-MARAC Loans. In relation to the Ex-MARAC Loans, Real Estate Credit may:

- sell some or all of those loans to Torchlight Credit Fund when it is established or any other fund to be established by Perpetual Asset Management;
- sell some or all of those loans to third parties; or
- retain some or all of those loans and manage those loans through to repayment or recovery by enforcement or work out.

Real Estate Credit has not yet determined what course of action will be taken in relation to the Ex-MARAC Loans and has not agreed the terms of any sale.

If Real Estate Credit can not achieve sale prices for, or realisation returns on, the Ex-MARAC Loans (or any other credit assets it has acquired), equal to or greater than the carrying value of those credit assets, the Group will incur losses on those credit assets in addition to any impairments recognised in the financial year ended 30 June 2009.

Perpetual Asset Management may, through its investment in Real Estate Credit, get the benefit of any increased margin Real Estate Credit earns on the Ex-MARAC Loans as a result of having acquired those loans at a discount to the face value of the loans.

It is proposed that a wholly-owned Subsidiary of Perpetual Asset Management, will be appointed as the manager of Real Estate Credit.

Torchlight Credit Fund

Perpetual Asset Management intends to establish a new unlisted fund called Torchlight Credit Fund. It is anticipated that Torchlight Credit Fund would target returns for investors by acquiring, refinancing or originating and managing selected Australasian credit assets.

Torchlight Credit Fund will specialise in identifying countercyclical, sometimes distressed, opportunities that exist outside the normal banking environment. While many of the current target assets lie in real estate credit assets, Torchlight Credit Fund's mandate is expected to allow it to take advantage of a broad range of opportunities.

It is intended that Perpetual Asset Management or a Subsidiary of Perpetual Asset Management will ultimately own a cornerstone investment in Torchlight Credit Fund, but initially Torchlight Credit Fund may be wholly owned by Perpetual Asset Management, or a Subsidiary of Perpetual Asset Management. The terms of any such investment have not been agreed and are subject to negotiation between Perpetual Asset Management and Torchlight Credit Fund. In addition, it is proposed that a wholly owned Subsidiary of Perpetual Asset Management will be appointed as the manager of Torchlight Credit Fund on terms yet to be agreed.



As discussed above, it is possible that Real Estate Credit may sell some or all of the Ex-MARAC Loans to Torchlight Credit Fund on terms yet to be agreed. The terms on which those loans may be sold to Torchlight Credit Fund will be subject to negotiation between Perpetual Asset Management and Torchlight Credit Fund prior to any sale. There is no certainty as to whether any Ex-MARAC Loans will be transferred to Torchlight Credit Fund.

INVESTMENT IN PGG WRIGHTSON

The Company owns a 20.7% shareholding in PGG Wrightson. PGG Wrightson is listed on the NZSX.

PGG Wrightson was formed in October 2005 through the merger of Pyne Gould Guinness Limited and Wrightson Limited. At this time, the Company exchanged its 55% shareholding in Pyne Gould Guinness Limited for a 22.2% shareholding in the merged company, PGG Wrightson.

The other major shareholders of PGG Wrightson are two related companies, Rural Portfolio Investments Limited and Rural Portfolio Investments Securities Limited, which together hold approximately 27.5% of PGG Wrightson. The Company, Rural Portfolio Investments Limited and Rural Portfolio Investment Securities Limited are parties to a shareholders agreement in relation to their respective shareholdings in PGG Wrightson, which includes, amongst other things, pre-emptive rights on certain transfers of the parties' shares.

Further information about PGG Wrightson and its businesses, including its financial results for the financial year ended 30 June 2009, can be obtained from PGG Wrightson's website www.pggwrightson.co.nz.

PGG Wrightson has recently announced that it is considering the sale of selected assets and a potential capital raising and that any capital raising is likely to involve both existing shareholders and new investors, and may also include

the introduction of a new cornerstone shareholder. PGG Wrightson has also announced that it is evaluating its options for meeting its new debt amortisation structure under its new banking package (which includes the repayment of a \$200 million amortising debt facility by 31 March 2010).

At the date of this Offer Document, the Company is not privy to any non-public information about the proposed key terms or the nature of any capital raising that may be being considered by PGG Wrightson. The Company's Directors who are also members of the board of PGG Wrightson are not members of the PGG Wrightson board sub-committee established to consider any PGG Wrightson capital raising.

A number of capital raising scenarios are possible for PGG Wrightson, including making a material placement to one or more cornerstone shareholders, a pro rata renounceable rights issue or a combination of these transactions. Each possible transaction could affect the Company in different ways and such affect could be material to the Company. Accordingly, while the Board expects to have the financial capacity to participate in any potential capital raising by PGG Wrightson after the completion of the Rights Offer and the Placement, any decision by the Company whether, and to what extent, to participate in any capital raising by PGG Wrightson can only be taken by the Board once it knows the full details of any such capital raising, and then any decision will only be taken in the best interests of the Company. Once those details are available, the Board will take into account all relevant matters in determining whether, and to what extent, the Company will participate in any capital raising by PGG Wrightson. Those matters will include the nature of the Group's future capital requirements, the form of the capital raising proposed by PGG Wrightson, the impacts of any possible dilution in the Company's shareholding if the Company was not to participate fully and the Board's assessment of the returns a further investment in PGG Wrightson may provide compared to alternative uses of the Company's funds.

For the purposes of the Prospective Financial Statements contained in the Appendix to this Offer Document, the Directors have made certain assumptions in relation to a potential capital raising by PGG Wrightson made after the date of this Offer Document. These assumptions are described in note 39 of the Appendix to this Offer Document, entitled "Prospective Financial Statements" on pages 94 to 114 of this Offer Document.

Investors should also refer to the discussion of the potential risks for the Company of a potential PGG Wrightson capital raising set out under the heading "Specific Risks related to PGG Wrightson" on pages 64 to 66 of this Offer Document.

Nothing in this Offer Document commits the Company to take any particular course of action in relation to any form of capital raising that is proposed or announced by PGG Wrightson.

CORPORATE GOVERNANCE

The Board and management of the Company are committed to ensuring that the Company maintains corporate governance practices in line with current "best practice". The Board, to ensure it governs in accordance with the requirements of the Constitution, has established policies and protocols which comply with the corporate governance requirements of the NZSX Listing Rules and which are consistent with the principles contained in the NZX Corporate Governance Best Practice Code.

The Board of the Company is responsible for corporate governance and the Company's overall direction. The Board establishes objectives, strategies and an overall policy framework within which the business is conducted. Day-to-day management is delegated to the Chief Executive Officer of the Company. The Board regularly monitors and reviews management's performance in carrying out their delegated duties.

The Board also regularly reviews its own performance. The Board undertakes an annual review of the performance of the Board, the committees of the Board and individual Directors. This is to ensure the Board has the right composition and appropriate skills, qualifications, experience and background to effectively govern the Company and monitor the Company's performance in the interest of shareholders.

Perpetual Trust has independent Corporate Trust Boards established under the Trustee Companies Act 1967 which are responsible for discharging Perpetual Trust's obligations and duties in respect of its corporate trust business. These duties include the acceptance of appointments as a trustee or statutory supervisor for corporate trust customers, the performance of all duties and the exercise of discretions under those appointments, and overseeing corporate trust compliance monitoring processes and procedures. The Corporate Trust Boards comprise independent members, none of whom are directors of the Company or any of its Subsidiaries.

In November 2009, following completion of the Rights Offer, the Board intends to undertake a review of the composition of the Board, as well as the composition of the board of MARAC in order to address the proposed requirements of the regulations which will govern NBDTs.



FINANCIAL OVERVIEW – HISTORICAL AND PROSPECTIVE

6. FINANCIAL OVERVIEW – HISTORICAL AND PROSPECTIVE

OVERVIEW OF HISTORICAL TRADING – FY2008 TO FY2009

This section of this Offer Document contains high-level commentary on the summary financial performance and financial position for the financial years ended 30 June 2008 and 30 June 2009 for the Group.

Audited consolidated financial statements for the Company and the Group, comprising the Company, its Subsidiaries and associate, for the financial year ended 30 June 2009 were included in the Annual Report sent to Shareholders. A copy is also available on the Company's website, www.pgc.co.nz, and from the Companies Office website, www.companies.govt.nz.

Summary of Group Results

The Group results are summarised below

Income Statement Summary

	FY2009 Audited \$'000	FY2008 Audited \$'000
Revenue		
MARAC	182,370	188,252
Other	15,715	50,884
Total Revenue	198,085	239,136
(Loss) / profit before Tax		
MARAC	27,253	38,649
Other	(99,251)	20,316
(Loss) / profit before Tax	(71,998)	58,965
Ratios:		
Earnings per Share	(55.1)c	45.6c
Dividend per Share	5.0c	23.0c

Footnote 1: "Other" includes the Perpetual Group (refer to the description of the principal entities and businesses comprising the Perpetual Group for the purposes of the Prospective Financial Statements in note 35), the Company's interest in PGG Wrightson, PGC Corporate (head office function), other minor business units and consolidation adjustments.

Balance Sheet Summary

	Jun-09 Audited \$'000	Jun-08 Audited \$'000
Total assets	1,467,989	1,572,844
Total liabilities	(1,283,728)	(1,311,169)
Net Assets	184,261	261,675

Group Operating Profit After Taxation

The Group recorded a loss before taxation for FY2009 of \$72.0 million, representing a decrease of \$131.0 million from a profit before tax of \$59.0 million in FY2008. Impacting the FY2009 result were the one-off impairment of the MARAC property loans (\$85.0 million before tax) and PGG Wrightson's one-offs, including the add back of the Company's share of the loss on the investment in NZ Farming Systems Uruguay Limited, Silver Fern Farms Limited due diligence and settlement costs and other one-off costs.

MARAC

MARAC achieved a net profit of \$25.9 million in FY2008. Net operating revenue increased 17% to \$70.2 million. Reinvestment rates were considered strong over the period, with normal historical levels of approximately 63% being maintained through difficult economic conditions where investors were losing confidence in the finance sector.

In FY2009, the difficult economic conditions continued, which were largely reflected in MARAC's net profit after tax which declined \$6.8 million from FY2008 to \$19.1 million; however net profit before tax and impairment asset charges was \$40.6 million (9% down on FY2008). Additionally, the receivables book rose slightly by \$0.3 million to \$1,344 million during the period.

MARAC held \$804.3 million of retail funds (excluding the funds raised by the Secured Bond issue) as at 30 June 2009.

Perpetual Trust

In FY2008, revenue grew by over 10% to \$16.9 million. Operating expenses also increased by 9% giving an overall net profit after tax of \$3.7 million. Perpetual Trust's corporate trust division continued its strong performance with a 14% increase in revenue for the year. While the issues facing the finance sector contributed to higher than normal revenue in that area, there was also significant revenue growth in the managed funds sector and in the retirement village sector, especially from multi-village operators.

Total funds under advice through Perpetual Trust increased 11% in FY2008 to \$980 million at year end. The Pegasus Investment Fund (a superannuation fund) which offers a tax efficient retirement savings vehicle recorded strong growth, up by over \$6 million during the year.

In FY2009, revenue and net profit after tax declined to \$16.2 million (3.9%) and \$3.3 million (9.6%) respectively, negatively impacted by the economic climate, however, Perpetual Trust's client base grew in size. Assets declined due to a decrease in property values and investment markets negatively impacting revenue.

PGG Wrightson

In FY2008, PGG Wrightson achieved a net profit after tax of \$73.2 million. This resulted in a contribution to the Company of \$15.8 million. FY2009 net operating profit after tax and before one-off items was \$30.0 million, with particularly strong performance in the first half of the year and pressure on lower margins impacted the latter half of the year. One-off items totalling \$96.4 million related to the settlement with Silver Fern Farms Limited and a loss on the investment in NZ Farming Systems Uruguay Limited, restructuring and discontinued operations, and other abnormal items.

OVERVIEW OF PROSPECTIVE FINANCIAL STATEMENTS – FY2010

The Appendix to this Offer Document contains Prospective Financial Statements representing the consolidated group position of the Company, its Subsidiaries and associate for the period from 1 July 2009 to 30 June 2010 (the “Prospective Period” or “FY2010”). Those Prospective Financial Statements include on a consolidated basis a prospective income statement, balance sheet, statement of recognised income and expense and cash flow statement, prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS-42). The Appendix also includes assumptions pertaining to the Prospective Financial Statements, reference to the accounting policies of the Group and a sensitivity analysis.

Set out below is certain prospective financial information extracted from the Prospective Financial Statements included in the Appendix.

INVESTORS MUST CONSIDER THE ASSUMPTIONS UNDERLYING THE PROSPECTIVE FINANCIAL STATEMENTS, THE SENSITIVITY ANALYSIS AND THE OTHER INFORMATION SET OUT ON PAGES 97 TO 114 OF THIS OFFER DOCUMENT IN ORDER TO FULLY UNDERSTAND THE PROSPECTIVE FINANCIAL STATEMENTS IN THIS SECTION OF THIS OFFER DOCUMENT AND THE PROSPECTIVE FINANCIAL STATEMENTS IN THE APPENDIX.

Forecasts by their nature, are inherently uncertain. They are predictions of future events which cannot be assured. They involve risks and uncertainties many of which are beyond the control of the Group. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. The likelihood of these occurrences is accentuated by the current volatile global economic environment. Furthermore, various risk factors and the management of those risks (refer to the description of the principal risks affecting the Group under the heading “What are my risks?” on pages 58 to 68 of this Offer Document) may influence the success of the Group’s businesses. Accordingly, actual results will vary from the Prospective Financial Statements, and these variations may be significantly more or less favourable. Therefore, the Directors cannot and do not guarantee the achievement of the prospective financial information shown in this section or the Prospective Financial Statements. Investors should also consider the cautionary statements about forward-looking statements under the heading “Future performance and forward-looking statements” on pages 6 and 7 of this Offer Document.

The Prospective Financial Statements were prepared and authorised by the Directors as at 23 September 2009 for use in this Offer Document and not for any other purpose.

GROUP FY2010 OVERVIEW

Income Statement

	FY2010 Prospective \$'000	FY2009 Audited \$'000	Change %
Operating Revenue			
MARAC	158,876	182,370	(12%)
Other	29,839	15,715	90%
Total Revenue	188,715	198,085	(5%)
Profit / (loss) Before Tax			
MARAC	19,555	27,253	(28%)
Other	9,835	(99,251)	110%
Profit / (loss) Before Tax	29,389	(71,998)	141%

Balance Sheet

	June 2010 \$'000	June 2009 \$'000	Change \$'000
Total assets	1,545,184	1,467,989	77,195
Total liabilities	1,084,451	1,283,728	(199,277)
Net Assets	460,733	184,261	276,472

Cash Flow Statement

	FY2010 Prospective	FY2009 Audited	Change
	\$'000	\$'000	\$'000
Net cash inflow from operating activities	32,954	11,907	21,047
Net cash (outflow)/inflow from investing activities	(101,360)	101,560	(202,920)
Net cash inflow/(outflow) from financing activities	68,992	(59,077)	128,069
Net increase in cash and cash equivalents	586	54,390	(53,804)
Cash and cash equivalents at the beginning of year	62,342	7,951	
Cash and cash equivalents at end of year	62,928	62,342	

Group prospective results

The Group is forecasting a profit before tax of \$29.4 million for FY2010, compared to a loss before tax of \$72.0 million in FY2009.

The result for FY2010 will represent the first year for the Group operating under its new strategic vision of becoming a New Zealand publicly listed banking¹³ and asset management company. The forecast result reflects a relatively stable but gradually improving economic environment and the costs associated with a number of strategies put in place to achieve this objective and to enhance the long term sustainability and profitability of the Group. As discussed on page 104 of this Offer Document, the FY2009 result was impacted by the one-off impairment of the Ex-MARAC Loans (\$59.9 million after tax), PGG Wrightson related one-offs (\$20.0 million after tax) and other one-off items. This impairment was not recognised by MARAC due to the MARAC Underwriting Arrangement (which is further described on page 79 of this Offer Document).

MARAC prospective results

FY2010 sees a strengthening of MARAC's focus towards lending to its core customer base of "heartland New Zealand" customers (including individuals and SMEs). Net operating income for MARAC is expected to be \$61.0 million, which is a decrease from FY2009. This change is largely due to lower levels of finance receivables, post the sale of the Ex-MARAC Loans to Real Estate Credit.

Both MARAC's consumer lending division and commercial lending division are expected to show sound growth in receivables and improved net interest margins in FY2010 while property lending has ceased, other than lending which is limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing. MARAC's selling and administration costs increase to meet the needs of planned strategic initiatives.

MARAC's impaired asset expenses for the FY2010 period are assumed at \$14.4 million reflecting an expectation that no significant benefit from an improving economic environment will be realised until FY2011.

Details of the specific assumptions in relation to the prospective financial information concerning MARAC are set out on pages 102 to 106 of the Appendix to this Offer Document entitled "Prospective Financial Statements".

Perpetual Group prospective results

For the purposes of the Prospective Financial Statements the Perpetual Group comprises the existing operations of Perpetual Trust and the new activities of Perpetual Asset Management, and their respective Subsidiaries.

Perpetual Group is expected to produce a significant increase in profitability in FY2010, showing forecast operating profit in FY2010 of \$7.4 million. Operating revenues are expected to increase by \$10 million largely due to growth in funds under management. No further impairment is expected in regards the Ex-MARAC Loans sold to Real Estate Credit during the Prospective Period.

Details of the specific assumptions in relation to Perpetual Group are set out on pages 106 to 108 of the Appendix to this Offer Document entitled "Prospective Financial Statements".

PGG Wrightson prospective results

As set out in note 39 on pages 109 and 110 of the Appendix to this Offer Document entitled "Prospective Financial Statements", PGG Wrightson is forecast to contribute \$5.3 million of equity accounted earnings for FY2010. For the purposes of the Prospective Financial Statements contained in the Appendix to this Offer Document, the Directors have made certain assumptions in relation to a potential capital raising by PGG Wrightson made after the date of this Offer Document. These assumptions are described in the Appendix on pages 109 and 110 of this Offer Document.

Investors should also refer to the discussion of the potential risks for the Company of a potential PGG Wrightson capital raising set out under the heading "Specific risks related to PGG Wrightson" on pages 64 to 66 of this Offer Document.

The Group's corporate costs after an allowance for one-off Rights Offer and Placement transaction costs, are expected to be similar to the previous year. The Group will recognise a capital gain of \$3.6 million realised from the sale of the Cambridge Terrace building in Christchurch.

The Appendix to this Offer Document provides further explanation of the assumptions made in respect of the Prospective Financial Statements and this section should be read in conjunction with those assumptions.

13 Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.



INVESTMENT STATEMENT INFORMATION – ANSWERS TO IMPORTANT QUESTIONS

7. INVESTMENT STATEMENT INFORMATION – ANSWERS TO IMPORTANT QUESTIONS

This section of this Offer Document contains information required for an Investment Statement under Schedule 3D of the Securities Regulations. The purpose of this information is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to subscribe for New Shares under the Rights Offer. Investors should be aware that other important information about the New Shares and the Rights Offer is set out in other sections of this Offer Document.

WHAT SORT OF INVESTMENT IS THIS?

The Company is raising \$237 million in new equity capital from the Rights Offer.

In addition, between \$15 million and \$30 million may be raised from the Placement to institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer.

The Rights Offer comprises an offer of New Shares at an Application Price of \$0.40 each to Eligible Shareholders under a pro rata renounceable rights offer. The New Shares are offered in the ratio of 6 New Shares for every 1 Share held on the Record Date, subject to the terms of this Offer Document.

The Rights Offer is only open to Eligible Shareholders, being those persons who are registered as Shareholders of the Company on the Record Date (being 5.00 pm on Wednesday, 30 September 2009) and have a registered address in New Zealand.

The Rights Offer is renounceable, which means that Eligible Shareholders may sell any of their Rights they do not accept to any other person on or before Thursday, 15 October 2009 on the NZSX.

The maximum number of New Shares which each Eligible Shareholder is entitled to subscribe for is set out in the personalised Entitlement and Acceptance Form distributed with this Offer Document. Eligible Shareholders are not required to subscribe for all or any of the New Shares to which they are entitled. They may subscribe for some or all of their New Shares, sell some or all of their Rights, or allow some or all of their Rights to lapse.

If you do not accept or sell your Rights, your Rights will lapse and you will not be able to subscribe for any New Shares or realise any other value for your Rights. As a result, your shareholding in the Company will be diluted.

The Rights Offer is fully underwritten by First NZ Capital.

New Shares issued under the Rights Offer will rank equally in all respects, including as to dividends and voting, with existing Shares on issue at the Allotment Date, but will have no entitlement to any dividends with a record date preceding the Allotment Date of the New Shares.

Each New Share will confer on the holder the rights described in the Constitution and as provided for in the Companies Act, including the right to receive notices

of, attend and vote at a meeting of Shareholders of the Company in person or by proxy, attorney or representative (subject to any voting restrictions imposed on Shareholders under the Constitution or the NZSX Listing Rules), the right to cast one vote on a poll on any Shareholder resolution, and the right to an equal share in dividends authorised by the Board and in any distribution of surplus assets of the Company.

A timetable for the Rights Offer is set out under the heading "Key dates" on page 17 of this Offer Document.

Details of the Placement are set out under the heading "Placement" on pages 14 and 15 of this Offer Document. The Placement Shares are not being offered under this Offer Document and the Placement will only be open to institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

Issuer

The issuer of the New Shares is Pyne Gould Corporation Limited (company number 345624). The Company was incorporated on 14 May 1987 and has its registered office at 233 Cambridge Terrace, Christchurch.

Promoters

There are no promoters of the Rights Offer.

Business activities

The Group's principal business activities are focussed in four areas:

- financial services – through MARAC and its related businesses, which is 100% owned by the Company;
- trustee services – through Perpetual Trust, which is 100% owned by the Company; and
- asset management – through Perpetual Asset Management, which is 100% owned by the Company.

The Company also has a 20.7% shareholding in the rural services company PGG Wrightson.

Since incorporation the Company has carried on the business activity of trustee services. The Company acquired MARAC in December 2000 and acquired its interest in PGG Wrightson in October 2005. Perpetual Asset Management was incorporated this year.

Additional information in respect of the businesses of the Group is set out in the section entitled “Overview of the Company’s business” on pages 30 to 45 of this Offer Document.

HOW MUCH DO I PAY?

Entitlement

Each Eligible Shareholder is entitled to subscribe for 6 New Shares for every 1 Share held on the Record Date, being 5.00 pm on Wednesday, 30 September 2009. Fractional entitlements will be rounded down to the nearest whole number.

The entitlement of each Eligible Shareholder under the Rights Offer is printed on the personalised Entitlement and Acceptance Form distributed to Eligible Shareholders with this Offer Document. Applications that exceed an Eligible Shareholder’s entitlement to Rights will not be accepted, although you may acquire additional Rights on the NZSX. Entitlements to Rights are not scaled up to a minimum holding.

If an Eligible Shareholder does not accept or renounce their Rights, those Rights will lapse.

Applications

If you would like to accept all or part of your Rights under the Rights Offer, you must do so on the Entitlement and Acceptance Form distributed with this Offer Document. Instructions on how to apply for New Shares and actions that may be taken by Eligible Shareholders are set out in the section entitled “Action to be taken by Eligible Shareholders” on pages 26 to 28 of this Offer Document.

The completed Entitlement and Acceptance Form, together with a cheque or bank draft in New Zealand dollars payable to “PGC Rights Offer” and crossed “Not Transferable” for the relevant amount of the Application Monies, must be delivered to the address set out below:

PGC Rights Offer
Link Market Services Limited
138 Tancred Street
PO Box 384,
Ashburton 7740

by the Closing Date (**being 5.00 pm on Monday, 19 October 2009**, or such other date as the Company may determine). Applicants may also submit payment instructions to their bank for payment by direct credit in accordance with the instructions on the Entitlement and Acceptance Form. All Applicants that submit payment by direct credit must return their completed Entitlement and Acceptance Form to the address and in the manner set out above.

Alternatively, completed Entitlement and Acceptance Forms, together with Application Monies may also be lodged with any NZX Primary Market Participant or any other channel approved by NZX, in time to enable forwarding to the Registrar by the Closing Date (**being 5.00 pm on Monday, 19 October 2009**, or such other date as the Company may determine).

If an Applicant’s cheque does not clear or the direct credit payment is not received in the Registrar’s trust account, any allocation to that Applicant may be cancelled.

The Company reserves the right to accept late Applications, but has no obligation to do so. The Company also reserves the right to accept or reject any Entitlement and Acceptance Form which is not completed correctly, and to correct any errors or omissions on any Entitlement and Acceptance Form.

Application Price

The Application Price payable by Eligible Shareholders who wish to subscribe for New Shares under the Rights Offer is \$0.40 per New Share. The Application Price is payable in full on Application.

Application Monies

Application Monies received will be held in a trust account until the applicable New Shares are allotted or the Application Monies are refunded. The trust account will be established by the Company solely for the purpose of depositing Application Monies. Interest earned on the Application Monies will be for the benefit of, and remain the property of, the Company and will be retained by the Company whether or not the allotment of New Shares takes place.

Funds received in respect of Applications which are declined in whole or in part will be refunded without interest as soon as practicable.

The Company reserves the right to cancel the Rights Offer and issue of New Shares at any time before allotment of the New Shares, in which case all Application Monies will be refunded without interest as soon as practicable.

Trading of Rights

Eligible Shareholders are not required to subscribe for all of the New Shares to which they are entitled under the Rights Offer. They may subscribe for some or all of their Rights or allow some or all of their Rights to lapse. The Rights are renounceable. Rights trading through the NZSX is expected to commence on Thursday, 1 October 2009 and cease at the close of trading on Thursday, 15 October 2009.

An application has been made to NZX for permission to list the Rights and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

The price payable for a Right which is traded will be that quoted on the NZSX during the period that Rights are quoted. The price will be determined by a number of factors including the supply and demand for Rights at any particular time.

Shareholders may acquire additional Rights on the NZSX or by private agreement.

WHAT ARE THE CHARGES?

Applicants are not required to pay any fees or charges to the Company in relation to the Rights Offer.

No Applicant will pay brokerage on the exercise of the Rights or as a subscriber for New Shares under the Rights Offer.

Applicants may be liable to pay charges to other persons, such as brokerage fees in respect of any sale or purchase of Rights or Shares (whether such shares are New Shares or Shares already on issue).

A stamping fee of 0.5% of Application Monies on New Shares allotted will be paid to NZX Primary Market Participants who submit a valid claim for a broker stamping fee on successful Applications, subject to a fee limit of \$300 for each such Application. This fee will be met by the Underwriter. Details of the claims process are to be separately communicated by the Underwriter to NZX Primary Market Participants.

An underwriting fee of 2% is payable by the Company to the Underwriter on the amount underwritten in the Rights Offer.

The Underwriter may pay sub-underwriting fees to invited parties who have agreed to sub-underwrite the Rights Offer.

The Underwriter will pay a sub-underwriting fee of \$407,727 to PFHL (or an associated entity) in consideration for its agreement to sub-underwrite \$27.2 million of New Shares not subscribed for under the Rights Offer.

The Company will pay First NZ Capital a lead management fee of 1.5% of the gross proceeds raised under the Rights Offer (excluding subscriptions pursuant to the Underwriting Agreement).

The Company will also pay New Zealand Capital Partners Limited a fee for providing advisory services to the Company in respect of the Rights Offer, Placement and Share Purchase Plan of up to \$1.55 million, depending on the amount of equity capital raised under the Rights Offer, Placement and Share Purchase Plan.

The estimated amount of expenses of the Rights Offer and the Placement is \$13 million. That amount comprises accounting fees, underwriting and lead management fees, legal fees, advisory fees, registry expenses, and expenses relating to the advertising, printing and distribution of this Offer Document. Any fees or expenses payable to the Registrar and all expenses of the Rights Offer are to be paid by the Company.

The Company will also pay the Lead Manager a placement fee of 1.5% of the gross proceeds raised under the Placement.

WHAT RETURNS WILL I GET?

The information set out under this heading "What returns will I get?" should be read in conjunction with the information set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document. Certain events could reduce or eliminate the returns intended to be derived from holding the New Shares.

There are no returns in respect of the Rights, other than the market price which may be available from time to time if the Rights are traded on the NZSX. There is no guarantee that the Rights will have any value or will be able to be sold.

Shareholders will be entitled to receive or benefit from any dividends paid by the Company as described below and to any other returns attaching to the New Shares. Shareholders may also benefit from any increase in the market price of their New Shares if they sell them (after deducting any brokerage and other expenses). The market price of New Shares may also decline.

New Shares will, from the date they are issued, rank equally with existing Shares, but will have no entitlement to any dividends with a record date preceding the Allotment Date of the New Shares. Upon any liquidation of the Company, Shares (including New Shares) rank for payment after all creditors of the Company.

Returns may be generated from any dividends declared in relation to the New Shares, or by selling the New Shares.

Dividends

Shareholders' returns on the New Shares will include any dividends declared by the Company with a record date after the Allotment Date of the New Shares.

The Directors do not expect to pay a dividend for the financial year ending 30 June 2010. The Company's dividend policy historically has been to pay between 45% and 55% of the Company's net profit after tax as dividends to holders of Shares each financial year. The Directors intend to return to the historical dividend policy at a time they consider prudent in light of the Company's profitability and balance sheet position. Imputation credits will be attached to any dividends to the extent available. In addition, special dividends may be declared when appropriate.

The Board reserves the right to amend the dividend policy at any time. Dividends are declared at the discretion of the Board. The dates and frequency of dividend payments by the Company have not been determined by the Board.

If dividends are declared, the Company will be the entity legally liable to pay them to holders of the Shares.

Sale of New Shares

Shareholders' returns if they choose to sell their New Shares will be the price at which they sell those New Shares on the NZSX or through private treaty (less any brokerage or other fee payable on such sale).

The key factors, many of which are not within the Company's control, which may have an influence on prices of Shares (including New Shares), and therefore determine returns from selling Shares (including New Shares) are:

- market prices for shares in local markets;
- the Company's financial performance, financial position and future prospects;
- general economic conditions, including the performance of the key sectors in which the Group's businesses operate;
- reduced access to debt financing or availability of investor funds;
- any significant increase in bad debts;
- changes to government policy, legislation or regulation;
- the level of interest rates;
- general operational and business risks relevant to the Group (refer to the risks set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document);
- changes in applicable taxes; and
- the Board's decisions and policies in relation to dividends.

More details on factors and risks which may affect the price of Shares are set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document.

If you sell any of your New Shares, the purchaser of those New Shares will be legally liable to pay you the sale price of those New Shares.

No guarantee

Nothing contained in this Offer Document should be construed as a promise of profitability, and no person named in this Offer Document (including the Company, its Subsidiaries, the Underwriter nor any of their respective directors, officers, employees) or any other person gives any guarantee or promise as to the future performance of the Company or the current or future value or sale price of Shares or the return of capital or the payment of any distributions in relation to the New Shares.

Taxation

Returns on the New Shares will be affected by taxation.

The comments on taxation which follow are based on applicable tax legislation current at the date of this Offer Document.

This Offer Document is not intended to constitute tax advice to Shareholders regarding the Rights or the New Shares or the consequences of holding or selling Rights or the New Shares. All comments on taxation in this Offer Document

are of a general nature only and are not, and should not be construed as, legal or tax advice to any investor in New Shares. Investors should consult their own taxation or financial adviser concerning the taxation implications, in their particular circumstances, of acquiring, holding and/or disposing of the Rights or the New Shares.

The New Shares may have resident withholding tax and income tax implications for Shareholders who are resident in New Zealand for New Zealand income tax purposes. There are different taxation implications for a Shareholder who is not tax resident in New Zealand. The comments which follow are relevant only to a Shareholder who is tax resident in New Zealand.

Dividends

Dividends paid by the Company on the New Shares are potentially subject to the deduction of resident withholding tax at a 33% rate of deduction.

The 33% rate of deduction may be reduced to reflect imputation credits attached to the dividend. The Company intends to continue with its existing practice of attaching imputation credits to the maximum extent possible.

Resident withholding tax is not required to be deducted if a Shareholder has supplied the Company with a copy of a resident withholding tax exemption certificate that continues to be valid.

A Shareholder who is required to file a tax return for the income year the dividend is derived must include the dividend in the return as an item of assessable income. A tax credit may be claimed for imputation credits attached to, or resident withholding tax deducted from, the dividend.

Sale of New Shares or Rights

A subsequent disposal of the New Shares for a gain would not give rise to an item of assessable income if the New Shares are held on capital account. The New Shares would generally be regarded as held on capital account if the New Shares were not acquired:

- with a purpose of resale, or with the dominant purpose of resale if there was more than one purpose of acquisition; or
- as part of a profit making scheme; or
- as part of a share dealing or share investment business.

Neither the issue nor sale of the Rights is likely to give rise to an item of assessable income if a Shareholder holds his or her Shares on capital account.

WHAT ARE MY RISKS?

There are a number of factors, both specific to the Group and of a general nature, which may affect the Group's future operating performance and financial position and the value of the New Shares. A number of these factors are beyond the control of the Company and its Subsidiaries. A number of these risk factors are described below. These risks and uncertainties are not the only ones facing the Group. Additional risks and uncertainties that the Company or its Subsidiaries are unaware of, or that the Company or its Subsidiaries currently deem immaterial, may in the future become important factors that affect the Group. You should note that these risk factors may not be exhaustive, and you should consider these in conjunction with other information disclosed in this Offer Document. In addition, descriptions of the risks and uncertainties necessarily include forward-looking statements. Such forward-looking statements involve matters which have not yet occurred or may not occur.

Actual events may be materially different from those described below and may therefore affect the Group in a different way. In practice, changes in variables affecting risk factors may offset each other or may be cumulative. If any of the following events actually occur, the Group's business, financial condition or results of operations could be negatively impacted to a significant degree. In that event, the trading price of the Shares (including New Shares) could decline and you could lose all or part of your investment.

You should consider carefully the risk factors set out below and other information in this Offer Document before applying for New Shares. You are encouraged to obtain advice from your accountant, lawyer or other professional adviser before deciding whether to invest.

Summary of principal risks

The principal risks for Shareholders in relation to the New Shares are that:

- the value of the New Shares may reduce; and/or
- they may not receive any dividends or entitlements or other distributions in respect of those New Shares.

The value of New Shares could reduce for a number of reasons, including if:

- there is a material deterioration in the operating performance or profitability of the Group and, therefore, the financial performance of the Company;
- the price at which Shareholders are able to sell their New Shares is less than the Application Price;
- Shareholders are unable to sell their New Shares due to a lack of demand or absence of a market for those securities; and/or
- Shares cease to be quoted on the NZSX.

Set out below is a description of specific key risks related to the respective businesses of MARAC, Perpetual Trust, Perpetual Asset Management and PGG Wrightson. There are also a number of general risks which are described under the heading "General risks" on pages 66 to 68 of this Offer Document.

Specific risks related to MARAC

Liquidity and reinvestment risk

There is a risk that MARAC may have insufficient liquid funds, or may not be able to raise sufficient funds at short notice, to meet its financial obligations as they fall due, including repayment of Secured Debenture Stock and Secured Bonds as they mature. In order to meet these financial obligations and to continue to grow its business, MARAC is reliant on maintaining consistent reinvestment rates and new investment rates of Secured Debenture Stock. MARAC may not have sufficient liquid funds if there is a significant mismatch in the maturity profile of MARAC's financial assets and liabilities. Details of MARAC's reinvestment levels in Secured Debenture Stock and new investments in Secured Debenture Stock for the financial year ended 30 June 2009 are set out on page 38 of this Offer Document and details of the Secured Debenture Stock maturity profile as at 30 June 2009 are set out on page 38 of this Offer Document. Any material change in the availability of sources of funding would materially affect MARAC's ability to meet its financial obligations as they fall due.

The amount of Secured Debenture Stock funding received by MARAC is dependent on the level of new funds and reinvestment rates, both of which are affected by the level of investor confidence in the New Zealand finance sector generally and in the MARAC business specifically. For the financial year ended 30 June 2009, monthly reinvestment rates for MARAC's Secured Debenture Stock averaged 66%. This is only slightly below the average in the previous four financial years, being approximately 68%. The reinvestment rate for Secured Debenture Stock declined in response to the Company's announcement on 13 August 2009 that Standard & Poor's had downgraded MARAC's credit rating from BBB- (Stable) to BB+ (Outlook Negative). Reinvestment rates have largely recovered to historical levels. The monthly reinvestment rate for July 2009 was 61.03% and the monthly reinvestment rate for August 2009 was 53.27%. The 15-day average reinvestment rate as at 18 September 2009 was 62.08%. For further information see page 38 of this Offer Document.

If there was to be any significant further reduction in the reinvestment rate of MARAC's Secured Debenture Stock or the level of new funds invested in Secured Debenture Stock, it could, depending on the extent of the reduction, negatively impact on MARAC's liquidity and have a materially adverse effect on the financial condition of MARAC.

Further information about liquidity and reinvestment risk is set out in the MARAC Prospectus dated 7 October 2008 (as amended) a copy of which may be viewed on the Companies Office's website (www.companies.govt.nz), or by telephoning the Companies Office contact centre, on 0508 266 726, during normal business hours.

Finance sector confidence

The Group could be materially adversely affected if investor and/or borrower confidence in the finance sector generally is reduced. This could occur, for instance, as a result of the failure or insolvency of another finance company in the New Zealand market, an event outside the control of the Company. That could make it more difficult for MARAC to obtain funding from investors, either through reinvestment of existing funds or investment of new funds. Such event could also adversely affect MARAC's borrowing margins or cost of funds (refer also to the discussions under the headings "Liquidity and reinvestment risk" and "External risks" on pages 58 and 67 respectively).

Crown Retail Deposit Guarantee Scheme

MARAC is party to a guarantee granted by the Crown under the Crown Retail Deposit Guarantee Scheme. This guarantee expires on 12 October 2010 and only applies to payments which MARAC is required to make to qualifying creditors (such as holders of MARAC's Secured Debenture Stock) which become due and payable, and if a default event has occurred, during the period from 12 October 2008 to 12 October 2010. Details of limitations of the guarantee are set out on page 40 of this Offer Document.

The guarantee may be withdrawn in the event that MARAC fails to comply with its obligations under the Crown Retail Deposit Guarantee Scheme or otherwise engages in inappropriate activity designed to circumvent the terms of the guarantee.

On 12 September 2009, the Crown Retail Deposit Guarantee Scheme Act 2009 was passed. This Act extends the Crown Retail Deposit Guarantee Scheme for a further 14 months to 31 December 2011. The Government has announced that in order for any institution to participate in the scheme after 12 October 2010, including those participating under the existing Crown Retail Deposit Guarantee Scheme, they must meet the eligibility criteria, apply for participation in the scheme and have their application approved.

A number of the key terms of the existing Crown Retail Deposit Guarantee Scheme will be amended as from 12 October 2010 (a brief summary of those changes is set out on pages 40 to 41 of this Offer Document). These changes include the fee thresholds in the existing Crown Retail Deposit Guarantee Scheme being discontinued. The fees under the extended Crown Retail Deposit Guarantee Scheme will be calculated based on the total value of the relevant institution's funds which are covered by the scheme. Depending on the final level of fees which are ultimately charged by the Crown and the level of MARAC's participation in the extended scheme, MARAC could incur a substantial increase in the level of fees for participation in the extended scheme from October 2010 to December 2011.

MARAC will be required to apply to Treasury if it wishes to participate in the Crown Retail Deposit Guarantee Scheme after 12 October 2010. On 18 September 2009, Treasury began accepting applications for participation in

the extended scheme. Whether or not MARAC will obtain a guarantee under the Crown Retail Deposit Guarantee Scheme after 12 October 2010 is contingent on the following factors: whether MARAC meets the eligibility criteria, whether or not MARAC chooses to participate in the extended scheme and whether any application made by MARAC is accepted. Based on publicly available information as at the date of this Offer Document, MARAC is of the view that it will meet the criteria for participation in the extended scheme.

To the extent MARAC's obligations are guaranteed by the Crown under the existing guarantee entered into by MARAC and the Crown, MARAC is required by the Banking Syndicate to apply for the extended Crown Retail Deposit Guarantee Scheme to apply to those obligations and MARAC intends to do so. MARAC will consider on a case by case basis its participation in the extended Crown Retail Deposit Guarantee Scheme in respect of any debt issues by MARAC not guaranteed by the Crown under the existing guarantee entered into by MARAC and the Crown.

There is a risk that MARAC does not continue to meet the criteria for the scheme (which may change in the future) or its application to participate will not be accepted. The Minister of Finance may give a guarantee on any terms and conditions that the Minister thinks fit.

If MARAC does not participate in the extended Crown Retail Deposit Guarantee Scheme:

- MARAC's Secured Debenture Stock reinvestment rates may decline significantly. If this funding source could not be replaced, such an event might have a material adverse effect on the financial condition of MARAC;
- there is a further risk that subscribers of Secured Debenture Stock may only wish to invest in Secured Debenture Stock for a term less than the current guarantee period, which ends on 12 October 2010. This may cause a distortion of MARAC's maturity profile for the period of the existing Crown Retail Deposit Guarantee Scheme. If these funds are not reinvested beyond 12 October 2010, this will have a material adverse effect on the financial performance and financial condition of MARAC; and
- in relation to MARAC's obligations guaranteed by the Crown under the existing guarantee entered into by MARAC and the Crown, the Banking Syndicate would have a right to review the Syndicated Bank Facility and to impose additional terms for a continuation of those facilities. If acceptable terms were not agreed with the Banking Syndicate, the Banking Syndicate could require MARAC to repay all amounts owing under the Syndicated Bank Facility.

The decrease in the maximum amount per qualifying creditor per NBDT to be guaranteed under the Crown Retail Deposit Guarantee Scheme after 12 October 2010 may result in a decline in investment of new funds or reinvestment rates as investors limit their deposits with each NBDT (such as

MARAC) to \$250,000 (the maximum amount guaranteed per qualifying creditor per NBDT under the extension scheme).

There is no certainty that the Government will extend the Crown Retail Deposit Guarantee Scheme beyond 31 December 2011. If the Crown Retail Deposit Guarantee Scheme is not extended beyond that date and MARAC's Secured Debenture Stock reinvestment rates were to decline significantly, this would result in a significant reduction in Secured Debenture Stock as a source of funding for MARAC, which if it is not able to be replaced, might have a material adverse effect on the financial performance and financial condition of MARAC.

Bank facilities

MARAC sources a portion of its funding from wholesale bank facilities comprising a \$200 million Syndicated Bank Facility and the Securitisation Facility. The Syndicated Bank Facility has a staggered maturity, with \$45 million maturing on 31 March 2010 and \$155 million maturing on 31 March 2011. The amounts drawn under the Syndicated Bank Facility maturing on each of these dates will need to be refinanced with banks or financed through other sources of funding. There is no assurance that the Syndicated Bank Facility will be refinanced by existing or new banks and refinanced terms may be more or less favourable than existing terms. Failure to refinance the Syndicated Bank Facility could place additional material liquidity pressure on remaining funding facilities available to MARAC and could have a material adverse effect on the financial performance and financial condition of MARAC.

The Company has given a guarantee (the "Syndicate Guarantee") of MARAC's obligations under the Syndicated Bank Facility, limited to \$85 million less payments made after the date of the Syndicate Guarantee to MARAC by the Company under the MARAC Underwriting Arrangement. The Syndicate Guarantee will be released if the Company completes the Rights Offer and the Placement, pays MARAC an amount of not less than \$160 million (being \$35 million in equity and \$125 million to partially fund the acquisition of the Ex-MARAC Loans), provides a limited (but secured) guarantee to MARAC in connection with certain residual obligations of MARAC Financial Services arising in connection with the sale of the Ex-MARAC Loans to Real Estate Credit, including MARAC Financial Services' obligations under the MARAC Financial Services Loan Note (which will have a principal value of \$50 million) and procures MARAC Financial Services to enter into certain agreements in relation to the sale of the Ex-MARAC Loans to Real Estate Credit (the "MARAC Guarantee") (see pages 39, 40 and 79 of this Offer Document for further information).

If MARAC failed to perform its obligations under the Syndicated Bank Facility a demand could be made on the Company pursuant to the Syndicate Guarantee. If the Company failed to meet that demand the Banking Syndicate would have the right to take enforcement action against the Company to recover amounts owing pursuant to the Syndicate Guarantee.

If MARAC Financial Services failed to perform its residual obligations to MARAC in connection with the sale of the Ex-MARAC Loans to Real Estate Credit, a demand could be made on the Company pursuant to the MARAC Guarantee. This demand could be made by MARAC (or, on its behalf, by the trustee under the Debenture Trust Deed or the agent under the Facility Agreement). If the Company failed to meet that demand, an event of default will arise under the general security deed granted by the Company to MARAC in support of its obligations under the MARAC Guarantee. MARAC (or, on its behalf, by the trustee under the Debenture Trust Deed or the agent under the Facility Agreement) would have the right to appoint a receiver to the Company or to otherwise take enforcement action against the Company to recover amounts owing pursuant to the MARAC Guarantee.

In addition, an event of default may also occur under the Syndicated Bank Facility if, amongst other things, the Company is declared insolvent, is placed in administration, receivership or liquidation (or similar), has a statutory manager appointed or it fails to perform its obligations under the Syndicate Guarantee or the MARAC Guarantee.

Acceleration of the Syndicated Bank Facility in such circumstances would allow the trustee of the Secured Debenture Stock to declare an event of default under the Debenture Trust Deed.

In such circumstances, MARAC will most likely have no ability to obtain bank funding or raise funds by issuing Secured Debenture Stock under the Debenture Trust Deed. This would have a material adverse effect on the financial performance and financial condition of MARAC.

Liquidity support for the Securitisation Facility

A further source of funding for MARAC's business is provided by the Securitisation Facility, implemented in August 2007. Subject to the limit of the bank facility which supports the Securitisation Facility, up to \$300 million can be borrowed from institutional investors by this method. There is currently a bank facility of \$150 million provided by Westpac Banking Corporation supporting the Securitisation Facility which means that MARAC may fund up to \$150 million of qualifying receivables through the Securitisation Trust. On 14 September 2009 Westpac Banking Corporation advised MARAC that it had approved the extension of the Securitisation Facility maturity date from 10 February 2010 to 11 August 2010. The bank facility can be extended on a rolling basis by MARAC issuing a notice requesting an extension for a further 182 days at any point in time when the facility term has less than 182 days to run. Should the facility not be renewed on maturity then this would have a material adverse effect on the ability of MARAC to utilise the Securitisation Facility which would in turn have a material adverse effect on the financial performance and financial condition of MARAC.

Financing covenants

The Syndicated Bank Facility and the Debenture Trust Deed require compliance with financial covenants. While the

Company believes that it will be able to comply with these covenants following completion of the Rights Offer and the Placement, a significant decline in earnings or an increase in the impairment of assets, including property loans, could cause MARAC not to comply with these financial covenants. Consequences of a failure to comply with any financial covenant may include increased interest costs, decreased availability of debt funding, acceleration of repayment of the outstanding facilities or enforcement of security interests. These events would have a material adverse effect on the financial performance and financial condition of MARAC.

Credit risk

MARAC lends money to a variety of customers, including individuals, companies and other business organisations, and there is a risk of financial loss if customers do not pay interest on time or repay their loans on time and in full. As discussed on pages 35 and 36 of this Offer Document, current economic conditions have resulted in higher levels of default rates experienced by MARAC in the financial year ended 30 June 2009 as compared to the financial year ended 30 June 2008, and for the first two months of the financial year ending 30 June 2010. A further significant increase in provisioning and bad debt write-offs, including as a result of a significant loan or series of loans being unable to be fully recovered by MARAC, would have a material adverse effect on the financial performance and financial condition of MARAC.

Realisation risk

If a borrower fails to meet its principal or interest payment obligations, MARAC may need to realise the asset which is security for that loan. There is a risk that the realisable value of the asset may be less than the value of the loan, for example because of lack of demand for that asset, and that MARAC will be unable to recover the full amount owed. Current economic conditions make it more difficult to recover the full amount of loans through the realisation of security interests because of a reduced demand for assets generally at the present time. Any loss suffered by MARAC as a result of such events could have a material adverse effect on the financial performance and financial condition of MARAC.

Interest rate risk

MARAC holds interest bearing assets and liabilities, and incurs interest rate risk because these assets and liabilities will mature or reprice in different periods. Since market interest rates fluctuate, this may impact on MARAC's financial performance by affecting the interest margin between funds lent and funds borrowed.

Change in credit rating

MARAC has a BB+ (Outlook Negative) credit rating from Standard & Poor's as at the date of this Offer Document. In the event that this credit rating was downgraded:

- the Banking Syndicate would have a right to review the Syndicated Bank Facility and to impose additional terms for a continuation of that facility. If acceptable terms were not agreed with the Banking Syndicate, the Banking Syndicate could require MARAC to repay all amounts owing under the Syndicated Bank Facility; and

- it may have an adverse impact on reinvestment rates of the Secured Debenture Stock and MARAC's ability to raise funds from new investors or lenders.

If MARAC is unable to raise funds, is required to repay its existing bank facilities or if its cost of raising funds increases as a result of such event, this would have a material adverse effect on the financial performance and financial condition of MARAC.

NBDT regulations

Part 5D of the Reserve Bank Act regulates NBDTs such as MARAC. The Reserve Bank has regulation making powers under the Reserve Bank Act to specify the type of credit rating an NBDT must hold and to require NBDTs to:

- maintain a minimum dollar amount of capital;
- meet a minimum capital ratio requirement;
- meet related party restrictions; and
- meet liquidity requirements.

In December 2008, the Reserve Bank published a consultation paper on draft NBDT policies in relation to the proposed regulations regarding related party requirements and minimum capital ratio requirements. The Reserve Bank has proposed that a minimum capital ratio be set at 8% of tier one capital.

The full extent of the impact of this regime is unknown at present as the policies proposed by the Reserve Bank Act are yet to be finalised. However, MARAC has commenced taking steps to assist it with meeting the policies disclosed to date. Details of these steps are set out below.

The Company intends to contribute \$35 million of new equity capital into MARAC following completion of the Rights Offer and the Placement which, together with the sale of the Ex-MARAC Loans, is expected to result in MARAC exceeding the minimum capital ratio requirements of the proposed NBDT regulations (determined in accordance with the asset risk weightings under the proposed NBDT regulations). Under the proposed NBDT regulations it is expected that there will be a requirement that related party loans cannot exceed 15% of equity. In order to comply with this requirement, MARAC Financial Services would, to the extent it has not already done so, need to repay part or all of the \$50 million MARAC Financial Services Loan Note issued to MARAC as part of the consideration for the sale of the Ex-MARAC Loans. The MARAC Financial Services Loan Note is repayable in full by 1 July 2010. For further discussion on the MARAC Financial Services Loan Note see page 79 of this Offer Document.

If further capital is required by MARAC to meet its obligations under the NBDT regime in the future and MARAC is unable to access sufficient levels of additional capital to meet those obligations, then it would have a material adverse effect on the financial performance and financial condition of MARAC.

Registered bank¹⁴ strategic goal

It is a strategic goal of MARAC to become a registered bank¹⁵ under the Reserve Bank Act over the medium term. Registration is subject to the approval of the Reserve Bank. The Reserve Bank Act prescribes what factors the Reserve Bank must take into account when determining an application. These factors comprise a range of qualitative and quantitative factors and include the ability of an applicant to carry on its business in a prudent manner and in particular:

- capital in relation to size and nature of the business;
- loan concentration and risk exposures;
- separation of the business from other interests of the owner;
- internal controls and accounting systems;
- risk management systems and policies; and
- outsourcing arrangements.

There is no certainty that MARAC will be able to meet all relevant criteria (which may change in the future) and become a registered bank¹⁶. MARAC has not submitted an application for registration and no decision has been made by the Board as at the date of this Offer Document as to when MARAC might apply for registration.

Insurance underwriter risk

With the exception of lifestyle protection insurance (which is not underwritten by a third party), insurance policies written by MARAC Insurance are currently underwritten by a number of insurance underwriters. If any of these insurance underwriters fail to meet their obligations in relation to insurance claims, or if the underwriting arrangements cease for any reason, MARAC Insurance may be liable for claims made on insurance policies written by it. This may have a material adverse impact on the financial performance and financial condition of MARAC.

Information technology risks

Information technology plays a critical role in MARAC's business, with the delivery of financial services to customers dependent on the availability and reliability of MARAC's information technology systems. MARAC's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate information technology platform for the efficient delivery of its products and services. MARAC's business operations are likely to be significantly affected should MARAC's information technology systems fail or not operate in an efficient manner.

Competition in the finance sector

MARAC faces significant competition from both incumbent service providers (including finance companies, savings institutions and banks) and new entrants to the market. MARAC may not be able to maintain existing levels of new customers or investors and retain existing customers or investors if it is unable to maintain the competitiveness of

its products and services in comparison to those offered by other finance sector participants.

**Specific risks related to Perpetual Trust
Licence regime for corporate trust business**

On 26 August 2009, the Government announced its intention to remove the current automatic right of statutory trustee corporations (such as Perpetual Trust) to act as a trustee for issuers of debt or participatory securities or as the trustee of a unit trust. A new regime is proposed which would require Perpetual Trust and the other trustee corporations to be licensed by the New Zealand Securities Commission. The Securities Commission will assess trustees against detailed criteria, including their systems and processes for supervising issuers, experience and expertise, and financial strength. Based on publicly available information as at the date of this Offer Document, the Securities Commission would have the power to revoke a trustee's licence. Once the legislation is enacted, it may also impose more stringent operating requirements on Perpetual Trust's corporate trust business. If Perpetual Trust was unable to obtain or maintain a licence to operate as a trustee for issuers of debt and other securities, this would have a material adverse effect on the financial performance and financial condition of Perpetual Trust.

Litigation risk

As a professional trustee, Perpetual Trust faces a risk of being sued by customers or investors for whom it provides trustee services as well as beneficiaries of trusts and estates for whom it acts as trustee or executor. If Perpetual Trust does become involved in legal action in relation to its role as a trustee or executor, this could be a costly process and damage the reputation of Perpetual Trust. Perpetual Trust may be liable for damages, penalties and/or third party costs if it is unsuccessful in defending any proceedings.

Perpetual Trust acts as trustee of debt securities issued by a number of finance companies which are now in receivership or moratorium. No proceedings have been commenced or threatened against Perpetual Trust in respect of such role.

Funds management business

As a fund manager, Perpetual Trust's income would be negatively affected by any decline in the value of funds under management. This risk is described in more detail below in respect of the risks relating to Perpetual Asset Management under the heading "The value of assets under management could decline" on page 63 of this Offer Document.

**Specific risks related to Perpetual
Asset Management****New business**

Perpetual Asset Management is a new business division of the Group with an as yet unproven track record. The successful implementation of Perpetual Asset Management's strategies to establish and grow its business,

14,15,16 Neither the Company nor MARAC is a registered bank under the Reserve Bank Act.

including the establishment of new funds will drive Perpetual Asset Management's financial performance. Investment in systems, people and distribution channels is required to grow the business. There is no certainty that these strategies will be successfully implemented and deliver the anticipated financial results. Any material failure of those strategies to deliver expected results could have a significant adverse impact on the Company's financial performance.

The value of assets under management could decline

If the value of the assets owned by any of the funds under the management of Perpetual Asset Management or its Subsidiaries declines, this could have a two fold effect on Perpetual Asset Management:

- the management fees earned by Perpetual Asset Management or its Subsidiaries from that fund would most likely decline, as the management fees will be based on the value of assets under management; and
- if Perpetual Asset Management or any of its Subsidiaries has a direct investment in the fund, the value of that investment will decline.

Inability to expand the asset management business

Perpetual Asset Management intends to expand its asset management business. As part of this strategy, Perpetual Asset Management intends to establish additional funds and acquire further assets for its existing and new funds to add to the assets already under management. Perpetual Asset Management may be unable to identify appropriate assets for its funds or may be unable to secure appropriate investments on suitable terms or financing to fund the acquisition of assets. Failure to identify and secure appropriate investments may inhibit Perpetual Asset Management's growth prospects which may have a material adverse impact on the financial performance and financial condition of the Group. In addition, investment in systems, people and distribution channels is required to grow the asset management business.

Ex-MARAC Loans

The Ex-MARAC Loans are to be sold by MARAC Financial Services to Real Estate Credit in consideration for a purchase price of \$90 million. The value of the Ex-MARAC Loans will be regularly reassessed by a Subsidiary of Perpetual Asset Management which will act as the manager of Real Estate Credit. Those assessments may result in the value of some or all of the Ex-MARAC Loans being written down below the value paid by Real Estate Credit due to adverse events affecting the likely recoverable amount of those Ex-MARAC Loans. In addition, if a borrower defaults on its obligations, Real Estate Credit may not be able to recover the full value of the Ex-MARAC Loans.

Some or all of the Ex-MARAC Loans may ultimately be transferred to Torchlight Credit Fund, or other funds to be established by Perpetual Asset Management or third parties. The purchase price payable by the relevant purchaser and terms of sale will be negotiated on an arm's length basis.

That purchase price may be more or less than the value paid by Real Estate Credit for those loans. It may also be the case that some of the Ex-MARAC Loans will be retained by Real Estate Credit and held until their maturity or managed through to work out and recovery.

Real Estate Credit is a wholly owned Subsidiary of Perpetual Asset Management and therefore any loss suffered by Real Estate Credit in respect of the Ex-MARAC Loans or any other loans held by Real Estate Credit may have a material adverse effect on the Group. In addition, initially Torchlight Credit Fund may be wholly owned by Perpetual Asset Management, or a Subsidiary of Perpetual Asset Management, and therefore any loss suffered by Torchlight Credit Fund in respect of any of the Ex-MARAC Loans (including as a result of borrower default or further impairments of those loans) or any other loans or assets it holds may have a material adverse effect on the Group.

Termination of investment management contracts

As fund managers, Perpetual Asset Management and its Subsidiaries will receive fees for the provision of management services under the terms of management contracts with the funds it manages. In certain limited circumstances those management contracts may be terminated. These circumstances will primarily be in the case of breach of the terms of the agreement by either party, if either party ceases to do business or in the case of insolvency. The loss of fee income, together with the reputational impact from the termination of a management contract, could have a material adverse effect on the financial performance and financial condition of Perpetual Asset Management.

Risk factors affecting investments

As a fund manager, Perpetual Asset Management is also indirectly exposed to risks which affect investments made by funds managed by it. In addition, it may have a cornerstone investment interest in the fund. The operating and financial performance of those investments is influenced by a variety of factors including general economic conditions, liquidity risk, regulatory risks, operational and force majeure risks and risks related to financing arrangements. As an example, EPIC holds indirect investments in Thames Water and Moto Hospitality which are leveraged structures and which carry increased exposure to adverse economic factors.

Reliance on key personnel

Perpetual Asset Management has qualified and experienced management and investment personnel. There are a small number of key senior executives who will be actively involved in the growth of Perpetual Asset Management's business and who are integral to the management and financial performance of Perpetual Asset Management and its funds. The loss of any of these key management or investment personnel may have a material adverse effect on Perpetual Asset Management's operations.

Specific risks related to PGG Wrightson

PGG Wrightson is a listed entity operating principally in the rural sector, including providing finance to farming ventures. The Company holds a 20.7% shareholding in PGG Wrightson.

Value of PGG Wrightson shares may change

As PGG Wrightson is an NZSX listed company, the value of its shares is set by the market. The price of PGG Wrightson's shares on the NZSX may rise or fall due to numerous factors which may affect the market price of PGG Wrightson's shares, including:

- a material deterioration in the operating performance or profitability of PGG Wrightson;
- general economic conditions, including the performance of the New Zealand dollar, commodity prices, financial markets, inflation rates, interest rates and market conditions in the rural sector;
- variations in the general market for listed stocks, in general, or for New Zealand stocks, in particular;
- the debt financing obligations of PGG Wrightson and its ability to comply with those obligations;
- decisions made by other significant shareholders in PGG Wrightson (including any sale of their holdings); and
- changes to government policy, legislation or regulation relevant to PGG Wrightson's business.

Rural Portfolio Investments Limited and Rural Portfolio Investments Securities Limited together hold approximately 27.5% of PGG Wrightson shares. Rural Portfolio Capital Limited, a Subsidiary of Rural Portfolio Investments Limited, has issued 60 million redeemable preference shares to the public. On 28 August 2009 Rural Portfolio Capital Limited announced that the decision by PGG Wrightson not to pay a final dividend would require Rural Portfolio Capital Limited to refinance its cash requirements prior to 15 October 2009. Rural Portfolio Capital Limited has also announced that 44.15 million PGG Wrightson shares are held as security for its redeemable preference shareholders pursuant to a security trust deed relating to the redeemable preference shares. The inability of the Rural Portfolio Investments group to successfully refinance could have an impact on the value of PGG Wrightson's shares.

Carrying value of investment in PGG Wrightson

The Company's investment in PGG Wrightson was equity accounted in the FY2009 financial statements and that accounting treatment continues to apply as at the date of this Offer Document, due to the significant influence of the Company over PGG Wrightson in terms of the relevant NZ IFRS accounting standards. Accordingly, the Company currently accounts for its share of PGG Wrightson's profit and share of the net assets of PGG Wrightson.

As at 30 June 2009, the carrying value of the Company's investment in PGG Wrightson was compared to a value in use calculation which considered the net present value of anticipated free cash flow from PGG Wrightson and the exercise confirmed that there was head room over the carrying value of the investment and there were no

impairment issues necessitating a write down. Factors negatively impacting the PGG Wrightson share price, as noted above, may also have the potential to trigger a downward revision in the carrying value at a future balance date.

Requirement for new capital – impact of dilution***Potential impacts of dilution on the Company's shareholding in PGG Wrightson***

On 27 August 2009, PGG Wrightson announced that it is continuing to progress its previously announced debt reduction programme and is also considering the sale of selected assets and a potential equity raising. PGG Wrightson's announcement stated that any equity raising is likely to involve both existing shareholders and new investors, and may also include the introduction of a new cornerstone shareholder.

PGG Wrightson has not announced further details of any capital raising as at the date of this Offer Document and therefore the Company cannot determine with certainty how any capital raising might affect the Company or its shareholding in PGG Wrightson.

However, if any capital raising by PGG Wrightson involved a pro rata rights issue, and the Company decided not to participate fully, or involved a placement of shares to any one or more new cornerstone shareholders, the Company's shareholding in PGG Wrightson would be diluted. For instance, if PGG Wrightson made a standalone placement to enable a new cornerstone shareholder to gain a 20% holding in the post-placement share capital (which, by definition, the Company would not participate in, and which PGG Wrightson may be able to undertake without obtaining shareholder approval), the Company's shareholding in PGG Wrightson would be reduced by approximately 4.1% to approximately 16.6% in aggregate.

The Directors considered the potential financial effect on the Company of a cornerstone shareholder taking a 20% post-placement shareholding in PGG Wrightson by way of an issue of new shares for cash at an estimated \$0.72 (based on recent PGG Wrightson market prices during September 2009). In these circumstances, the Company's interest in PGG Wrightson would be diluted, irrespective of any participation by the Company in any subsequent PGG Wrightson pro rata rights issue. This would result in an accounting loss being recognised by the Company in its income statement. This accounting loss would arise because the dilution in the Company's shareholding in PGG Wrightson (which in this example would be from the current 20.7% to 16.6%) would be treated for accounting purposes as an effective disposal of shares at the issue price, and a loss arises because the assumed issue price is lower than the Company's carrying value per share of the shareholding in PGG Wrightson. Based on an estimated PGG Wrightson new share issue price of \$0.72 and the continued application of equity accounting, this non-cash loss would be approximately \$6 million. If the new shares are issued to the cornerstone shareholder at a higher price, then the non-cash loss would be reduced and if the new shares are issued at a lower price, then the non-cash loss would be higher.

Dilution of the Company's shareholding in PGG Wrightson would reduce the Company's share of any dividends paid by PGG Wrightson. There is currently no assurance that PGG Wrightson will pay dividends in FY2010 or any other year (refer to the discussion below under the heading "PGG Wrightson dividends" on page 66 of this Offer Document).

If the level of dilution in the Company's shareholding in PGG Wrightson meant that it no longer exerted significant influence over PGG Wrightson in terms of the relevant NZ IFRS accounting standards and therefore PGG Wrightson no longer qualified as an "associate" of the Company for accounting treatment purposes, the equity accounting treatment that the Company currently applies to its shareholding in PGG Wrightson would change to investment accounting. If a change to investment accounting is required, the Company would no longer account for its percentage share of PGG Wrightson's net profit after tax, but instead it would be required to record dividends receivable in the Company's income statement.

In addition, on a change from equity accounting to investment accounting in respect of the Company's shareholding in PGG Wrightson, the Company would be required to recognise a profit or loss in the Company's income statement calculated as being any difference between the carrying value of the shareholding in PGG Wrightson, being \$78.5 million as at 30 June 2009 and the market value of that stake at the reporting date after the associate status was lost. The NZX quoted closing price of PGG Wrightson shares on 14 September 2009 (being \$0.72) implies that the Company would need to recognise a substantial non-cash loss on the current carrying value of those shares in the Company's accounts if there was a change from equity accounting treatment to investment accounting treatment on that date. The quantum of any such loss cannot be reliably determined by the Company as at the date of this Offer Document as it would require the Company to make speculative assumptions about any capital raising that PGG Wrightson may carry out, including as to pricing of shares to be issued and the market price of PGG Wrightson shares as at the next reporting balance date.

A reduction in dividend flow and/or incurring a substantial loss (including a non-cash loss) could have a material adverse effect on the financial performance of the Company.

Nature of capital raising uncertain

At the date of this Offer Document, the Company is not privy to any non-public information about the proposed key terms or the nature of any capital raising that may be being considered by PGG Wrightson. The Company's Directors who are also members of the board of PGG Wrightson are not members of the PGG Wrightson board sub-committee established to consider any PGG Wrightson capital raising. A number of capital raising scenarios are possible, including PGG Wrightson making a material placement to one or more cornerstone shareholders, a pro rata renounceable rights issue or a combination of these transactions. Each possible transaction could affect the Company in different ways and

such affect could be materially adverse to the Company. If, for instance, PGG Wrightson made a material placement to a cornerstone shareholder and the Company was not invited to participate in that placement, the Company would not be able to take any steps which would necessarily avoid dilution of its shareholding in PGG Wrightson.

Prospective Financial Statements – assumptions about possible PGG Wrightson capital raising

In the Prospective Financial Statements contained in the Appendix to this Offer Document, the Directors have made certain assumptions about a potential capital raising by PGG Wrightson. The Board have assumed that PGG Wrightson will make a pro rata renounceable rights issue, assumed to be \$200 million in view of the position announced by PGG Wrightson that it is required to repay a \$200 million amortising debt facility by 31 March 2010. The Board have also assumed that the rights issue will be completed prior to 31 March 2010 and that the Company will subscribe for its entitlement under the rights issue in full at a cost to the Company of \$41.4 million. It is assumed by the Board that no cornerstone placement is made to a new shareholder, including in combination with a rights issue.

In addition, for the purposes of the Prospective Financial Statements, the Directors have assumed a level of profit earned by PGG Wrightson in FY2010.

These assumptions in relation to a potential capital raising by PGG Wrightson and level of profit of PGG Wrightson for FY2010 are assumptions only and may turn out to be incorrect to a material degree. Investors should read the cautionary statements about forward-looking statements and assumptions on page 94 of the Appendix to this Offer Document entitled "Prospective Financial Statements".

No decision has been made by the Board as to whether the Company will participate in any capital raising to be made by PGG Wrightson as the Board does not have sufficient information to make that decision. Any decision for the Company to participate (either fully or partially) or not to participate in any capital raising by PGG Wrightson can only be taken by the Board once it knows the full details of any proposed capital raising by PGG Wrightson and then, any decision will only be taken in the best interests of the Company.

PGG Wrightson has not been involved in the preparation of this Offer Document and the assumptions applied by the Directors should not be taken as any indication of the terms of any capital raising that might be undertaken by PGG Wrightson after the date of this Offer Document.

PGG Wrightson's debt amortisation requirements

PGG Wrightson has also announced that it is reviewing its capital structure and evaluating its options for meeting the new bank debt amortisation structure under its new banking package. This includes a \$200 million amortising debt facility that is due to be repaid by 31 March 2010 as well as other debt facilities falling due on 31 August 2011 (\$75 million) and

on 31 August 2012 (\$197.9 million). If PGG Wrightson is unable to repay or refinance those facilities or comply with any other debt repayment obligations, that would have a material adverse effect on PGG Wrightson's financial position, which would have a material adverse effect on the Company as a significant shareholder in PGG Wrightson.

PGG Wrightson dividends

PGG Wrightson also recently announced that there would be no final dividend declared in relation to the financial year ended 30 June 2009. PGG Wrightson may or may not return to paying dividends in the future and the form and level of any dividend paid may vary from previous dividends for a number of reasons. The level of dividends (if any) paid by PGG Wrightson to its shareholders will have a material impact on the financial performance of the Company.

Liquidity risk

There can be no guarantee that the Company will be able to sell shares in PGG Wrightson it owns if it chooses to reduce its shareholding. This inability could arise for a number of reasons, including if the market for PGG Wrightson shares becomes illiquid or ceases to exist or PGG Wrightson is placed in receivership or liquidation or becomes insolvent for any reason.

The Company, Rural Portfolio Investments Limited and Rural Portfolio Investments Securities Limited are parties to a shareholders agreement pursuant to which each party has pre-emptive rights over the PGG Wrightson shares held by the other party. If the Company wished to sell any of its shares in PGG Wrightson it must comply with the pre-emptive rights procedures set out in that shareholders agreement. The Company does have a once only permitted right of sale of not more than 5% of PGG Wrightson shares on issue which are sold in parcels of not more than 2% to any arm's length third party. The shareholders agreement will terminate if the percentage holding of shares of a party in PGG Wrightson is reduced to less than 15% of total PGG Wrightson shares by way of sale of its shares.

In addition, that shareholders agreement may be terminated by agreement between the parties. If the shareholders agreement is terminated by agreement between the parties, and the Company's shareholding in PGG Wrightson is diluted as a result of any capital raising transaction undertaken by PGG Wrightson, the Company's accounting treatment for its current 20.7% shareholding in PGG Wrightson may change from equity accounting treatment to investment accounting treatment. That change could have a material adverse consequence for the Company as discussed on pages 64 and 65 of this Offer Document.

General risks

Property lending risks

MARAC holds both commercial property loans and property development loans as at the date of this Offer Document. As described on page 79 of this Offer Document, MARAC has entered into an agreement to sell the Ex-MARAC Loans to MARAC Financial Services immediately after the completion of the Rights Offer. MARAC Financial Services

will then on-sell those loans to Real Estate Credit. Real Estate Credit may ultimately sell some or all of the Ex-MARAC Loans to Torchlight Credit Fund.

Retained MARAC property Loans

Following the sale of the Ex-MARAC Loans to MARAC Financial Services and then to Real Estate Credit, MARAC will, based on the face value of the relevant loans as at 30 June 2009, retain approximately \$119 million of property development loans across 68 individual loans and approximately \$95 million of other commercial property loans across 84 individual loans. Of these property development loans, eleven loans have construction funding risk remaining.

The Group will remain exposed to any further impairments on these loans until all of these loans are repaid, recovered by enforcement or sold to a third party outside the Group.

In addition, MARAC may enter into new property loans in the future, although any new property lending undertaken by MARAC will be limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing.

MARAC has forecasted a further impaired asset expenses for property lending for the financial year ending 30 June 2010 of \$5.3 million (see note 26 of the Prospective Financial Statements contained in the Appendix to this Offer Document).

Ex-MARAC Loans

The sale of the Ex-MARAC Loans to Real Estate Credit removes a significant portion of the impaired property loans from MARAC's property loan portfolio. However, as discussed under the heading "Ex-MARAC Loans" on page 79 of this Offer Document, Real Estate Credit is a wholly owned Subsidiary of Perpetual Asset Management, meaning that the Group will still remain exposed to any further impairments on these loans after completion of the sale to Real Estate Credit until the loans are repaid, recovered by enforcement, or sold to a third party outside the Group.

This risk will also apply if Real Estate Credit sold some or all of the Ex-MARAC Loans to Torchlight Credit Fund or any other fund and such fund remained a wholly owned Subsidiary of Perpetual Asset Management. Third party investment in such fund would reduce such risk but this would be dependent on the extent of the level of dilution of Perpetual Asset Management's interest in the relevant fund.

In addition, if Real Estate Credit cannot achieve sale prices for the Ex-MARAC Loans equal to or greater than the carrying values of the Ex-MARAC Loans, on such sale of the Ex-MARAC Loans, the Group will incur losses on those loans in addition to any impairments recognised on the Ex-MARAC Loans in the financial year ended 30 June 2009.

The Company has taken a one-off charge of \$85 million (before tax) in its results for the financial year ended 30 June 2009 to reflect impairments relating to the Ex-MARAC Loans. Until the Ex-MARAC Loans are transferred outside of the Group, the Group will remain exposed to any further impairment on these loans.

Specific Risks

Property lending or holding security over property assets carries specific risks. These risks will apply to the property loans retained by MARAC as well as the Ex-MARAC Loans held by Real Estate Credit. These risks include:

- over the past 18 months, there have been well publicised negative influences on sectors of the New Zealand property market and, in most cases, this has translated into declining property asset values. It is not known when there might be any significant improvement in market conditions and the property market may worsen;
- the current state of the property market makes it difficult for lenders to recover the full amount of some loans through the realisation of their security interests and accordingly there is an increased prospect in current market conditions that loans will not be recovered in full or on a timely basis;
- purchasers may fail to complete settlement on properties when legally obliged to do so;
- as at 30 June 2009, approximately 36% (approximately \$135 million) of MARAC's property loans (including the Ex-MARAC Loans) were secured by a second ranking mortgage. Where a second ranking security interest is held, the second mortgagee's interest is dependent on the prior mortgagee's management of the enforcement and debt recovery process to recover the loan and there is no certainty that a prior ranking mortgagee will act in a manner that is beneficial to the second ranking mortgagee;
- in respect of loans which are capitalised, there is a risk that a borrower's level of equity in the property financed by a loan is diminished, particularly when property values decline, leading to an increased risk that the loan will not be recovered in full or on a timely basis. As at 30 June 2009, 80 individual property loans (including 31 individual property loans which are Ex-MARAC Loans), with a face value of approximately \$249 million (including approximately \$140 million which are Ex-MARAC Loans), were capitalised;
- property development funding is subject to risks that the development may not be completed, that there may be unexpected delays, that the costs of construction may exceed the budgeted amount and that building contractors may become insolvent or otherwise fail to complete the development. Events which negatively impact on the cash flows and profitability of a particular development project could have a material adverse effect on the borrowers to whom monies have been advanced, which may affect the ability of borrowers to meet their loan commitments; and
- insured or uninsured catastrophic events or disasters, including earthquakes, fire or weather related hazards, could affect the value of assets provided as security for loans.

Any of these risks could have a material adverse effect on the financial performance and financial condition of any

company within the Group which has exposure to property loans or which holds security over property assets.

Investors should be aware that while it is intended that the Ex -MARAC Loans will be sold to Real Estate Credit, Real Estate Credit is a wholly owned Subsidiary of Perpetual Asset Management and therefore the Group retains exposure to the Ex -MARAC Loans.

Real Estate Credit may acquire credit assets other than the Ex-MARAC Loans. If Real Estate Credit cannot achieve sale prices for any credit assets equal to or greater than the carrying values of the credit assets on sale, the Group will incur losses in respect of those assets.

External risks

There are several factors which impact the activities of the Group and its businesses over which management has little or no control, including the political and economic environment in New Zealand and legislation. The New Zealand economy is experiencing a range of adverse effects which are resulting in challenging market conditions. New Zealand's markets are influenced by the overall economic conditions in New Zealand and in the world in general. A continued and/or prolonged deterioration in general market conditions may result in reduced demand for funding or other products and services provided by the Group and, in the case of MARAC, a reduced ability of borrowers to service loans, and it may also make it more difficult for MARAC to realise assets held as security.

The Group could be affected by national or international events or occurrences which result in non-functioning financial markets and/or decreased investor and/or borrower confidence. These market risks include wars, acts of terrorism, a recession, or a downturn in a financial market or the failure of a finance market participant. Investment market events would include the developments in the global credit market and finance company failures over the past two years. These events could, for example, reduce MARAC's ability to source funds and adversely affect MARAC's borrowing margins and overall cost of funds.

Regulatory risks

The Group's businesses are required to comply with a range of statutory and regulatory requirements. Any material failure to comply with these requirements could result in damage to the reputation of the Group and/or expose the Group to financial or other penalties.

Any change to existing laws or the introduction of new laws could result in additional requirements being imposed on the Group or result in increased costs being incurred by the Group.

Impairment of assets

The assets of the Group were tested for impairment prior to the finalisation of the Group's financial statements for the financial year ended 30 June 2009. Following that review, the Company recognised an impairment of \$85 million (before tax) on the Ex-MARAC Loans and MARAC recognised an

impairment of \$4 million (before tax) in relation to the other MARAC property loans in the financial statements for the financial year ended 30 June 2009. The Group will continue to monitor its assets including property loans. As a result of general market conditions or for other reasons there may need to be future impairments of the assets of the Group. If an asset is determined to be impaired, this results in a write down in the value of that asset. An impairment would also arise if any asset were to be sold for less than its carrying value.

Failure to implement growth strategy

The successful implementation of the Company's strategies for its business divisions will drive the Group's financial performance. Any material failure of those strategies to deliver expected results could have a significant adverse impact on the Company's financial performance.

As part of the Company's strategic initiatives, the Company may expand through investing in its existing activities where opportunities fit with its strategy and add value. This strategy involves a number of risks, including:

- failure to identify material risks or liabilities associated with the acquired business or assets prior to acquisition;
- the Company failing to achieve the anticipated benefits of acquired operations due to unexpected difficulties in successfully integrating the operations of acquired companies or assets with existing operations; or
- the acquired businesses or assets may not prove to be as profitable as expected or may result in the Company incurring unforeseen liabilities.

Operational and other risks

All of the Group's businesses may be exposed to financial loss and/or damage to its reputation if operational risks are not identified and properly managed. These risks include:

- potential failure of information technology systems, business continuity planning and data integrity risk;
- a breakdown in internal control systems or operating procedures;
- the possibility of a number of key personnel leaving the businesses and the potential short-term disruption caused by seeking appropriate replacements;
- the risk that the Group or any of its businesses is the victim of fraud;
- the possibility of a dispute that results in court or arbitration proceedings that could adversely affect the Company's financial position;
- competition from both incumbent service providers and new entrants to the market in which the relevant business operates;

- the possibility of a competitor introducing new technology or products into the market or of a competitor following an aggressive pricing strategy, thereby undermining the competitiveness and/or profitability of any of the Group's businesses; and
- a natural disaster disrupting business processes and activities.

Consequences of insolvency

Shareholders would not be liable to pay any money to any person as a result of the insolvency of the Company.

All creditors of the Company would rank ahead of claims by Shareholders if the Company were liquidated. After all such creditors had been paid, the remaining assets, if any, would be available for distribution among Shareholders who would rank equally among themselves.

CAN THE INVESTMENT BE ALTERED?

Terms of Rights Offer

The terms and conditions on which Eligible Shareholders may exercise their entitlement and apply for and purchase New Shares under the Rights Offer are set out in this Offer Document. Those terms and conditions may be altered by the Company (subject to any exemption from the Securities Act obtained by the Company, see page 78 of this Offer Document for further information) by amending this Offer Document on or before the final date on which the New Shares are issued. Details of any such amendment must be filed with the Registrar of Companies.

The Company reserves the right to withdraw the Rights Offer and issue of New Shares at any time before allotment of the New Shares in its absolute discretion, in which case all Application Monies will be refunded without interest as soon as practicable.

Variation of rights of Shareholders

The rights of Shareholders are subject to the provisions of the Companies Act, the Constitution and the NZSX Listing Rules.

The Constitution may only be altered by a special resolution of Shareholders, subject to the rights of interest groups under the Companies Act or in certain circumstances by Court order. Section 117 of the Companies Act restricts the Company from taking any action which affects the rights attached to the Shares unless that action has been approved by a special resolution of each group of Shareholders whose rights are affected by the action in the same way. Under certain circumstances, a Shareholder whose rights attached to Shares are affected by a special resolution may require the Company to purchase its Shares.

A special resolution must be approved by a majority of 75% of Shareholders entitled to vote and who vote on that resolution.

HOW DO I CASH IN MY INVESTMENT?

Rights are renounceable and can be sold. It is not possible to predict what sort of price, if any, Eligible Shareholders might receive for their Rights should they choose to sell them.

There is not currently an established market for the sale of the Rights and it is not guaranteed that there will be an established market for the sale of Rights. An application has been made to NZX for quotation of the Rights and all requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Quotation of the Rights on the NZSX is expected to occur on Thursday, 1 October 2009.

Shareholders may seek to sell their New Shares once allotted following completion of the Rights Offer. Shares will be tradable subject to compliance with the Constitution and other relevant legislation and regulations (including the Takeovers Code, the NZSX Listing Rules, the Securities Markets Act and regulations made under that Act, and other applicable securities laws and regulations), and to the development and continuation of an active trading market. In the Company's opinion, there is an established market for the sale of Shares on the NZSX as at the date of this Offer Document.

No charges are payable to the Company on the sale of Shares. However, brokerage may be payable by Shareholders on the sale of Shares on the NZSX.

The New Shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document. The New Shares will be allotted and statements of holdings sent out as soon as practicable after the Closing Date. The New Shares are expected to be allotted on Tuesday, 27 October 2009.

Under the Companies Act, Shares (including New Shares) can be cancelled by the Company under a share buyback or other form of capital reconstruction. Subject to this, and subject to a Shareholder's right to sell New Shares as discussed in this section, no Shareholder, the Company, nor any other person has any right to terminate, cancel, surrender the New Shares or otherwise obtain payment of the returns from the New Shares, other than as referred to under the heading "What returns will I get?", on pages 56 and 57 of this Offer Document.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Any enquiries about the Rights Offer or the New Shares can be directed to:

The Rights Offer information line on 0800 742 541

or to:

Link Market Services Limited
138 Tancred Street
PO Box 384,
Ashburton 7740
New Zealand

Telephone 03 308 8887
Facsimile 03 308 1311
Email lmsenquiries@linkmarketservices.com

or to:

Pyne Gould Corporation Limited
233 Cambridge Terrace, Christchurch 8013
PO Box 167, Christchurch 8140
New Zealand
Attention: Company Secretary

Telephone 03 365 0000
Facsimile 03 379 8616
Email info@pgc.co.nz

If you wish to make further enquiries on purchasing and selling New Shares, or to get an update on your investment, please contact your usual investment adviser.

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

Any complaints about the New Shares can be directed to:

Pyne Gould Corporation Limited
233 Cambridge Terrace
PO Box 167
Christchurch Mail Centre
Christchurch 8140
New Zealand
Attention: Company Secretary

Telephone 03 365 0000
Facsimile 03 379 8616
Email info@pgc.co.nz

There is no ombudsman to whom complaints about the New Shares may be made.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

Offer Document and financial statements

This Offer Document comprises both an investment statement and a prospectus in respect of the Rights Offer. Additional information about the New Shares and the Company is contained or referred to in other sections of this Offer Document and in the financial statements of the Company.

A copy of this Offer Document, the Company's most recent annual financial statements, and other documents of, or relating to, the Company (including the Constitution) may be obtained, without charge, during normal business hours at the Company's registered office at 233 Cambridge Terrace, Christchurch. The financial statements of the Company are also available as part of the annual reports of the Company on the Company's website (www.pgc.co.nz).

These documents and other documents of, or relating to, the Company are also filed on a public register which can be accessed on the Companies Office website (www.companies.govt.nz). Where relevant documents are not available on the Companies Office website, copies may also be obtained (on payment of a fee) by telephoning the Companies Office Contact Centre on 0508 266 726.

Ongoing reports

Shareholders will receive on an annual basis a copy of the Company's annual report, which will include the Company's audited consolidated financial statements and a report on the activities of the Group. In addition, Shareholders will receive interim reports that will include the Company's unaudited consolidated half-yearly financial statements. In the future, the Company may adopt the procedures set out in section 209(1)(b) of the Companies Act and the NZSX Listing Rules and provide to Shareholders a notification

of the availability of the Company's half yearly report and annual report and where those documents can be accessed electronically. Shareholders would still have the right to request printed copies of these reports.

The Company is also required to make half-yearly and annual announcements to NZX, and such other announcements as are required by the NZSX Listing Rules from time to time.

Information on request

The Company is required to keep a register of all equity securities. Holders of equity securities may inspect the register, free of charge at the Company's registered office at 233 Cambridge Terrace, Christchurch.

Shareholders may also inspect the information specified in sections 215 and 216 of the Companies Act at the Company's registered office at 233 Cambridge Terrace, Christchurch.

The Company will, within 5 working days of receiving a written request from a Shareholder (at the Company's registered office at 233 Cambridge Terrace, Christchurch), send or cause to be sent without charge, to that Shareholder:

- a copy of the register of all equity securities of the Company; and/or
- a copy of any document that is made available to a Shareholder under section 215 or 216 of the Companies Act.

Shareholders may also, by written request addressed to the Company (at its registered office at 233 Cambridge Terrace, Christchurch), request the following documents free of charge (together with any other information required to be made available by law or by the NZSX Listing Rules):

- a copy of the most recent half-yearly report and annual report of the Company (together with annual audited consolidated financial statements or half-yearly unaudited consolidated financial statements, as appropriate) and all documents that are required to be incorporated in, attached to, or accompany, those financial statements; and
- a copy of this Offer Document or any subsequent investment statement or registered prospectus in respect of the New Shares.

The Company will report actual financial results for the full financial year ending 30 June 2010 against the Prospective Financial Statements in accordance with generally accepted accounting principles in the financial statements for FY2010 and, upon request from a Shareholder, provide a comparison of actual results against the Prospective Financial Statements, in accordance with section 54B of the Securities Act and regulation 23A of the Securities Regulations.

SECTION 8

STATUTORY INFORMATION

8. STATUTORY INFORMATION

This section of this Offer Document includes information required by regulation 4(2) of the Securities Regulations. That regulation requires certain limited disclosures to be made as prescribed by Schedule 1 to the Securities Regulations.

MAIN TERMS OF THE OFFER

The Company is the issuer of the New Shares offered in this Offer Document. The Company's registered office is at Pyne Gould Corporation House, 233 Cambridge Terrace, Christchurch.

The New Shares are ordinary shares of the Company and will, from the date they are issued, rank equally with existing Shares but will have no entitlement to any dividends with a record date preceding the Allotment Date of the New Shares.

The Rights Offer is a pro rata renounceable rights offer by the Company to Eligible Shareholders of 6 New Shares for every 1 Share held on the Record Date, (being 5.00 pm on Wednesday, 30 September 2009). The Application Price for New Shares under the Rights Offer is \$0.40 per New Share. The Application Price is payable in full on Application.

A fuller description of the Rights Offer and the New Shares is set out under the heading "Details of the Rights Offer" on pages 20 to 23 of this Offer Document.

A maximum of 591,577,740 New Shares are being offered in this Offer Document.

PROSPECTS AND FORECASTS

A statement as to the trading prospects of the Group, together with any material information relevant to such prospects, is set out in the section entitled "Overview of the Company's Business" on pages 30 to 40 of this Offer Document, "Overview of Prospective Financial Statements – FY2010" on pages 50 and 51 of this Offer Document and in the Appendix to this Offer Document.

The Group is subject to a number of special trade factors and risks which have the potential to affect the Group's financial performance. Any special trade factors or risks which could materially affect the prospects of the Group and which are not likely to be known or anticipated by the general public are set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document.

ISSUE EXPENSES

An underwriting fee of 2% is payable by the Company to the Underwriter on the amount underwritten in the Rights Offer.

The Underwriter may pay sub-underwriting fees to invited parties who have agreed to sub-underwrite the Rights Offer.

The Underwriter will pay a sub-underwriting fee of \$407,727 to PFHL (or an associated entity) in consideration for its agreement to sub-underwrite \$27.2 million of New Shares not subscribed for under the Rights Offer.

The Company will pay First NZ Capital a lead management fee of 1.5% of the gross proceeds raised under the Rights Offer (excluding subscriptions pursuant to the Underwriting Agreement).

The Company will also pay New Zealand Capital Partners Limited a fee for providing advisory services to the Company in relation to the Rights Offer, Placement and Share Purchase Plan of up to \$1.55 million, depending on the amount of equity capital raised under the Rights Offer, Placement and Share Purchase Plan.

The estimated amount of expenses of the Rights Offer and the Placement is \$13 million. That amount comprises accounting fees, underwriting and lead management fees, legal fees, advisory fees, registry expenses, and expenses relating to the advertising, printing and distribution of this Offer Document. Any fees or expenses payable to the Registrar and all expenses of the Rights Offer are to be paid by the Company.

The Company will also pay the Lead Manager a placement fee of 1.5% of the gross proceeds raised under the Placement.

OTHER TERMS OF OFFER AND SECURITIES

All the terms of the Rights Offer, and all terms of the New Shares being offered, are set out in this Offer Document, except those:

- implied by law; or
- which are set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Offer Document.

FINANCIAL STATEMENTS

The most recent audited consolidated financial statements of the Company for the financial year ended 30 June 2009 and prepared in compliance with the Financial Reporting Act, were included in the Company's Annual Report.

The date of the statement of financial position included in those financial statements is 30 June 2009.

PLACES OF INSPECTION OF DOCUMENTS

Copies of the audited consolidated financial statements of the Company for the financial year ended 30 June 2009 and all reports required by the Companies Act to be annexed to such financial statements can be obtained free of charge by any person to whom the Rights Offer is made by contacting the Company at the following address:

Pyne Gould Corporation Limited
233 Cambridge Terrace
PO Box 167
Chrsitchurch Mail Centre
Christchurch 8140
New Zealand
Attention: Company Secretary

Telephone 03 365 0000
Facsimile 03 379 8616
Email info@pgc.co.nz

Copies of those financial statements may also be viewed at any time on the Company's website, (www.pgc.co.nz), or on the Companies Office's website, (www.companies.govt.nz), or by telephoning the Companies Office contact centre on 0508 266 726 during normal business hours. The Companies Office may charge a fee to view or access those financial statements. If those financial statements are not available from the Companies Office, they may also be obtained by contacting the Registrar, Link Market Services Limited, on (03) 308 8887.

DIRECTORS' STATEMENT

The Directors, after due enquiry by them in relation to the period between 30 June 2009 and the date of registration of this Offer Document are of the opinion that, other than MARAC's credit rating downgrade from BBB- (Stable) to BB+ (Outlook Negative) in August 2009, and the resulting right to review under the Facility Agreement (which are discussed on pages 39, 40 and 41 of this Offer Document) and the impairment of \$85 million (before tax) on the Ex-MARAC Loans which was announced to the market on 21 July 2009 (which is discussed on page 104 of this Offer Document), no circumstances have arisen that materially adversely affect:

- the trading or profitability of the Group; or
- the value of its assets; or
- the ability of the Group to pay its liabilities due within the 12 months following the date of registration of this Offer Document.

This Offer Document has been signed by the Directors of Pyne Gould Corporation Limited (or by their authorised agent)

Samuel Richard Maling

Richard Frank Elworthy

Bruce Robertson Irvine

George Charles Desmond Kerr

Bryan William Mogridge

Stephen Christopher Montgomery

Warwick James Steel



SECTION 9

ADDITIONAL INFORMATION

9. ADDITIONAL INFORMATION

RIGHTS OFFER UNDERWRITING AGREEMENT

The Company has requested that the Underwriter underwrites the Rights Offer and the Underwriter has agreed to do so.

A summary of the principal terms of the Underwriting Agreement is set out below:

- Subject to a number of pre-conditions being satisfied, the Underwriter will subscribe (or procure subscription) at the Application Price of \$0.40 per New Share for any New Shares not subscribed for under the Rights Offer.
- The Underwriter may enter into sub-underwriting agreements.
- The Underwriter may terminate its obligations under the Underwriting Agreement on non-fulfilment of any of the conditions to the Underwriting Agreement. Those conditions include the following:
 - the Underwriter being satisfied that there has not been a Material Adverse Event (Material Adverse Event is defined in the Underwriting Agreement, and includes an event or events or any matter or matters or information which, in the Underwriter's reasonable opinion, has or is likely to have a material adverse effect on the Group or its business or prospects, the Rights Offer or this Offer Document, the price at which the existing Shares are traded, or New Shares will trade, on the NZSX, the allotment of and payment for the New Shares to be issued, the ability of the Company to issue, or the Underwriter to sell, the New Shares at the Application Price, or acceptance by the Company of valid Applications for the New Shares under the Rights Offer, the quotation of the Rights and/or the New Shares on the NZSX or the renunciation of the Rights through the NZSX or the sale, transfer or disposition of the New Shares through the NZSX or otherwise);
 - the Company not breaching any warranty given by the Company under the Underwriting Agreement;
 - there not being a decline in the NZSX 50 Index of 12.5% or more from the level at the close of trading on the business day prior to the date of the Underwriting Agreement for two consecutive business days, or if it occurs less than two business days prior to the Allotment Date, such decline is maintained until commencement of trading on the Allotment Date;
 - there not occurring an increase in the 90 Day Bank Bill Rate in New Zealand of 75 basis points or more or an increase in the 3 year New Zealand government bond rate of 75 basis points or more in each case for a period of at least two business days;
 - the Company confirming to the Underwriter, that all of the warranties given by the Company under the Underwriting Agreement remain true and correct, and are not misleading or deceptive, that the conditions have been fulfilled, that it knows of no circumstances which could result in a breach of the warranties or non-fulfilment of the conditions and that it has complied with the Underwriting Agreement;
- the credit rating assigned to MARAC at the date of the Underwriting Agreement by Standard & Poor's not being downgraded or withdrawn and has not been replaced (simultaneously with such downgrading or withdrawal) with a credit rating from another agency acceptable to the Underwriter (acting reasonably) which is recognised as being substantially equivalent to or better than Standard & Poor's;
- MARAC no longer complying with, participating in or having the benefit of the Crown Retail Deposit Guarantee Scheme, which in the reasonable opinion of the Underwriter, is likely to constitute a Material Adverse Event;
- there has not been any decrease in the 15 day rolling reinvestment rate of the Secured Debenture Stock funding book for any member of the Group below 40% which, in the reasonable opinion of the Underwriter, is likely to constitute a Material Adverse Event; and
- Perpetual Trust is not involved in, or the subject of, any litigation, arbitration, proceeding or official enquiry or investigation (other than as disclosed in this Offer Document) which, in the reasonable opinion of the Underwriter, is likely to constitute a Material Adverse Event.
- The Underwriter cannot terminate the Underwriting Agreement in the event that PGG Wrightson takes any action in respect of raising further capital.
- The Underwriter will be paid an underwriting fee of 2% (the "Underwriting Fee") of the total proceeds raised under the Rights Offer. The Underwriter will pay, out of the Underwriting Fee it receives, all firm-in-relief and sub-underwriting fees.
- However, if the Underwriting Agreement is terminated prior to the Allotment Date for non-satisfaction of a condition as a result (or substantially as a result) of any matter, event, act or circumstance within the control of the Company, then the Company is obliged to pay to the Underwriter an early termination fee of 17.5% of the Underwriting Fee, including an additional payment of 2% of the Underwriting Fee for each business day from the date of the Underwriting Agreement up to and including the date the Underwriting Agreement is terminated. If the Underwriting Agreement is terminated as a result of any matter, event or circumstance outside the control of the Company, then the relevant percentage fees referred to above payable by the Company are 10% and 2% respectively.
- Neither the Company nor any of its Subsidiaries may, without the prior written consent of the Underwriter, for a period of three months (or one month if there is no

shortfall notice given to the Underwriter) after the date of allotment of New Shares under the Rights Offer, offer for sale or accept offers for any further Shares or other equity securities of the Company, allot or issue any further Shares or other equity securities of the Company, or grant a right or option that entitles the holder to call for the issue of Shares by the Company, create any debt or other obligation convertible into Shares or other equity securities of the Company, or enter into any agreement or announce any intention to do any of the foregoing, other than in accordance with certain permitted exceptions (such exceptions include securities issued under the Placement, the Share Purchase Plan and generally, other securities issued in the ordinary course of the Group's business).

- The Company has agreed to indemnify the Underwriter and persons acting for them in connection with the underwrite against certain losses incurred as a result of the Rights Offer, the allotment of the New Shares or the Underwriting Agreement.
- The Company has given a number of warranties to the Underwriter as contained in the Underwriting Agreement, including warranties relating to the content of this Offer Document in respect of the Rights Offer, compliance by the Company and its Subsidiaries with relevant laws, no material litigation existing in respect of the Group (except to the extent disclosed), the solvency and financial position of the Group and the valid issue and allotment of New Shares pursuant to the Rights Offer.

PLACEMENT AGREEMENT

The Company and First NZ Capital intend to enter into a Placement Agreement after the Closing Date whereby First NZ Capital will agree to use reasonable endeavours to procure the subscription of between \$15 million and \$30 million of Placement Shares by institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer. The price payable by institutional and habitual investors (other than PFHL and its associates) will be determined through a bookbuild process to be conducted by First NZ Capital. PFHL (or an associated entity) must pay the higher of the Bookbuild Price or \$0.49 (which is higher than the Application Price for the Rights Offer to be paid by other Shareholders) for any Placement Shares for which it subscribes.

First NZ Capital may terminate its obligations under the Placement Agreement if certain circumstances arise, including: termination of the Underwriting Agreement (in accordance with its terms), the Company defaulting in the performance of any of its obligations under the Placement Agreement, and any representation or warranty given by the Company under the Placement Agreement is not true or correct, provided that, in each case, First NZ Capital may only terminate its obligations if, in its reasonable opinion, the circumstances have or could reasonably be expected to have, a material adverse effect on the outcome of the Placement or the Rights Offer, or the price at which Shares in the Company are traded on the NZSX after the Placement, or could reasonably be expected to give rise to a material

liability for First NZ Capital in respect of the Placement under New Zealand, Australian or any other jurisdiction's laws (except in the case where liability results from the fraud, wilful misconduct, recklessness or negligence of First NZ Capital).

The Company has agreed to indemnify First NZ Capital and persons acting for them in connection with the Placement, against certain losses incurred as a result of the Placement in compliance with the Placement Agreement.

Additional information in relation to the Placement is set out on pages 14 and 15 of this Offer Document.

NZX WAIVERS AND RULING

Introduction

NZSX Listing Rule 9.2.1 requires the Company to obtain shareholder approval for the Rights Offer to the extent that:

- the PFHL Associates act as sub-underwriters of the Rights Offer; and
- the PFHL Associates participate in the Placement.

In addition, shareholder approval for the participation of the PFHL Associates as sub-underwriters of the Rights Offer may be required under NZSX Listing Rule 9.2.1 to the extent that the Rights Offer is undersubscribed and the PFHL Associates are required to subscribe for New Shares as sub-underwriters which have a market value in excess of 10% of the Average Market Capitalisation (as that term is defined in the NZSX Listing Rules) of the Company.

The Company has been granted waivers from the requirement to obtain shareholder approval for such matters under NZSX Listing Rule 9.2.1. Details of the waivers are set out below.

Directors of the Company and Associated Persons (as that term is defined in the NZSX Listing Rules) of the Directors of the Company may participate in the Placement pursuant to NZSX Listing Rule 7.3.5, provided that the terms of issue to all persons participating in the Placement are the same. As the participation of the PFHL Associates in the Placement will require the PFHL Associates to pay the higher of the Bookbuild Price or \$0.49, shareholder approval for the Placement would be required in the absence of a waiver or ruling. The Company has been granted a ruling in respect of NZSX Listing Rule 7.3.5(b)(ii) to enable the Company to issue Shares to the PFHL Associates under the Placement without shareholder approval. Details of this ruling are set out below.

Sub-underwriting arrangements

The Company has been granted a waiver from the requirement under NZSX Listing Rule 9.2.1 to obtain shareholder approval for the PFHL Associates to act as sub-underwriters of the Rights Offer.

The waiver was granted subject to the following conditions:

- the Directors of the Company, not associated with the PFHL Associates, certify to NZX Regulation that:
 - the terms of the Underwriting Agreement between the Underwriter and the Company were negotiated on an arms' length and commercial basis;
 - the terms of the Underwriting Agreement are fair and in the best interests of the Shareholders that are not associated with the PFHL Associates; and
 - neither the PFHL Associates nor their associates influenced the decision to enter into, or the terms of, the Underwriting Agreement;
- the Underwriter certifies to NZX Regulation that:
 - the terms of the sub-underwriting arrangements were negotiated on an arms' length and commercial basis between the Underwriter and the PFHL Associates;
 - a wide selection of appropriate entities were approached in relation to the sub-underwriting arrangements for the Rights Offer having regard to the nature and size of the Rights Offer; and
- this Offer Document records the waiver and details of its conditions.

Placement – waiver

The Company has been granted a waiver from the requirement under NZSX Listing Rule 9.2.1 to obtain shareholder approval for the participation of the PFHL Associates in the Placement.

The waiver was granted subject to the following conditions:

- the Placement is conducted under a bookbuild process managed by the Underwriter, under which competitive bids from a broad range of institutions and sub-underwriters are submitted;
- the subscription price payable by the PFHL Associates in the Placement will be the higher of the Bookbuild Price or \$0.49;
- the PFHL Associates may not subscribe for any more than 21.5% of the Shares offered under the Placement, being the proportion of sub-underwriting commitments provided by the PFHL Associates in respect of the Rights Offer; and
- the Directors, not associated with the PFHL Associates, certify to NZX Regulation that the terms of the Placement are fair to, and in the best interests of, Shareholders, excluding those participating in the Placement.

Placement – ruling

The Company has also been granted a ruling that the issue of Placement Shares under the Placement is deemed to be an issue pursuant to NZSX Listing Rule 7.3.5, notwithstanding that the PFHL Associates, along with other sub-underwriters, will be given preferential allocation and required to pay the higher of the Bookbuild Price or \$0.49. As a result of this ruling, shareholder approval is not required under NZSX Listing Rule 7.3.1 to enable the Company to issue Placement Shares without shareholder approval.

The ruling was granted subject to the following conditions:

- the Directors who voted in favour of the Placement certify to NZX Regulation that the issue of the Placement Shares is of benefit to, and fair and reasonable to, those Shareholders not receiving shares under the Placement;
- the subscription price payable by the PFHL Associates under the Placement is the higher of the Bookbuild Price or \$0.49; and
- preferential allocation to the PFHL Associates under the Placement is provided only to the extent of the proportion of the sub-underwriting commitments they have provided.

SECURITIES ACT EXEMPTION

The Securities Commission has agreed to grant the Company an exemption, subject to certain conditions, from section 37A(1)(b) of the Securities Act in respect of this Offer Document and regulation 7A(4) of the Securities Regulations. This exemption, expected to be named the Securities Act (Pyne Gould Corporation Limited Share Offer) Exemption Notice 2009, will only come into force on the day after it is notified in the Gazette. The effect of this exemption is that should PGG Wrightson make any material announcement during the course of the Rights Offer, the Company may advise investors of such developments by publishing newspaper advertisements in newspapers, on the website set up for the Rights Offer and the NZX market announcement platform for the Company rather than distributing an amended investment statement and amended prospectus to investors.

In addition to any other rights of withdrawal that an Applicant may have, an Applicant whose application to purchase Shares was received prior to midnight New Zealand time on the second business day after the publication of the advertisement in accordance with the exemption, may withdraw his or her Application before 4.00 pm New Zealand time on the date which is seven days after the publication of the advertisement and be refunded in accordance with the procedure set out in the advertisement. Investors may provide notice of the withdrawal of their investment by facsimile, by emailing a scanned copy of a signed letter to the Company, or by post.

Withdrawals of applications can be sent to:

Link Market Services Limited
138 Tancred Street
PO Box 384
Ashburton 7740
New Zealand

Telephone 03 308 8887
Facsimile 03 308 1311
Email lmsequiries@linkmarketservices.com

MARAC UNDERWRITING ARRANGEMENT

On 19 December 2008, the Company and MARAC entered into the MARAC Underwriting Arrangement under which the Company agreed that it would underwrite up to \$25 million of MARAC's property loans. The amount of the underwrite was increased to \$85 million on 30 June 2009 and has subsequently been amended. The underwrite expires on 30 June 2011 unless the parties otherwise agree in writing.

Under the terms of the underwrite, the MARAC credit committee meets on a quarterly basis to determine what provision (or adjustment to existing provisions) should be made in respect of MARAC's portfolio of property loans. MARAC may at any time thereafter deliver a notice to the Company requiring the Company to underwrite some or all of the provisioning assessed by the credit committee. The Company is irrevocably obliged to underwrite the relevant provisioning up to the limit of the underwrite of \$85 million. To the extent that subsequently the credit committee of MARAC writes off an amount of a provisioned loan equal to or less than the provisioned amount of that loan underwritten by the Company (the "actual shortfall amount") the Company must within 5 business days pay to MARAC the actual shortfall amount. On the payment of the actual shortfall amount of any property loan, the Company may require that legal ownership of the relevant property loan is transferred to the Company, subject to all required consents being obtained under MARAC's existing trust and banking facilities.

As at 30 June 2009, MARAC had given notices requiring the Company to underwrite \$85 million of property loans. Upon completion of the sale of the Ex-MARAC Loans to Real Estate Credit, MARAC will give a notice to the Company advising it that the relevant loans have been transferred to Real Estate Credit and are no longer covered by the underwrite. However, the Company will give a guarantee to MARAC in relation to the MARAC Financial Services Loan Note to be issued by MARAC Financial Services to MARAC as part of the consideration for the sale of the Ex-MARAC Loans (described further below under the heading "Ex-MARAC Loans").

EX-MARAC LOANS

The Ex-MARAC Loans will be sold by MARAC to Real Estate Credit through a series of inter-group transactions consisting of the sale by MARAC of the Ex-MARAC Loans to MARAC Financial Services and the contemporaneous sale by MARAC Financial Services of the Ex-MARAC Loans to Real Estate Credit. These transactions are described in further detail below.

MARAC has obtained the consent of the Banking Syndicate and The New Zealand Guardian Trust Company Limited, as trustee under the Debenture Trust Deed, to the sale of the Ex-MARAC Loans to MARAC Financial Services and Real Estate Credit. These consents are subject to certain conditions, including the entry by MARAC, MARAC Financial Services, Perpetual Asset Management and the Company into the agreed form documents described

below. A number of the conditions can not be satisfied until completion of the Rights Offer. The Company has procured that any conditions which can be satisfied as at the date of this Offer Document have been satisfied.

Immediately after completion of the Rights Offer, the Ex-MARAC Loans will be sold by MARAC to MARAC Financial Services for face value, being approximately \$175 million (including accrued interest) at the time of sale. The consideration for this sale will be satisfied by the issue by MARAC Financial Services of the MARAC Financial Services Loan Note for \$50 million to MARAC and the balance being paid in cash (expected to be approximately \$125 million). MARAC Financial Services will then recognise an impairment of \$85 million (before tax) on the Ex-MARAC Loans.

Under the MARAC Financial Services Loan Note, MARAC Financial Services will agree to repay MARAC the residual \$50 million (together with accrued and capitalised interest) owed by MARAC Financial Services to MARAC as consideration for the sale of the Ex-MARAC Loans. The terms of the MARAC Financial Services Loan Note require repayment of this \$50 million (together with accrued and capitalised interest) on or before 1 July 2010. Failure to repay these amounts in full will be an immediate event of default by MARAC Financial Services under the MARAC Financial Services Loan Note, which will allow MARAC (or, on MARAC's behalf, the trustee under the Debenture Trust Deed or the agent for the Banking Syndicate) to demand repayment by MARAC Financial Services of the residual balance of this loan and commence enforcement action against MARAC Financial Services. In addition MARAC (or, on MARAC's behalf, the trustee under the Debenture Trust Deed or the agent for the Banking Syndicate) can make demand on the Company as guarantor of the obligations of MARAC Financial Services under the MARAC Financial Services Loan Note, and could commence enforcement action against the Company (including by way of appointment of a receiver to the Company under the general security deed entered into by the Company in favour of MARAC as security for its obligations as guarantor of the obligations of MARAC Financial Services in respect of the sale of the Ex-MARAC Loans to Real Estate Credit, including MARAC Financial Services' obligations under the MARAC Financial Services Loan Note).

Real Estate Credit has entered into an agreement with MARAC Financial Services to purchase the Ex-MARAC Loans immediately after completion of the Rights Offer for \$90 million. The consideration for this purchase will be satisfied by way of the issue of \$90 million of capital in Real Estate Credit to Perpetual Asset Management (as nominee of MARAC Financial Services), resulting in Perpetual Asset Management owing a debt to MARAC Financial Services of \$90 million. Perpetual Asset Management and MARAC Financial Services will enter into a loan agreement in relation to this debt. Pursuant to this loan agreement, MARAC Financial Services will assign to the Company the benefit of the \$90 million debt owed by Perpetual Asset Management in part repayment of existing debts owed by MARAC Financial Services to the Company.

SYNDICATED BANK FACILITY

MARAC events of review

Set out below is a summary of the events of review under the Syndicated Bank Facility:

- any person or group of persons acting in concert acquires or holds more than 50% of the issued ordinary voting share capital of the Company;
- MARAC fails to maintain its current BB+ (Outlook Negative) long term rating from Standard & Poor's in relation to its unsecured and unsubordinated debt obligations;
- the Crown Retail Deposit Guarantee Scheme expires, is withdrawn or otherwise ceases to be in full force and effect, or by 30 June 2010 MARAC has not formally applied to Treasury to participate in the Crown Retail Deposit Guarantee Scheme for a period of at least 14 months (or such lesser period as the majority lenders under the Facility Agreement may agree) beyond 12 October 2010, or MARAC breaches in a material respect any of its obligations under the Crown Retail Deposit Guarantee Scheme; and
- the Rights Offer does not occur prior to 30 November 2009 in a net amount of not less than \$200 million or the proposed transactions in connection with the Ex-MARAC Loans are not completed within two business days of the

allotment of New Shares in connection with the Rights Offer, including (without limitation) the receipt by MARAC of \$160 million in connection with those transactions.

As a result of an event of review, the Banking Syndicate can require that the terms of the Facility Agreement be renegotiated. The period of negotiation is either 15 days or 30 days depending on the nature of the event of review. If, following the negotiation period, the parties have not agreed terms on which the Banking Syndicate is willing to continue to make available the facilities evidenced by the Facility Agreement, the majority lenders (as defined in the Facility Agreement) may give notice cancelling the facility and requiring its repayment. MARAC must repay the facility within either 30 days or 60 days (depending on the nature of the original event of review).

Banking covenants

Set out below is a summary of the covenants which MARAC must comply with under the terms of the Syndicated Bank Facility. A failure by MARAC to comply with these covenants would result in an immediate event of default under the Facility Agreement; other than in respect of the quarterly liquidity ratio at (c) below (in respect of which MARAC has a 30 day grace period to remedy the breach). Investors should be aware that these covenants may change in the future or MARAC may enter into new financing arrangements which require compliance with different covenants.

COVENANT	LIMIT
• Tangible Net Worth Ratio	at all times not less than 9%
• Interest Cover Ratio	at the last day of each financial quarter EBIT not less than 1.2 times Interest and Financing Costs
• Quarterly Liquidity Ratio	(at all times)
- Period to (and excluding) 26 August 2009	110%
- Period from (and including) 26 August 2009 to (and excluding) the Completion Date	100%
- Period on and after the Completion Date	110%
• Single Borrower Exposure	20% of Tangible Net Worth 23% (where Largest Single Borrower is Kea Campers (New Zealand) Limited) of Tangible Net Worth NB: Bank consent has been obtained for the loan to MARAC Financial Services in relation to the Ex-MARAC Loans
• Impaired Assets	Not exceed 3% of aggregate of all loans or other receivables (excluding any such loan or receivable which is subject to a provision or write-off or otherwise impaired)

Below is a further explanation of how these financial covenants are calculated.

(a) Tangible Net Worth Ratio

At all times the ratio of Tangible Net Worth to Total Tangible Assets shall not be less than 9%.

(b) Interest Cover Ratio

As at the last day of each Relevant Period, EBIT shall not be less than 1.2 times the Interest and Financing Costs, in each case in respect of that Relevant Period.

(c) Quarterly Liquidity Ratio

At all times the ratio (expressed as a percentage) obtained from the following formula shall not be less than:

- (i) in relation to the period to (and excluding) 26 August 2009, 110%;
- (ii) in relation to the period from (and including) 26 August 2009 to (and excluding) the Completion Date, 100%; and
- (iii) thereafter, 110%:

$$\frac{A+B+C+D}{E + F}$$

where:

A = Cash and Securities;

B = the Undrawn Committed Facility Amount;

C = Receivables < 90 Days;

D = the Undrawn Securitisation Liquidity currently available to be drawn at that date, but if at that date an amortisation event in respect of any Securitisation Vehicle applies or continues then "D" shall be treated as zero;

E = Retail Borrowings < 90 Days; and

F = Wholesale Borrowings < 90 Days,

in each case as at the relevant date.

(d) Single Borrower Exposure

At all times the indebtedness of the Largest Single Borrower to the MARAC Group shall not exceed an amount equal to:

- (i) 20%; or
- (ii) where such Largest Single Borrower is Kea Campers (New Zealand) Limited, 23%,

of Tangible Net Worth as at the relevant date.

Note: Bank consent has been obtained for the loan to MARAC Financial Services in relation to the Ex-MARAC Loans.

(e) Impaired Assets

- (i) In relation to the period to (and excluding) the Completion Date as at the last day of each Relevant Period, the amount derived from the formula:

$$A - B + C - D$$

shall not exceed an amount equal to 3% of the aggregate of all loans or other finance receivables (excluding any such loan or receivable which is subject to a provision or write-off or otherwise impaired) owing to the MARAC Group on a consolidated basis as at the last day of that Relevant Period, where:

A = the aggregate amount of all debts written off by the MARAC Group in that Relevant Period;

B = the aggregate amount of recoveries received by the MARAC Group in that Relevant Period in respect of debts which had been written off prior to the Relevant Period;

C = the net change in loan loss provisions of the MARAC Group over that Relevant Period (and where the net change is a negative figure then "C" shall be a negative figure); and

D = at any time when the Underwriting Guarantee is in full force and effect, the maximum principal amount of the Underwriting Guarantee at that time,

in each case calculated on a consolidated basis;

- (ii) in relation to the period from (and including) the Completion Date as at the last day of each Relevant Period, the amount derived from the formula:

$$A - B + C$$

shall not exceed an amount equal to 3% of the aggregate of all loans or other finance receivables (excluding any such loan or receivable which is subject to a provision or write-off or otherwise impaired) owing to the MARAC Group on a consolidated basis as at the last day of that Relevant Period, where:

A = the aggregate amount of all debts written off by the MARAC Group in that Relevant Period;

B = the aggregate amount of recoveries received by the MARAC Group in that Relevant Period in respect of debts which had been written off prior to the Relevant Period; and

C = the net change in loan loss provisions of the MARAC Group over that Relevant Period (and where the net change is a negative figure then "C" shall be a negative figure),

in each case calculated on a consolidated basis.

No set-off or netting of provisions for impaired assets against any guarantee, put option, underwrite or other undertaking provided by any party in relation to those impaired assets (but which is unrelated to the security provided by or for any particular borrower or borrowers) is allowed for the purposes of calculating any financial covenants above unless:

- (i) the party providing such guarantee, put option, underwrite or other undertaking:
 - (A) has a long term credit rating of at least AA from Standard & Poor's (or an equivalent internationally recognised credit agency); and
 - (B) is approved by the majority lenders (as defined under the Facility Agreement); and
- (ii) the terms of such guarantee, put option, underwrite or other undertaking are approved by the majority lenders (as defined under the Facility Agreement).

For the avoidance of doubt the Underwriting Guarantee has been approved by the majority lenders (as defined under the Facility Agreement) for the purposes of paragraph (e)(i) above.

DEBENTURE TRUST DEED

Set out below is a summary of the financial covenants which MARAC must comply with under the terms of the Debenture Trust Deed. Capitalised terms used in this section are defined in the Debenture Trust Deed (pages 2 to 11), a copy of which may be viewed on the Companies Office's website (www.companies.govt.nz), or by telephoning the Companies Office contact centre, on 0508 266 726, during normal business hours. A copy may also be obtained on request from the Company.

Each of MARAC and the Charging Subsidiaries covenants with the Trustee that none of them will at any time:

- (a) permit the Total Liabilities less the aggregate of all moneys held by the Trustee pursuant to the Debenture Trust Deed to exceed an amount equal to the aggregate of: (A) 91% of the Adjusted Total Tangible Assets after deducting therefrom the aggregate of all moneys held by the Trustee pursuant to the Debenture Trust Deed, and (B) 4% of the Market Worth of the Authorised Investments at the Reference Date; and
- (b) borrow any money on the security of any Prior Charge when the aggregate of all principal moneys then secured by existing Prior Charges plus the moneys so proposed to be borrowed and secured would exceed 10% of the Adjusted Total Tangible Assets, provided always that:
 - (i) nothing herein contained shall prevent MARAC or any Charging Subsidiary from borrowing any moneys so as to exceed the limit imposed in sub-paragraph (a) above if the moneys so borrowed are within three months of such borrowing to be applied in repaying any Liabilities (and two Directors on behalf of the

Directors so certify) and the Charging Group would not thereafter be in breach of such limit, and

- (ii) if at any time MARAC is unable to take credit in Total Tangible Assets in respect of any contingent or other liability on any unpaid shares for the reason that the Trustee has withdrawn its approval to a holder of any such shares (such approval being required by the definition of Total Tangible Assets) and as a result of such withdrawal of approval only MARAC shall be in breach of the limit imposed by sub-paragraph (a) above the Trustee shall not be entitled to declare the Moneys Hereby Secured to have become immediately due and payable but MARAC shall not accept any further Deposits or issue any further Stock unless it can do so without breach of such limit.

If the Trustee has reasonable grounds at any time for believing that the Charging Group has or is likely to have committed a breach of the covenant described in (a) above, it may in its absolute discretion direct MARAC not to accept any further Deposits or issue any Stock or, accept Deposits or issue Stock in excess of limits imposed by the Trustee, until further notice from the Trustee.

MARAC covenants with the Trustee that it will by the fifteenth day of the third month (or such later date as the Trustee shall in writing agree) after the last days of March, June, September and December in each year (each such last day being herein referred to in this paragraph as "the quarterly date") and at such other dates as MARAC may determine and if so required by the Trustee on or before the last day of the month following the month during which the Trustee shall request the same (which request shall only be made if the Trustee considers that special circumstances warrant such request and so certifies in writing to MARAC specifying such special circumstances) furnish to the Trustee a certificate signed by two Directors on behalf of the Directors which, amongst other things, records that as at the close of business on the relevant quarterly date (or such other date as aforesaid) the following was the position of MARAC under the Debenture Trust Deed as disclosed by a Balance Sheet prepared as at that date:

- (a) Adjusted Total Tangible Assets (after deducting therefrom all moneys held by the Trustee pursuant to the Debenture Trust Deed) – not less than:
 - (i) 91% of the above;
 - (ii) 4% of Market Worth of Authorised Investments;
 - (iii) Total of (i) and (ii);
 - (iv) Total Liabilities after deducting therefrom all moneys held by the Trustee pursuant to the Debenture Trust Deed;
 - (v) Margin in clause 7.01(a) in limitation being (iii) minus (iv).

SECTION 10

GLOSSARY

10. GLOSSARY

Allotment Date	Tuesday, 27 October 2009, or such other date as the Company may determine
Annual Report	the Company's most recent annual report incorporating its audited consolidated financial statements for FY2009
Applicant	an investor whose Application for New Shares has been received by the Registrar prior to the Closing Date
Application	an application to subscribe for New Shares under this Offer Document
Application Monies	monies received from Applicants in respect of their Applications
Application Price	\$0.40 per New Share
Banking Syndicate	ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia, Westpac Banking Corporation and The Hongkong and Shanghai Banking Corporation Limited
Bill	a bill of exchange as defined in the Bills of Exchange Act 1908
Board	the board of directors of the Company
Bookbuild Price	the issue price for the Placement Shares set by a competitive bookbuild process
Borrowed Moneys	any indebtedness: (a) for or in respect of money borrowed or raised (whether or not for cash) by whatever means (including acceptances, deposits, discounting, factorings, finance or capital leases, forward exchange contracts, forward rate agreements, forward rate bill agreements, futures contracts, hire purchases, interest rate or currency swaps, loans, option contracts, sale-and-lease backs, sale-and-repurchases, swaptions and any form of "off-balance sheet" financings); or (b) for the deferred purchase price of assets or services (other than goods or services obtained on normal commercial terms in the ordinary course of trading)
Cash	cash and on-call funds held with certain financiers of MARAC who are providers of certain committed facilities to MARAC and who are registered banks
Cash and Securities	at any date, in respect of the MARAC Group, the aggregate of Cash, bank endorsed commercial Bills and government securities which would be disclosed if a consolidated statement of financial position of the MARAC Group were prepared as at that date in accordance with GAAP
Closing Date	5.00 pm on Monday, 19 October 2009, or such other date as the Company determines
Companies Act	the Companies Act 1993
Company	Pyne Gould Corporation Limited

Completion Date	<p>the date on which all of the following have occurred:</p> <p>(a) the Company completes a successful equity capital raising with net proceeds of not less than \$200 million; and</p> <p>(b) MARAC receiving in immediately available funds:</p> <p>(i) a sum in cash of not less than \$125 million in part payment of the purchase price for the sale of certain impaired Receivables with an aggregate face value of up to \$175 million (including accrued interest) to MARAC Financial Services; and</p> <p>(ii) a sum in cash of not less than \$35 million representing the proceeds of an issue of MARAC's shares to MARAC Financial Services,</p> <p>and completing certain related transactions in connection with the disposal of those impaired Receivables</p>
Consolidated MARAC Group	MARAC and all its Subsidiaries (for the avoidance of doubt, including any Securitisation Vehicle which would be required to be consolidated for financial reporting purposes pursuant to International Financial Reporting Standards)
Constitution	the constitution of the Company adopted on 29 October 2004
Crown Retail Deposit Guarantee Scheme	the retail deposit guarantee scheme announced by the New Zealand Government on 12 October 2008 pursuant to which the New Zealand Government guarantees certain payments in respect of certain retail deposits of participating New Zealand registered banks and deposit-taking entities
Debenture Trust Deed	the trust deed dated 9 March 1984, as amended by Deed of Variation dated 1 March 2002, Trust Deed Amendment (PPSA) dated 22 October 2002, and Deed of Variation of Trust Deed dated 16 June 2008, between MARAC its charging Subsidiaries (if any) from time to time and The New Zealand Guardian Trust Company Limited
Director	a director of the Company
EBIT	in relation to any period, the consolidated net profit derived from continuing trading operations for that period for the Consolidated MARAC Group, before Interest and Financing Costs and taxation during that period for the Consolidated MARAC Group which would be disclosed if a consolidated statement of financial performance of the Consolidated MARAC Group were prepared as at the last day of that period in accordance with GAAP
Eligible Shareholders	all Shareholders with registered addresses in New Zealand in the share register of the Company as at the Record Date
Eligible Receivables	at any date Receivables owned by any member of the MARAC Group which qualify as eligible receivables (however defined) under the eligibility criteria applicable to the relevant Securitisation Vehicle
Entitlement and Acceptance Form	the entitlement and acceptance form to be completed by Eligible Shareholders applying for New Shares under the Rights Offer (and which accompanies this Offer Document)
EPAM	Equity Partners Asset Management Limited, being the sole shareholder of EPIM
EPIC	Equity Partners Infrastructure Company No.1 Limited
EPIM	Equity Partners Infrastructure Management Limited, being the manager of EPIC
Ex-MARAC Loans	MARAC property loans having a face value at the time of sale of approximately \$175 million including accrued interest which will be sold by MARAC to MARAC Financial Services and then to Real Estate Credit

Facility Agreement	the cash advances facility agreement dated 28 March 2008 between MARAC, ANZ National Bank Limited and Westpac Banking Corporation as arrangers, ANZ National Bank Limited as agent and the financial institutions listed therein as original lenders, as amended from time to time
Financial Reporting Act	the Financial Reporting Act 1993
First NZ Capital	First NZ Capital Securities Limited
FY2008	the financial year ended 30 June 2008
FY2009	the financial year ended 30 June 2009
FY2010	the financial year ending 30 June 2010
GAAP	has the meaning given to the term generally accepted accounting practice in the Financial Reporting Act
Group	the Company and its Subsidiaries
Interest and Financing Costs	<p>for any period in relation to the Consolidated MARAC Group, all interest and other financing costs incurred, including:</p> <p>(a) discounts or similar allowances on the issue or disposal of debt instruments, finance charges under finance leases, dividends paid or repayable on redeemable shares, other expenses and amounts treated as interest or financing costs under GAAP; and</p> <p>(b) realised losses and profits in relation to Borrowed Moneys denominated in a foreign currency and in relation to swaps and foreign exchange and other hedging transactions,</p> <p>which would be disclosed if a consolidated statement of financial performance of the Consolidated MARAC Group were prepared as at the last day of that period in accordance with GAAP but does not include a restructuring fee payable by MARAC to the lenders under the Facility Agreement in connection with a restructure of facilities evidenced by the Facility Agreement</p>
Largest Single Borrower	at any time, the single borrower and/or group of related parties to whom MARAC has made available (whether drawn or undrawn) the largest aggregate principal amount of facilities
Lead Manager	First NZ Capital Securities Limited
MARAC	MARAC Finance Limited
MARAC Financial Services	MARAC Financial Services Limited, being a wholly owned subsidiary of the Company
MARAC Financial Services Loan Note	the \$50 million loan note to be issued by MARAC Financial Services to MARAC as part of the consideration for the sale of the Ex-MARAC Loans from MARAC to MARAC Financial Services
MARAC Group	<p>MARAC and all its Subsidiaries other than the Securitisation Vehicles. For accounting purposes (notwithstanding the operation of the International Financial Reporting Standards) and in particular for the purpose of determining compliance with the financial ratios (other than the Interest Cover Ratio), all references to the "MARAC Group" will refer to the financial position and financial performance of the MARAC Group as it would appear if it derecognised the receivables sold to any Securitisation Vehicle, on which basis:</p> <p>(a) the MARAC Group's interest in the Securitisation Vehicles would be reflected as a net investment comprising the total of its Securitisation Vehicle Subordinated Debt Investment and its Securitisation Vehicle Mezzanine Debt Investment; and</p> <p>(b) the MARAC Group's financial performance would reflect a single net surplus of the Securitisation Vehicles received as a beneficiary distribution</p>

MARAC Insurance	MARAC Insurance Limited
MARAC Underwriting Arrangement	the MARAC underwriting arrangement described under the heading "MARAC Underwriting Arrangement" on page 79 of this Offer Document
Master Trust Deed	the trust deed dated 15 August 2007 between MARAC and New Zealand Permanent Trustees Limited
Moto Hospitality	Moto Hospitality Limited, a company incorporated in England and Wales
NBDT or NBDTs	non-bank deposit taker, being any deposit taker, as defined in the Reserve Bank Act, but excluding, amongst others, a registered bank under the Reserve Bank Act
New Shares	the new Shares to be issued pursuant to the Rights Offer
NZ IFRS	the New Zealand equivalents to the International Financial Reporting Standards as adopted by the New Zealand Accounting Standards Review Board
NZDX	the debt security market operated by NZX
NZSX	the main board equity security market operated by NZX or any alternative or substitute market for Shares or other arrangement in New Zealand on or through which Shares may be freely traded and which is generally regarded as the principal such market or arrangement for the trading of Shares in New Zealand
NZSX Listing Rules	the listing rules of the NZSX
NZX	NZX Limited
NZX Primary Market Participant	an entity designated as such under the NZX participant rules
Offer Document	this document comprising a combined investment statement and prospectus and dated 23 September 2009
Perpetual Asset Management	Perpetual Asset Management Limited
Perpetual Trust	Perpetual Trust Limited
PFHL	Pyne Family Holdings Limited
PFHL Associates	PFHL and any Associate (as defined in the Takeovers Code Approval Order 2000) or any Associated Person (as defined in the NZSX Listing Rules)
PFHL Firm-in-Relief Commitment Letter	the agreement between PFHL and the Underwriter, under which PFHL irrevocably commits to take-up all of its Rights under the Rights Offer
PGG Wrightson	PGG Wrightson Limited
Placement	the proposed placement of between \$15 million and \$30 million worth of Shares to institutional and habitual investors, including non-broker sub-underwriters of the Rights Offer
Placement Agreement	the agreement dated 23 September 2009 relating to the terms of the Placement between First NZ Capital and the Company
Placement Shares	Shares in the Company issued under the Placement
Principal Money Indebtedness	at any date the principal amount of any indebtedness for Borrowed Moneys of the MARAC Group which would be disclosed if a consolidated statement of financial position of the MARAC Group were prepared as at that date in accordance with GAAP

Prospective Period	the financial year ending 30 June 2010
Prospective Financial Statements	the prospective financial statements set out in the Appendix to this Offer Document
Real Estate Credit	Real Estate Credit Limited, being a wholly owned subsidiary of Perpetual Asset Management
Receivables	at any date and in relation to the MARAC Group, all indebtedness owing to the MARAC Group including loans, leases and any other finance receivables less any provision for bad or doubtful debts in relation to such receivables
Receivables < 90 Days	at any date the aggregate of that part of the MARAC Group's portfolio of Receivables for which repayment is expected within 90 days excluding: <ul style="list-style-type: none"> (a) any Receivables which are subject to any provision or write-off or which are otherwise impaired to the extent of such provision or impairment; and (b) for the avoidance of doubt, any Receivables for which there is no expectation of payment within 90 days
Record Date	5.00 pm on Wednesday, 30 September 2009
Registrar	Link Market Services Limited
Relevant Period	each period of twelve months ending on the last day of each financial quarter of MARAC (such dates being 31 March, 30 June, 30 September and 31 December)
Reserve Bank	Reserve Bank of New Zealand
Reserve Bank Act	Reserve Bank of New Zealand Act 1989
Retail Borrowings	at any date the Principal Money Indebtedness which consists of debentures, stock, notes, bonds or other securities issued to, or with the intention of resale to, members of the New Zealand public, whether pursuant to the Debenture Trust Deed or otherwise
Retail Borrowings < 90 Days	at any date that part of the MARAC Group's Retail Borrowings for which repayment is due within 90 days
Rights	the entitlement of each Eligible Shareholder to subscribe for 6 New Shares for every 1 Share held on the Record Date
Rights Offer	the offer of New Shares in the Company to Eligible Shareholders under the pro rata renounceable rights offer made under this Offer Document
S&P Investment Grade Rating	means in relation to an entity, a long term credit rating of at least BBB- (Stable) assisted by Standard & Poor's to the unsecured and unsubordinated debt obligations of that entity
Secured Bonds¹⁷	the NZDX listed secured bonds issued by MARAC pursuant to the Debenture Trust Deed
Secured Debenture Stock¹⁷	the secured debenture stock issued by MARAC pursuant to the Debenture Trust Deed

¹⁷ The Debenture Trust Deed for the Secured Debenture Stock and Secured Bonds contains a first ranking floating charge and security interest given by MARAC in favour of the Trustee, being The New Zealand Guardian Trust Company Limited ("Trustee") for the benefit of stockholders, which includes Secured Debenture Stockholders and bondholders. The security given by MARAC to the Trustee is over all of MARAC's business and all non-securitized assets, both present and future, subject to permitted prior charges (currently none) and statutorily preferred claims. The security given by MARAC to the Trustee does not extend to those assets ring fenced for securitisation funding.

Securities Act	the Securities Act 1978
Securities Markets Act	the Securities Markets Act 1988
Securities Regulations	the Securities Regulations 1983
Securitisation Facility	the securitisation facility as described under the heading “Securitisation Facility”, on page 40 of this Offer Document
Securitisation Facility Agreement	the Liquidity Facility Agreement MARAC ABCP Trust 1 dated 15 August 2007 between the Financial Institutions listed in Schedule 1 of that agreement, New Zealand Permanent Trustees Limited, MARAC and Westpac Banking Corporation (as amended)
Securitisation Trust	the trust established pursuant to the Master Trust Deed and a supplemental deed dated 15 August 2007 between MARAC, New Zealand Permanent Trustees Limited and Nissan Finance New Zealand Limited
Securitisation Vehicle	means any of: <ul style="list-style-type: none"> (a) the Securitisation Trust; and (b) any sub-trusts subsequently established under the Master Trust Deed
Securitisation Vehicle Mezzanine Debt Investment	at any date the aggregate amount of investment held by MARAC in the Securitisation Vehicle that ranks ahead of other subordinated debt in the Securitisation Vehicle to the extent that it has or exhibits equivalent characteristics of an S&P Investment Grade Rating
Securitisation Vehicle Subordinated Debt Investment	at any date the aggregate amount of investment held by MARAC in the Securitisation Vehicle that is subordinated to other liabilities of the Securitisation Vehicle and has characteristics of equity
Shareholder	a registered holder of Shares from time to time
Shares	fully paid ordinary shares in the Company of the class quoted on the NZSX or the shares that result if such ordinary shares in the Company are, at any time, subdivided, consolidated or reclassified after the date of this Offer Document
Share Purchase Plan	the proposed offer of Shares of up to \$5,000 per Shareholder, pursuant to NZSX Listing Rule 7.3.4(c) and the (NZX Share and Unit Purchase Plans) Exemption Notice 2005, which will be undertaken by the Company following completion of the Rights Offer and Placement
SMEs	small and medium sized enterprises
Standard & Poor’s	Standard & Poor’s (Australia) Pty Limited
Subsidiary	in relation to an entity, another entity which is: <ul style="list-style-type: none"> (a) a subsidiary of the first entity, within the meaning of section 5 of the Companies Act; or (b) a subsidiary of or otherwise controlled by the first entity within the meaning of any approved accounting standard, and “ Subsidiaries ” means two or more of them
Syndicated Bank Facility	the bank facility provided by the Banking Syndicate in accordance with the Facility Agreement

Tangible Net Worth	Total Tangible Assets less Total Liabilities
Thames Water	Thames Water Limited, a company incorporated in England and Wales (formerly having the name "Thames Water PLC")
Torchlight Credit Fund	an unlisted fund which is expected to be established by Perpetual Asset Management as described on page 44 of this Offer Document
Total Liabilities	<p>at any date, all liabilities and provisions which are regarded as liabilities under GAAP, including without limitation:</p> <p>(a) provisions for income and other taxes (other than any provision for deferred taxes to the extent that the payment of such taxes is contingent on the earning of future profits); and</p> <p>(b) dividends recommended, declared or accrued but unpaid,</p> <p>and also includes amounts payable on redemption of redeemable preference shares, which would be disclosed if a consolidated statement of financial position of the MARAC Group were prepared as at that date in accordance with GAAP</p>
Total Tangible Assets	at any date, all assets except assets which according to GAAP would be considered to be intangible assets (and for the avoidance of doubt future income tax benefits are to be regarded as intangible assets), which would be disclosed if a consolidated statement of financial position of the MARAC Group were prepared as at that date in accordance with GAAP but after excluding (to the extent otherwise included) the Securitisation Vehicle Mezzanine Debt Investment and the Securitisation Vehicle Subordinated Debt Investment
Treasury	the Treasury department of the Government of New Zealand
Underwriter	First NZ Capital Securities Limited
Underwriting Agreement	the underwriting agreement dated 23 September 2009 relating to the Rights Offer between the Underwriter and the Company
Underwriting Guarantee	the guarantee and indemnity by the Company in favour of the lenders under the Facility Agreement in respect of MARAC's obligations to the lenders under the Facility Agreement, limited (upon the terms set out therein) to \$85 million less the aggregate amount, if any, irrevocably unconditionally paid in cash by the Company to MARAC under the MARAC Underwriting Arrangement between the Company and MARAC

Undrawn Committed Facility Amount

at any date in relation to the MARAC Group an amount equal to:

- (a) the aggregate principal amount of the committed facilities (whether drawn or not) provided to the MARAC Group and currently available to be drawn at that date, in each case pursuant to the Facility Agreement; less
- (b) the aggregate amount of principal outstandings under those committed facilities,

provided that for the purposes of this definition:

- (c) the committed facilities shall not include certain commitments of the Banking Syndicate under day to day transactional banking facilities; and
- (d) the Undrawn Committed Facility Amount shall be deemed to be zero for so long as an event of default, a potential event of default or an event of review (in each case as defined in the Facility Agreement) continues unremedied or unwaived or to the extent the committed facilities under the Facility Agreement are otherwise unavailable in terms of accessing additional drawn amounts

Undrawn Securitisation Liquidity

at any date the lesser of (A) Eligible Receivables owned by the MARAC Group and (B) the amount obtained from the formula $A - B - C$,

where:

- A = the aggregate facility limit of committed standby liquidity facilities maintained by a Securitisation Vehicle at the relevant date and which are, at that date, capable of being borrowed without breaching the relevant facility documentation;
- B = the aggregate at the relevant date of the principal amount of Borrowed Moneys owing under the facilities referred to in paragraph A; and
- C = the aggregate principal amount of Borrowed Moneys owing under any commercial paper programmes or facilities in respect of which the facilities referred to in paragraph A above provide liquidity support

Wholesale Borrowings < 90 Days

at any date the Principal Money Indebtedness owing to banks and other financial institutions pursuant to borrowings made in the wholesale market which are due to be repaid during the 90 day period following the relevant date and which are not able to be re-borrowed pursuant to an existing commitment at the relevant date



APPENDIX

APPENDIX

PROSPECTIVE FINANCIAL STATEMENTS

Introduction and basis of preparation

The Prospective Financial Statements included in this Appendix represent the consolidated group position of the Company, its subsidiaries and associate¹⁸ (together, for purposes of this Appendix, the "Group"). The Prospective Financial Statements include on a consolidated basis a prospective income statement, balance sheet, statement of recognised income and expense and cash flow statement, prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS-42). This Appendix also includes assumptions pertaining to the prospective financial information, reference to the accounting policies of the Group and a sensitivity analysis.

The Prospective Financial Statements, including the assumptions on which they are based, are the responsibility of, and have been prepared by, the Directors. The Directors have given due care and attention to the preparation of the Prospective Financial Statements, including the underlying assumptions.

Forecasts by their nature, however, are inherently uncertain. They are predictions of future events which cannot be assured. They involve risks and uncertainties many of which are beyond the control of the Group. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. The likelihood of these occurrences is accentuated by the current volatile global economic environment. Furthermore, various risk factors and the management of those risks (refer to the description of the principal risks affecting the Group under the heading "What are my risks?" on pages 58 to 68 of this Offer Document) may influence the success of the Group's businesses. Accordingly, actual results will vary from the Prospective Financial Statements, and these variations may be significantly more or less favourable. Therefore, the Directors cannot and do not guarantee the achievement of the prospective financial information shown in this Appendix. Investors should also consider the cautionary statements about forward-looking statements under the heading "Future performance and forward-looking statements" on page 6 of this Offer Document.

The Prospective Financial Statements were prepared and authorised by the Directors as at 23 September 2009 for use in this Offer Document and not for any other purpose. The Prospective Financial Statements cover the period from 1 July 2009 to 30 June 2010 (the "Prospective Period" or "FY2010").

There is no intention to update the Prospective Financial Statements or to publish Prospective Financial Statements in the future. Investors must consider the assumptions in order to fully understand the Prospective Financial Statements. The Company will report actual financial results for the full financial year ending 30 June 2010 against the Prospective Financial Statements in accordance with generally accepted accounting principles in the financial statements for FY2010 and, upon request from a Shareholder, provide a comparison of actual results against the Prospective Financial Statements, in accordance with section 54B of the Securities Act and under regulation 23A of the Securities Regulations.

¹⁸ The Company has a 20.7% shareholding in PGG Wrightson as at the date of this Offer Document.

PROSPECTIVE INCOME STATEMENT

For the year ending 30 June 2010

	Prospective Consolidated
	\$'000
Operating revenue	
Interest revenue	146,179
Operating lease revenue	15,848
Share of associate company's profit	5,311
Fee and other revenue	21,377
Total operating revenue	188,715
Interest and funding expenses	88,030
Operating lease expenses	10,663
Direct expenses	98,693
Net operating Income	90,022
Selling and administration expenses	46,244
Impaired asset expenses	14,389
Other expenses	60,633
Profit before income tax	29,389
Income tax expense	7,225
Profit for the year	22,165

Tables may not add due to rounding of individual line items.

The divisional analysis set out on pages 102 to 110 may not sum to Group totals due to roundings and consolidation adjustments.

The income tax expense is calculated as 30% of profit before income tax and share of associate company's profit.

PROSPECTIVE STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ending 30 June 2010

	Prospective Consolidated
	\$'000
Cash flow hedges:	
Effective portion of change in fair value	6,217
Tax effect of change in cash flow hedges	(1,865)
Cash flow hedges taken to equity, net of tax	4,352
Net Income and expense recognised directly in equity	4,352
Profit for the year	22,165
Total recognised income and expense for the year*	26,517
Attributable to:	
Equity holders	26,517
Total recognised income and expense for the year*	26,517

* Excludes \$13.0 million of the Rights Offer and Placement costs and assumed \$2.0 million of costs associated with a potential capital raising by PGG Wrightson (being a 20.7% share) taken directly to equity in accordance with NZ GAAP.

PROSPECTIVE BALANCE SHEET

As at 30 June 2010

	Prospective Consolidated
	\$'000
Assets	
Cash and cash equivalents	62,928
Finance receivables	1,245,552
Operating lease vehicles	37,186
Investment in associate	123,158
Other assets	76,360
Total assets	1,545,184
Liabilities	
Borrowings	1,047,747
Other liabilities	36,704
Total liabilities	1,084,451
Shareholders' equity	
Share capital	352,225
Retained earnings and reserves	108,508
Total shareholders' equity	460,733
Total liabilities and shareholders' equity	1,545,184

PROSPECTIVE CASH FLOW STATEMENT

For the year ending 30 June 2010

	Prospective Consolidated
	\$'000
Cash flows from operating activities	
Interest and dividends received	131,309
Operating lease revenue	15,849
Fee and other income received	21,379
Payments to suppliers and employees	(52,275)
Net interest paid	(83,308)
Net cash inflow / (outflow) from operating activities	32,954
Cash flows from investing activities	
Net increase in investments	(63,823)
Purchase of operating lease vehicles	(10,505)
Disposal of property, plant and equipment	6,820
Net increase in finance receivables	(33,852)
Net cash inflow / (outflow) from investing activities	(101,360)
Cash flows from financing activities	
Net repayment of existing borrowings	(183,008)
Increase in share capital less issue costs	252,000
Net cash inflow / (outflow) from financing activities	68,992
Net increase in cash and cash equivalents	586
Cash and cash equivalents at the beginning of year	62,342
Cash and cash equivalents at end of year	62,928

ASSUMPTIONS

The principal assumptions upon which the Prospective Financial Statements are based are summarised below, and should be read in conjunction with the information set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document.

The Prospective Financial Statements cover the Prospective Period and are based on known events and conditions existing at the date of this Offer Document. The Prospective Financial Statements do not include historical trading results for the Prospective Period. Actual results for July and August 2009 are broadly in line with the information included in the Prospective Financial Statements for those months. Comparisons to the prior year refer to the results of the Group for the financial year ended 30 June 2009 ("FY2009") as presented elsewhere in this Offer Document or in the financial statements for FY2009 included in the Annual Report.

The Prospective Financial Statements comply with the requirements of FRS-42 and assume the following:

A) GENERAL ASSUMPTIONS

1. Reporting entity

The Prospective Financial Statements are for the economic entity comprising Pyne Gould Corporation Limited and its subsidiaries and associate for the financial year ending 30 June 2010.

2. Economic environment

It is expected that the current adverse global economic conditions will continue during the Prospective Period although some uplift in market conditions will continue to emerge over the course of the Prospective Period.

Any improvement to the general economic environment is expected to impact favourably on MARAC's lending volumes and the level of bad debt write-offs, which are in part driven by SME and consumer demand.

3. Legislative and regulatory environment

NBDT regulations

It is assumed that MARAC will continue to be subject to the requirements of Part 5D of the Reserve Bank Act with respect to non-bank deposit takers ("NBDTs") and any regulations that may be made pursuant to that part of the Reserve Bank Act during the Prospective Period. Part 5D of the Reserve Bank Act was enacted in September 2008 for the purposes of promoting sound governance, effective risk management and as an effort towards assisting investors to differentiate between high and low risk investments in the finance sector. Further details of this regulatory regime are set out under the heading "NBDT regulations" on page 41 of this Offer Document.

Key requirements for NBDTs, including MARAC, under the Reserve Bank Act and proposed regulations are briefly set out below:

- NBDTs must obtain and disclose a credit rating from an approved credit rating agency as from March 2010. MARAC has a credit rating of BB+ (Outlook Negative) from Standard & Poor's as at the date of this Offer Document.
- Minimum capital ratio requirements based on the Reserve Bank's capital adequacy framework for banks are proposed to apply to NBDTs as from June 2010.
- NBDTs will be required to comply with restrictions on related party exposures. Based on current Reserve Bank proposals, it is anticipated that aggregated credit exposures to related parties will not be permitted to exceed a maximum limit of 15 percent of tier 1 capital without the permission of the Reserve Bank.

The Company intends to contribute \$35 million of new equity capital into MARAC following completion of the Rights Offer and the Placement, which, together with the sale of the Ex-MARAC Loans, is expected to result in MARAC exceeding the proposed minimum capital ratio requirements of the NBDT regulations (determined in accordance with the current understanding of asset risk weightings likely to be required under the proposed NBDT regulations).

MARAC Financial Services (a wholly owned subsidiary of the Company) will, to the extent it has not already done so, need to pay back a minimum of \$20 million of the MARAC Financial Services Loan Note issued to MARAC as part of the sale of the Ex-MARAC Loans prior to 1 July 2010 to ensure that MARAC is in compliance with proposed NBDT regulations as at that date. For further discussion on the MARAC Financial Services Loan Note to be issued by MARAC Financial Services refer to page 79 of this Offer Document.

The regulations applicable to NBDTs to be made under the Reserve Bank Act have yet to be finalised as at the date of this Offer Document. It is assumed that there will be no material changes to the provisions of the Reserve Bank Act relevant to NBDTs, or to any current proposals regarding the form of regulations to be made under the Reserve Bank Act,

during the Prospective Period. It is also assumed that requirements expected under the proposed regulations will be implemented on the dates proposed by the Reserve Bank as at the date of this Offer Document.

Crown Retail Deposit Guarantee Scheme

On 12 October 2008, the Government introduced the Crown Retail Deposit Guarantee Scheme. The Crown Retail Deposit Guarantee Scheme was originally to expire on 12 October 2010. However, legislation has now been enacted to extend the Crown Retail Deposit Guarantee Scheme to 31 December 2011, although participation in the Crown Retail Deposit Guarantee Scheme after 12 October 2010 requires approval of the Crown and certain key terms of the Crown Retail Deposit Guarantee Scheme will change as from 12 October 2010. Further details of the Crown Retail Deposit Guarantee Scheme are set out under the heading "Crown Retail Deposit Guarantee Scheme" on pages 40 and 41 of this Offer Document.

MARAC is a participant in the Crown Retail Deposit Guarantee Scheme which expires on 12 October 2010. The scope of the Crown Retail Deposit Guarantee Scheme is subject to certain limitations. It does not cover the Securitisation Trust, the MARAC PIE Fund, the MARAC retirement bonds, the MARAC superannuation fund, balances of deposits over \$1 million, non-residents, related parties or financial institutions. As a result, of the total \$1.2 billion of borrowings shown in the consolidated financial statements as at 30 June 2009, approximately \$400 million are not covered by the guarantee provided under the existing Crown Retail Deposit Guarantee Scheme.

MARAC is charged a fee for participating in the Crown Retail Deposit Guarantee Scheme. As a NBDT with retail deposits of less than \$5 billion and with a credit rating of BB+ (Outlook Negative) from Standard & Poor's, MARAC is currently charged 100 basis points per annum. This fee applies to the cumulative increase in MARAC's deposits since 12 October 2008 with an allowance of plus 10 percent per year on this initial amount (for which a fee is not required to be paid). Growth is measured, and the relevant fee paid, monthly.

The Crown may withdraw the guarantee in the event that MARAC fails to comply with its obligations under the Crown Retail Deposit Guarantee Scheme or otherwise engages in inappropriate activity designed to circumvent the terms of the guarantee.

The Prospective Financial Statements assume that:

- MARAC remains as an eligible institution in accordance with the requirements of the Crown Retail Deposit Guarantee Scheme and that the Crown Retail Deposit Guarantee Scheme, insofar as it applies to 12 October 2010, will not be amended or terminated prior to that date;
- MARAC continues to comply with the Crown Retail Deposit Guarantee Scheme throughout the Prospective Period;
- MARAC will be eligible to participate in the Crown Retail Deposit Guarantee Scheme which will be applicable from 13 October 2010 once the terms which will apply from that date are finalised; and
- the terms of the Crown Retail Deposit Guarantee Scheme which will be applicable from 13 October 2010 will be as publicly announced as at the date of this Offer Document (refer to the summary on pages 40 and 41 of this Offer Document).

Licensing of corporate trustees for issuers of securities

On 26 August 2009, the Government announced its intention to remove the current automatic right of trustee corporations (such as Perpetual Trust) to act as a trustee for issuers of debt or participatory securities or as the trustee of a unit trust. Under a proposed new regime, Perpetual Trust and the other trustee corporations will be required to be licensed by the Securities Commission to act as a trustee for such issuers. The terms of the new regime have not been finalised as at the date of this Offer Document. It is assumed that Perpetual Trust will qualify and be approved under the new regime and that the terms of the new regime will not have any material impact on the operations or financial performance of Perpetual Trust during the Prospective Period.

Other regulatory requirements

It is assumed that there will be no other material changes in the legislative or regulatory requirements applicable to the businesses of the Group during the Prospective Period.

4. Industry conditions and political environment

General industry conditions and the political and employment environments in the segments in which the Group operates are expected to remain materially unchanged.

5. Competitive environment

During FY2009 a number of MARAC's competitors exited the finance market or reduced the scope of their activities, reducing competition. There is not anticipated to be any material change in the competitive environments in the segments in which the Group operates. It is also assumed that competitors of the Group will not materially change the nature of their activities during the Prospective Period.

6. Taxation

There will be no change to the New Zealand corporate tax rate of 30%. There will be no material changes to corporate taxation laws that would affect the Group.

7. Technology

There will be no significant technical or operational problems that would cause interruptions to the Group's activities during the Prospective Period.

8. Key directors, personnel and consultants

Key Directors, personnel and consultants will remain in the employment of the Group, or be available to the Group as required. The management resources of the Group will be sufficient for the Group's requirements.

9. Key customers and funders

Existing contractual, business and operational relationships with key customers, suppliers, partners and funders will continue throughout the Prospective Period or will be replaced by relationships or arrangements with other parties on similar contractual terms and without adversely affecting the Group's businesses.

10. Disruptions to operations

There will be no significant disruption to operations, including natural disasters, fires or normal hazards associated with operating the Group's businesses. There will be no adverse changes to the Group's businesses from the Rights Offer and the Placement, including any disruptions to or effects on key customers, suppliers, partners, employees and funders.

11. Litigation

It is assumed there will be no litigation during the Prospective Period which would adversely affect the financial performance of the Group in FY2010 or the financial condition of the Group during the Prospective Period.

12. Acquisitions and disposals

It is assumed that the Group will not undertake any material acquisitions or disposals during the Prospective Period (other than due to increases in funds under management of the Perpetual Group or any cash used to participate in any potential capital raising by PGG Wrightson (refer note 39)).

13. Restructuring costs and other significant items

The Prospective Financial Statements assume that the Group will incur significantly higher levels of asset impairment in FY2010 than was experienced over the six financial years prior to FY2009. The bad debt charge in FY2009 was \$13.3 million in MARAC, plus \$85 million incurred by the Company under the MARAC Underwriting Arrangement in respect of the Ex-MARAC Loans. The Prospective Financial Statements include an impairment charge of \$14.4 million.

The average impairment charge over the six financial years prior to FY2009 was 0.3% of total finance and lease receivables. With the recovery of global and domestic economic conditions the Group intends to operate the business in a manner so as to achieve a target level of impairment along these lines. For illustrative purposes only, had the Group achieved impairment charges in FY2009 and FY2010 at 0.3% of total finance and lease receivables, the charge to the income statement would have been between \$3 million and \$4 million in these years respectively (compared to the \$98.3 million (being the \$13.6 million incurred by MARAC and the \$85 million incurred by the Company) and the \$14.4 million noted above).

The Prospective Financial Statements include a number of charges including costs associated with the restructure of the Group, the purchase of EPAM, the establishment of Real Estate Credit, the sale of the Ex-MARAC Loans, the change to MARAC's credit rating (from BBB- (Stable) to BB+ (Outlook Negative)) and preparation of the Cambridge Terrace (Christchurch) building for sale. These costs are expected to amount to approximately \$3 million, and these have been expensed in the Prospective Financial Statements. Costs directly related to the Rights Offer, Placement and the Share Purchase Plan will be accounted for as a reduction in equity.

The Group has recognised a one-off capital gain in the Prospective Period of \$3.6 million relating to the sale of the building at Cambridge Terrace (Christchurch).

The Group's equity accounted after tax earnings in PGG Wrightson have been impacted by non-operating issues over the past two years. In FY2009 the Group's share of non-operating losses was \$20 million, (FY2008 share of non-operating profit was \$8.7 million). No non-operating profits or losses are anticipated from PGG Wrightson in the Prospective Period (see the discussion under the heading "Overview of Prospective Financial Statements – FY2010" on pages 50 and 51 of this Offer Document).

B) SPECIFIC ASSUMPTIONS IN RELATION TO THE GROUP

14. Accounting policies

The Group's accounting policies will remain consistent throughout the Prospective Period. It is also assumed there will be no material change in GAAP during this period. The Group's existing accounting policies are set out in the audited financial statements for the year ended 30 June 2009 which are referred to in this Offer Document, also set out in the Annual Report and also available on the Company's website (www.pgc.co.nz).

15. Subscribed funds and capital

The Prospective Financial Statements include the following assumptions in respect of the Rights Offer, Placement and Share Purchase Plan:

- The Rights Offer is fully underwritten and the Underwriting Agreement is not terminated by the Underwriter. The Placement and Share Purchase Plan will not be underwritten.
- The Company completes the capital raising to a level of \$265 million, comprising \$237 million from the Rights Offer, \$25 million from the Placement, and \$3 million from the proposed Share Purchase Plan.
- The proceeds of the Rights Offer will be received on 27 October 2009.
- The Company will pay costs directly attributable to the Rights Offer and Placement of approximately \$13 million and this will be accounted for as a reduction in equity.

Share issues will only be made in accordance with the relevant provisions of the Companies Act, Securities Act and NZSX Listing Rules.

Based on the assumption above in respect of the amount of the proceeds of the Rights Offer, those proceeds are intended to be used as follows:

	\$ millions
Use of funds	
Part payment for Ex-MARAC Loans*	125
MARAC recapitalisation**	35
EPIC rights issue participation	5
Repay PGC borrowings	35
Transaction costs	13
PGG Wrightson rights issue participation (refer note 39***)	41
Unallocated capital proceeds	11
Total	265

* This cash payment of \$125 million is to provide liquidity support to MARAC in relation to its revised wholesale funding facilities.

** Following the \$35 million recapitalisation of MARAC and the sale of the Ex-MARAC Loans, and assuming projected growth in its balance sheet, estimations of required capital adequacy risk weightings and retention of profits for FY2010, MARAC is expected to comply with the proposed minimum capital ratio requirements under NBDT regulations once implemented in June 2010.

*** The assumptions made in the Prospective Financial Statements regarding the Company's participation in any potential capital raising by PGG Wrightson do not commit the Company to take any particular course of action in relation to such capital raising. No decision has been made by the Board as to whether the Company will participate in any capital raising to be made by PGG Wrightson as the Board does not have sufficient information to make the decision as at the date of this Offer Document.

16. Sale of Ex-MARAC Loans to Real Estate Credit Limited to be managed by Torchlight Management Limited

On 18 September 2009 MARAC entered into an agreement to sell certain property loans with a face value of approximately \$175 million at the time of sale (including accrued interest), being the Ex-MARAC Loans, to MARAC Financial Services, a wholly owned subsidiary of the Company and immediate parent of MARAC. These loans will be written down, by approximately \$85 million to \$90 million and then sold to Real Estate Credit at that value. The impairment loss on the Ex-MARAC Loans was recognised by the Group in FY2009. The risks associated with potential non-recovery of the full value of the Ex-MARAC Loans remain within the Group until such time as the Ex-MARAC Loans are realised either by borrower repayment or via enforcement, or sold to a third party outside the Group (such as the proposed Torchlight Credit Fund).

The purchase price for the Ex-MARAC Loans will be satisfied in part by way of the proceeds from the Rights Offer (\$125 million), with the balance (\$50 million) plus capitalised interest to be repaid prior to 1 July 2010 through one of a number of funding sources expected to be available to the Group.

17. New Zealand property markets

The Prospective Financial Statements have been prepared on the assumption that there are no significant changes to the state of New Zealand property markets during the Prospective Period. These markets are expected to see only gradual improvement over the Prospective Period. Any deterioration in property markets during the Prospective Period could lead to an increase in the Group's impaired asset expenses charge and a reduction in the Group's assumed level of profitability for the Prospective Period.

18. Dividends

It is assumed that no dividends will be paid by the Company during the Prospective Period.

19. Goodwill and intangibles

The Prospective Financial Statements assume no impairment to the value of the Group's investments that would impact the carrying value of the Company's goodwill or intangibles. Goodwill is tested annually for impairment and fixed life intangibles are amortised over their useful life.

20. Taxation

The tax expense reflects current and deferred tax charges over the Prospective Period. No cash tax payments are assumed to be required due to the Group realising the tax benefit of the write down on the Ex-MARAC Loans in FY2010. Write downs recorded in FY2009 relating to the Company's underwrite of Ex-MARAC Loans were not deducted for tax purposes in that period.

Deferred tax provides for both the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the value of tax losses.

21. Combined segment analysis

For the year ending 30 June 2010

	Consolidated Prospective	MARAC Prospective	Other* Prospective
	\$'000	\$'000	\$'000
Summary Income Statement			
Revenue			
Interest revenue	146,179	140,815	5,364
Operating lease revenue	15,848	15,848	-
Share of associate company's profit	5,311	-	5,311
Fee and other revenue	21,377	2,213	19,164
Total operating revenue	188,715	158,876	29,839
Interest and funding expenses	88,030	87,225	806
Operating lease expenses	10,663	10,663	-
Direct expenses	98,693	97,888	806
Net operating income	90,022	60,988	29,033
Selling and administration expenses	46,244	27,045	19,199
Impaired asset expenses	14,389	14,389	-
Other expenses	60,633	41,434	19,199
Profit before income tax	29,389	19,555	9,835

21. Combined segment analysis (cont)

For the year ending 30 June 2010

	Consolidated Prospective	MARAC Prospective	Other* Prospective
	\$'000	\$'000	\$'000
Summary Balance Sheet			
Total assets	1,545,184	1,250,558	294,626
Total liabilities	1,084,451	1,048,911	35,540
Net assets	460,733	201,647	259,085

* "Other" includes the Perpetual Group (refer to the description of the principal entities and businesses comprising the Perpetual Group for purposes of the Prospective Financial Statements in note 35), the Company's interest in PGG Wrightson, PGC Corporate (head office function), other minor business units and consolidation adjustments. Further analysis is presented in note 40 on pages 110 and 111.

C) SPECIFIC ASSUMPTIONS IN RELATION TO MARAC (COMPRISING MARAC FINANCE LIMITED ONLY)**22. Net Operating Income**

Net Operating Income	FY2010 Prospective	FY2009 Audited	Movement
	\$'000	\$'000	\$'000
Interest revenue	140,815	168,899	(28,084)
Interest and funding expense	87,225	109,284	(22,059)
Net Interest Margin	53,590	59,615	(6,025)
Operating lease margin	5,185	3,059	2,126
Fee and other income	2,213	2,945	(732)
Net Operating Income	60,988	65,619	(4,631)

Net operating income is forecast to reduce by \$4.6 million to \$61.0 million in FY2010. The reductions in both interest revenue (down \$28.1 million) and interest and funding expense (down \$22.1 million) are primarily due to:

- a fall in the New Zealand interest rate yield curve in FY2009; and
- lower levels of finance receivables and borrowings post the sale of the Ex-MARAC Loans to Real Estate Credit (refer to note 28 on page 105).

Interest revenue is based on the forecast closing monthly balance of the receivables book using forecast interest rates on the various products financed.

Interest income derived from cash balances held is based on market derived forward interest rates available on 24 August 2009.

Interest and funding expense has been calculated based on the forecast borrowing requirements of MARAC throughout the year. Interest rate hedges are in place to mitigate fluctuations in market interest rates.

Interest expense is expected to decrease from \$109.3 million in FY2009 to \$87.2 million in FY2010 due to the combination of a reduction in the overall level of borrowings and in base rates. This is partially offset by increases in the facility fees and margins charged by the Banking Syndicate under MARAC's Syndicated Bank Facility, and increased costs associated with Secured Debenture Stock (including the fees payable under the Crown Retail Deposit Guarantee Scheme). MARAC will benefit in FY2010 from the termination of interest rate hedges established in previous (high interest rate) years.

In relation to the costs of funding the Secured Debenture Stock programme, it is assumed that MARAC will maintain its current rating of BB+ (Outlook Negative) from Standard & Poor's throughout the Prospective Period.

Interest rates assumed for the Prospective Period are based on an average of the market forward interest rates available on 24 August 2009 and typical funding margins.

23. Business unit performance**Net interest margin**

	FY2010	FY2009	
	Prospective	Audited	Movement
	\$'000	\$'000	\$'000
MARAC Consumer division	21,288	16,109	5,179
MARAC Commercial division	20,350	20,216	134
MARAC Property division	11,952	23,290	(11,338)
Net interest margin	53,590	59,615	(6,025)

MARAC Consumer Division

Key features of the prospective financial performance of the Consumer Division during the Prospective Period are as follows:

- The total net interest margin is anticipated to increase by 32.2% in FY2010 due to increases in the consumer division receivables, increases in fee and commission based revenues and the benefit of reduced base rate.
- The total Consumer Division receivables are anticipated to increase by 11.6% due to recent gains in market share, decreased competition and expected improvement in consumer demand. The Consumer Division's receivables primarily relate to the motor vehicle and marine and leisure sectors.
- Motor vehicles – receivables from motor vehicle dealers are anticipated to grow by 13.3% in FY2010. While the New Zealand motor vehicle market has been negatively impacted by the current recessionary conditions in New Zealand, MARAC Direct's receivables are expected to increase by 16.2% in FY2010. This expected increase is due to ongoing gains in market share and improved consumer demand.
- Marine and leisure – a reduction in book size of 16.1% is anticipated as new business levels are expected to remain low. The marine market reflects more discretionary spending and is expected to take longer to improve than other consumer spending markets.

MARAC Commercial Division

Key features of the prospective financial performance of the Commercial Division during the Prospective Period are as follows:

- Although a higher interest margin percentage is assumed in FY2010, the forecast total interest margin is not expected to grow significantly. The average level of commercial division receivables forecast for FY2010 is assumed to be lower than the average level throughout FY2009.
- The total commercial division receivables are budgeted to increase by 7.7% in FY2010. A smaller number of competitors, opportunities stemming from a realignment by trading banks of their level of support for SME funding and a general gradual improvement in the economy are expected to be the key drivers of this increase.
- Commercial lending through dealers returns to growth with opportunities flowing from commercial distributors exiting finance and returning to core activities and the decline in the number of small finance companies who have traditionally over serviced this sector.

MARAC Property

Property receivables are budgeted to decrease by \$229 million (61.2%) in FY2010, in part as a result of the sale of the Ex-MARAC Loans to Real Estate Credit (as discussed above on page 79) along with the expected impact of changes to the strategic focus of this business area. Any new property lending will be completed in the Commercial Division and is now limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing. Additional advances of \$9 million are required to complete existing construction contracts.

24. Operating lease margin

Motor vehicle operating lease related margin is anticipated to increase by \$2.1 million (69.5%) in FY2010, largely influenced by the full year effect of the amalgamation in 2009 of Nissan Finance (New Zealand) Limited with MARAC, which has historically had strong operating lease revenues.

25. Fee and other revenue

Fee and other revenue primarily relates to insurance income and management fees. The budgeted decrease of 25% is largely due to the amalgamation of Nissan Finance (New Zealand) Limited with MARAC late in FY2009 and the cessation of management fees charged by MARAC to Nissan Finance (New Zealand) Limited.

26. Impaired asset expenses

Impaired asset expenses	FY2010	FY2009	Movement
	Prospective	Audited	
	\$'000	\$'000	\$'000
Impaired asset expenses	14,389	13,318	1,071

Impaired asset expenses (including movements in the provision for doubtful debts, actual write-offs, and bad debts recovered) are anticipated to increase by \$1.1 million (8.0%) to \$14.4 million in FY2010 when compared to FY2009. The impaired asset expenses in FY2009 reflect the benefit of the Company's underwrite of MARAC property loans. Bad debt expense as a percentage of average gross finance receivables was 1.02% in FY2009. For FY2010, the bad debt expense ratio is assumed to increase to an average 1.2% per annum of the expected closing monthly balance of gross finance receivables.

Full provisions were made in FY2009 for the impairment of the Ex-MARAC Loans to be sold to Real Estate Credit. No further provisions have been assumed in FY2010 for the Ex-MARAC Loans. Further impaired asset expenses for losses on property loans retained by MARAC are assumed to be \$5.3 million. Investors should refer to the description of various risks relating to property lending set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document when considering the assumptions made above in respect of the Ex-MARAC Loans and the property loans retained by MARAC. Any deterioration in property markets during the Prospective Period could lead to an increase in the Group's impaired asset expenses charge and a reduction in the Group's assumed level of profitability for the Prospective Period.

27. Selling and administration expenses

Selling and administration expenses	FY2010	FY2009	Movement
	Prospective	Audited	
	\$'000	\$'000	\$'000
Selling and administration expenses	27,045	25,048	1,997

Selling and administration expenses for FY2009 were \$25.0 million. A 7.9% (\$2.0 million) increase in operating costs to \$27.0 million is assumed for FY2010, driven mainly by the following factors:

- Increase in staff costs of 12% due to a net headcount increase of 11 full time staff to enable planned growth initiatives, and improvements to the Group's risk framework;
- Marketing and advertising expenses of \$0.4 million to support growth in the consumer division and the commercial division;
- Savings of \$0.5 million from a reduction in professional fees related to the smaller portfolio of property loans; and
- Further investment of \$0.3 million is made in information technology systems to continue to develop MARAC's platform.

28. Receivables

Receivables	FY2010	FY2009	Movement
	Prospective	Audited	
	\$'000	\$'000	\$'000
Consumer	468,323	419,498	48,825
Commercial	550,550	511,261	39,289
Property	145,416	374,065	(228,649)
Receivables	1,164,289	1,304,824	(140,535)

The receivables balance (pre-provisions) as at 30 June 2010 is assumed to decline by \$141 million (10.8%) in comparison to FY2009. The key assumptions driving changes in the receivables book relate to the sale of the Ex-MARAC Loans to Real Estate Credit, lending volumes, lending mix, expected cash collections and the impact of bad debt write-offs, and in particular:

- Lending volumes are assumed to increase in the commercial division and consumer division due to reduced competition and increased demand in an improved economy.
- Property lending by MARAC is anticipated to decrease significantly (\$229 million) due to the sale of the Ex-MARAC Loans and a reduction of other existing property loans. No new property development loans are assumed in the Prospective Period. Refer to note 23 under the heading "MARAC Property" for additional information.
- Assumptions regarding cash collections on the receivables book are based on a combination of existing customer contractual commitments (related to fixed instalment products) and historical collection performance of receivables on revolving credit adjusted for the increase in bad debt expense.

29. Borrowings

MARAC sources funds from a diverse base, comprising Secured Debenture Stock, Secured Bonds, the Syndicated Bank Facility from the Banking Syndicate and through the Securitisation Facility. It is assumed that there will be adequate financing arrangements in place and available to MARAC throughout the Prospective Period.

The Syndicated Bank Facility comprises tranches with a staggered maturity, with \$45 million maturing on 31 March 2010 (assumed to be refinanced on maturity). The Syndicated Bank Facility was drawn to approximately \$150 million as at 30 June 2009. MARAC's strategy is to become less reliant on bank borrowings with the level of the borrowings under the Syndicated Bank Facility at 30 June 2010 forecast to be \$35 million. The Syndicated Bank Facility will have a limit of \$200 million following completion of the Rights Offer. Investors should refer to the additional information in respect of the Syndicated Bank Facility set out under the heading "Funding" on pages 37 to 40 of this Offer Document.

The aggregate principal amount of Secured Debenture Stock on issue is forecast to decrease 10% to \$732 million during FY2010. Funding provided through the Securitisation Facility (\$150 million) and Secured Bonds (\$104 million) is assumed to remain at their 30 June 2009 levels in the Prospective Period.

Reinvestment rates of Secured Debenture Stock were 62.7% for the last quarter of FY2009, and are assumed to be an average of 55.0% over the Prospective Period. Similarly, new Secured Debenture Stock funds averaged \$28 million per month in the last quarter of FY2009 and are assumed to be \$20 million per month during the Prospective Period.

MARAC's funding facilities outlined above have a variety of financial and non-financial covenants. It is assumed that none of these covenants will be breached during the Prospective Period (based on analysis of assumptions undertaken for the purposes of the preparation of the Prospective Financial Statements). A description of financial covenants under the Syndicated Bank Facility is set out on pages 80 to 82 of this Offer Document.

30. Working capital

The Prospective Financial Statements assume debtors, creditors and other accounts payable/receivable will continue on a similar basis to the terms of trade currently in place. Other working capital items, including accruals and provisions, are assumed to be broadly similar to the levels at 30 June 2009.

31. Operating lease vehicles

The assumed value of operating lease vehicles at 30 June 2010 (\$37 million) shows little change from 30 June 2009 (\$36 million).

32. Cash flows

Apart from the assumptions referred to above, it is assumed that there will be no changes in the timing and patterns of cash inflows and cash outflows.

33. Cash balances

It is assumed that free cash flow is retained by the Group throughout the Prospective Period.

34. Derivative financial instruments

Derivative financial instruments have been valued at assumed forward interest rates at the prospective reporting date.

D) SPECIFIC ASSUMPTIONS IN RELATION TO PERPETUAL GROUP, PGG WRIGHTSON, AND CORPORATE AND MINOR ENTITIES

The table below shows a summary of the financial performance and financial position of the remaining business units of the Group, which include Perpetual Trust and Perpetual Asset Management and their respective Subsidiaries (together referred to in this Appendix as the 'Perpetual Group'), the 20.7% shareholding in PGG Wrightson, and PGC Corporate together with minor entities (together referred to in this Appendix as 'Corporate & Minor').

Specific assumptions concerning the FY2010 financial performance and financial position of each business unit are set out below the table. Assets and liabilities in the table below include intra-group balances which are eliminated on consolidation.

Other FY2010 Prospective	Perpetual Group \$'000	PGG Wrightson \$'000	Corporate & Minor \$'000	Consol Adjust* \$'000	Total \$'000
Operating revenue	26,416	5,311	2,737	(4,625)	29,839
Direct expenses	1,130	-	2,191	(2,515)	806
Net operating Income	25,286	5,311	546	(2,110)	29,033
Other costs and expenses	17,814	-	3,495	(2,110)	19,199
Profit before tax	7,473	5,311	(2,949)	0	9,835
Summary Balance Sheet					
Total assets	126,401	123,158	458,145	(413,078)	294,625
Total liabilities	119,218	-	208,476	(292,153)	35,540
Net Assets	7,183	123,158	249,670	(120,925)	259,085

* Consolidation adjustments relate to both MARAC and 'Other' business units. Income statement consolidation adjustments relate to elimination of inter-company management fees and interest on inter-company loans. Balance sheet consolidation adjustments comprise elimination of inter-company loans and investment in subsidiaries.

35. Specific assumptions in relation to the Perpetual Group

For the purposes of the Prospective Financial Statements, the Perpetual Group comprises Perpetual Trust and Perpetual Asset Management and their respective subsidiaries. Their businesses comprise asset management, personal trust and wealth management and corporate trust activities.

Operating Profit and Net Assets	FY2010 Prospective \$'000	FY2009 Audited \$'000	Movement \$'000
Operating revenue	26,416	16,421	9,995
Direct expenses	1,130	-	1,130
Net operating income	25,286	16,421	8,865
Other costs and expenses	17,814	11,673	6,141
Operating profit	7,473	4,748	2,725
Summary Balance Sheet			
Total assets	126,401	3,955	122,446
Total liabilities	119,218	2,323	116,895
Net Assets	7,183	1,632	5,551

Perpetual Trust's business activities have focussed on corporate and personal trusteeship, personal wealth management advice and limited asset management activity.

In August 2009 Perpetual Asset Management acquired EPAM, a move which has significantly enhanced the Perpetual Group's asset management capability. Real Estate Credit, a wholly owned subsidiary of Perpetual Asset Management, was incorporated in September 2009 and it will acquire the Ex-MARAC Loans upon completion of the Rights Offer.

The Perpetual Group's funds management activities now comprise the funds management business currently operated by Perpetual Trust and the newly established asset management business of Perpetual Asset Management and its subsidiaries. Perpetual Asset Management was incorporated on 4 June 2009.

Perpetual Asset Management's principal business is to develop and manage funds in specialist sectors. Perpetual Asset Management will typically take a significant cornerstone investment in each of the funds it manages.

EPAM

EPAM holds a 10.47% shareholding in EPIC, which is managed by EPIM, a wholly owned subsidiary of EPAM.

The purchase price for EPAM paid on completion was \$18 million, but the purchase price may be reduced by up to \$8 million if actual revenue in EPAM does not exceed targeted revenue or adjusted by the amount of actual Net Tangible Assets as at completion of the transaction on 14 August 2009. It is assumed that there are no material adjustments to the purchase price already paid by Perpetual Asset Management during the Prospective Period.

Torchlight Management and Torchlight Credit Fund

Perpetual Asset Management intends to establish a new wholly owned subsidiary, Torchlight Management Limited, in FY2010. Torchlight Management Limited will operate an advisory business that will manage assets held by Real Estate Credit (including the Ex-MARAC Loans) and seek to obtain other third party loan work-out management contracts. Torchlight Management Limited will specialise in managing real estate backed credit assets across a range of sectors.

It is anticipated that a new unlisted credit focused fund ("Torchlight Credit Fund") will be established during the Prospective Period (in which the Perpetual Group will not hold any equity investment during the Prospective Period), and a subsidiary of Perpetual Asset Management will act as manager of that fund. The manager will earn management and transaction fees in its capacity as a manager of the fund.

36. Perpetual Group divisional performance

Operating Revenue

	FY2010 Prospective	FY2009 Audited	Movement
	\$'000	\$'000	\$'000
Corporate trust	4,752	4,615	137
Personal wealth management	9,487	9,307	180
Asset management	12,177	2,499	9,678
Operating revenues	26,416	16,421	9,995

Corporate trust revenues

Corporate trust revenue relates to revenue received by Perpetual Trust for corporate trustee and statutory supervisor services for various managed funds, debt securities, local authorities and other corporate bodies. Revenue is assumed to increase in FY2010 by 3% due to continued growth in new client numbers and maintaining the level of advisory fees received in FY2009.

It is assumed that Perpetual Trust will qualify and be approved as a provider of these trustee services when the new licensing regime is introduced (refer to the additional information on page 62 of this Offer Document).

Personal wealth management revenues

Perpetual Trust provides a range of services to customers including estate services, trust and trustee services, wills, accounting services and investment advice. Revenue is assumed to increase in FY2010 by 2% due to continued growth in customer numbers and provision of additional services to customers.

Asset management revenues

Revenue is assumed to increase in FY2010 due partly to the growth of newly promoted products within Perpetual Trust's funds management business, particularly in the superannuation sector.

Additionally, management fee revenue is assumed from EPIC, Real Estate Credit and Torchlight Credit Fund. Management fees are typically calculated as a percentage of assets under management.

Dividend revenue arising from distributions from EPIC is based on an annual dividend of 9.1 cents per share, which is stated as the target return in the investment statement and prospectus dated 14 August 2009 issued by EPIC in respect of its pro rata renounceable rights issue and public offer of shares.

The funds will continue their strategy of identifying growth opportunities and it is assumed that the Perpetual Group's funds under management grow over the Prospective Period.

Transaction fees are earned when new investments are made by the funds managed by the Perpetual Group. Transaction fees will be calculated based on a percentage of the purchase price paid for new investments made by the funds.

Interest income is earned on the transfer value of the Ex-MARAC Loans acquired from MARAC Financial Services. It is assumed that 5% of total interest income earned will be received in cash and the balance capitalised to the loans.

37. Other costs and expenses

Other costs and expenses	FY2010 Prospective	FY2009 Audited	Movement
	\$'000	\$'000	\$'000
Salaries and Wages	8,842	6,974	1,868
Real Estate Credit operating expenditure	2,826	-	2,826
Other expenses	6,146	4,699	1,447
Total other costs and expenses	17,814	11,673	6,141

Salaries and wages

Salaries and wages have been assumed based on known salary costs for existing staff, new business development resources and anticipated salary costs for additional staff expected to join the Perpetual Group during FY2010.

Real Estate Credit's operating and recovery expenditure

These costs have been provided based on the likely level of costs and an assumption that Real Estate Credit retains all of the Ex-MARAC Loans during the Prospective Period.

Other expenses

Other expenses include performance fees associated with the assumed performance of EPAM, Real Estate Credit and Torchlight Credit Fund, rent, accounting, legal, administration and general expenses are assumed to amount to \$1.2 million. These costs have been determined based on actual costs currently incurred and anticipated costs following the acquisition by Real Estate Credit of the Ex-MARAC Loans on closing of the Rights Offer.

38. Key balance sheet assumptions*Capitalised interest*

Interest charged on the Ex-MARAC Loans is assumed to be received in cash (5.0%) with the remaining balance capitalised.

Interest bearing debt

Interest bearing debt includes an assumed external loan of \$5 million to the Perpetual Group to fund working capital requirements including the subscription by EPAM in September 2009 of its full entitlement under the EPIC rights issue. It is expected that the Perpetual Group will repay this external loan in November 2009 through an advance from the Company.

Repayment of shareholder advances will be sourced from a number of funding sources available to the Group.

Impairments

It has been assumed that there will be no significant impairments to Perpetual Group's assets during FY2010.

39. PGG Wrightson

This note describes assumptions made by the Directors in relation to the Company's shareholding in PGG Wrightson for the purposes of the Prospective Financial Statements. Investors should also refer to the information set out under the heading "Investment in PGG Wrightson" on pages 44 and 45 of this Offer Document.

The Company's investment in PGG Wrightson was equity accounted in the FY2009 financial statements and that accounting treatment continues to apply as at the date of this Offer Document, due to the significant influence of the Company over PGG Wrightson in terms of the relevant NZ IFRS accounting standards. Accordingly, the Company currently accounts for its share of PGG Wrightson's profit and share of the net assets of PGG Wrightson.

Potential capital raising

On 27 August 2009, PGG Wrightson announced that it is continuing to progress a debt reduction programme and is also considering various options including the sale of selected assets and a potential equity raising. PGG Wrightson's announcement stated that any equity raising is likely to involve both existing shareholders and new investors, and may also include the introduction of a new cornerstone shareholder. PGG Wrightson has not announced further details of any capital raising as at the date of this Offer Document and therefore the Company cannot determine with certainty how any capital raising might affect the Company or its shareholding in PGG Wrightson.

A number of capital raising scenarios are possible, including PGG Wrightson making a pro rata renounceable rights issue, a material placement to one or more new cornerstone shareholders or a combination of these transactions.

Capital raising assumptions

For the purposes of the Prospective Financial Statements, the Board have assumed that PGG Wrightson will make a pro rata renounceable rights issue, assumed to be \$200 million in view of the position announced by PGG Wrightson that it is required to repay a \$200 million amortising debt facility by 31 March 2010. The Board have also assumed that the rights issue will be completed prior to 31 March 2010 and that the Company will subscribe for its entitlement under the rights issue in full at a cost to the Company of \$41.4 million. It is assumed by the Board that no placement is made to a new cornerstone shareholder, including in combination with a rights issue.

At the date of this Offer Document, the Company is not privy to any non-public information about the proposed key terms or nature of any capital raising that may be being considered by PGG Wrightson. The Company's Directors who are also members of the board of PGG Wrightson are not members of the PGG Wrightson board sub-committee established to consider any PGG Wrightson capital raising.

These assumptions in relation to a potential capital raising by PGG Wrightson and level of profitability of PGG Wrightson for FY2010 are assumptions only and may turn out to be incorrect to a material degree. Investors should read the cautionary statements about forward-looking statements and assumptions on page 6 of this Appendix to this Offer Document entitled "Prospective Financial Statements".

Nothing in these assumptions commits the Company to take any particular course of action in relation to any capital raising undertaken by PGG Wrightson. However, if required by the timing of any PGG Wrightson capital raising, the Company may make a decision whether to participate in any potential capital raising before the Closing Date of the Rights Offer.

No decision has been made by the Board as to whether the Company will participate in any capital raising to be made by PGG Wrightson as the Board does not have sufficient information to make that decision. Any decision for the Company to participate (either fully or partially) or not to participate in any capital raising by PGG Wrightson can only be taken by the Board once it knows the full details of any proposed capital raising by PGG Wrightson and then, any decision will only be taken in the best interests of the Company.

PGG Wrightson net profit and net assets assumptions

For the purposes of the Prospective Financial Statements, it is assumed that PGG Wrightson's FY2010 net profit after tax will be \$25.7 million. That net profit amount is based on the mid-point of the range of recently published broker estimates, plus an assumed funding benefit from the capital raised from the potential capital raising referred to above. This provides the Company with assumed equity earnings of \$5.3 million for FY2010 through its 20.7% shareholding in PGG Wrightson.

It is also assumed that PGG Wrightson's net assets will increase in line with PGG Wrightson's assumed net profit after tax, the rights issue proceeds (less capital raising costs) and that there will be no dividends paid or reserve movements during the year. This results in an assumed carrying value of the Company's shareholding in PGG Wrightson of \$123.2 million at 30 June 2010 (assuming no impairment).

Potential impacts of dilution on the Company's shareholding resulting from any capital raising

If the potential PGG Wrightson capital raising involved a pro rata rights issue, and the Company did not participate fully, or the introduction of a new cornerstone shareholder, the Company's shareholding in PGG Wrightson would be diluted. Depending on the size of the capital raising and the level of any participation by the Company, the Company's shareholding could be diluted to a level where PGG Wrightson no longer qualified as an "associate" of the Company for accounting treatment purposes, requiring a change to investment accounting.

If a change to investment accounting is required, the Company would no longer account for its percentage share of PGG Wrightson's net profit after tax, but instead it would be required to record dividends receivable in the Company's income statement. It is assumed that PGG Wrightson will pay no dividends in FY2010.

In addition, on a change to investment accounting in respect of the Company's shareholding in PGG Wrightson, the Company would be required to recognise a profit or loss in the Company's income statement calculated as being any difference between the carrying value of the shareholding in PGG Wrightson and the market value of any retained investment (adjusted for the proceeds from the sale of any rights by the Company). The carrying value of the Company's shareholding in PGG Wrightson at 30 June 2009 was \$78.5 million, at an average cost of \$1.20 per share (compared to an NZSX quoted closing price on 14 September 2009 of \$0.72¹⁹).

If dilution was at a level where PGG Wrightson continued to be accounted for as an associate, the Company would continue to recognise its pro rata interest in the book value of PGG Wrightson's net assets and net profit in its consolidated financial statements. Any dilution (that is, the difference in the Company's share of PGG Wrightson's net assets before and after the capital raising) would be treated as a partial sale of the shareholding and would be taken to the profit and loss, net of any proceeds from sale of rights.

It is assumed that the potential capital raising by PGG Wrightson will not include a placement of shares to a cornerstone shareholder. The impact of the introduction of any 20% cornerstone shareholder is estimated to increase the impact of any dilution of the Company's current holding in PGG Wrightson by approximately 4%.

The Directors considered the potential financial effect on the Company of a cornerstone shareholder taking a 20% post-placement shareholding in PGG Wrightson by way of an issue of new shares for cash at an estimated \$0.72 (based on recent PGG Wrightson market prices during September 2009). In these circumstances, the Company's interest in PGG Wrightson would be diluted, irrespective of any participation by the Company in any subsequent PGG Wrightson pro rata rights issue. This would result in an accounting loss being recognised by the Company in its income statement. This accounting loss would arise because the dilution in the Company's shareholding in PGG Wrightson (which in this example would be from the current 20.7% to 16.6%) would be treated for accounting purposes as an effective disposal of shares at the issue price, and a loss arises because the assumed issue price is lower than the Company's carrying value per share of the shareholding in PGG Wrightson. Based on an estimated PGG Wrightson new share issue price of \$0.72 and the continued application of equity accounting, this non-cash loss would be approximately \$6 million. If the new shares are issued to the cornerstone shareholder at a higher price, then the non-cash loss would be reduced and if the new shares are issued at a lower price, then the non-cash loss would be higher.

PGG Wrightson has not been involved in the preparation of this Offer Document and the assumptions applied by the Directors should not be taken as any indication of the terms of any capital raising that might be undertaken by PGG Wrightson after the date of this Offer Document.

The assumptions referred to above have been based on publicly available information as at the date of this Offer Document.

40. Corporate and minor entities

Revenue

Revenue of \$2.7 million in FY2010 relates to recharges to MARAC and the Perpetual Group for staff expenses, directors' fees and other Group costs. Revenue from recharges to MARAC and the Perpetual Group eliminate on consolidation. MARAC Insurance and MARAC Securities Limited contribute \$1.5 million of operating revenue.

Direct expenses

The majority of the direct costs relate to inter-company interest due to MARAC in relation to the balance of the promissory note from the sale of the Ex-MARAC Loans from MARAC to MARAC Financial Services. This interest eliminates on consolidation.

¹⁹ At 30 June 2009 the carrying value of the investment was compared to a value in use calculation which considered the net present value of anticipated free cash flow from PGG Wrightson and the exercise confirmed that there was head room over the carrying value of the investment and there were no impairment issues necessitating a write down.

Operating expenses

Key operating expenses largely relate to head office and minor entities' staff costs and directors' fees, which total \$2.6 million.

Interest

Interest on PGC Corporate debt is assumed to be charged on a monthly basis during FY2010 at the forecast 90 day bank bill rate and a margin of 1.0% until November 2009 followed by a margin of 2.0% until June 2010.

Balance sheet assumptions

It is assumed that gross proceeds of \$265 million are raised by the capital raising, comprising \$237 million from the Rights Offer, \$25 million from the Placement and \$3 million from the proposed Share Purchase Plan. The Company will pay costs directly attributable to the Rights Offer and the Placement of approximately \$13 million, resulting in a net receipt of \$252 million.

PGC Corporate borrowings are expected to move in line with cash payments and receipts. The key movements relate to the assumed net receipt of \$252 million of cash from the Rights Offer, Placement and Share Purchase Plan and distribution to subsidiaries as part of the acquisition of the Ex-MARAC Loans and other uses of funds as set out on page 100 of this Offer Document.

The Company recorded an \$85 million (pre-tax) liability in FY2009 associated with the impairment of the Ex-MARAC Loans. This liability is assumed to reduce to zero in October 2009 when the impairment is reversed and recorded as a loss on sale elsewhere in the Group as part of the sale of the Ex-MARAC Loans to Real Estate Credit (refer to the additional description on page 79 of this Offer Document).

The Company completed the sale of the land and buildings at Cambridge Terrace, Christchurch for consideration of \$8 million on 14 September 2009.

Advances to subsidiaries/inter-Group receivables are assumed to increase from \$105.5 million as at 1 July 2009 to \$287.7 million as at 30 June 2010 as a result of loan funding provided to Subsidiaries as part of the sale of the Ex-MARAC Loans and the \$18 million loan provided to Perpetual Asset Management to fund the acquisition of EPAM.

E) GROUP SENSITIVITY ANALYSIS

The Prospective Financial Statements are sensitive to variations in certain assumptions used in their preparation. A summary of the likely effect variations to certain assumptions may have on the Prospective Financial Statements is detailed below. The sensitivities for each assumption for the Group are not intended to be indicative or predictive of the possible range of outcomes.

Care should be taken in interpreting the information set out below. Each movement in an assumption is treated in isolation from possible movements in other assumptions, which is not likely to be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the impact of which is not reflected in the Prospective Financial Statements. In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which are not reflected in the Prospective Financial Statements.

The factors that the Company considers to have the most significant impact on projected financial performance of the Group during the Prospective Period are new business volumes, interest margins, bad debt expense and the financial performance of Real Estate Credit.

\$000s	Impact on profit after taxation of changes to the prospective assumptions				
	+10%	+5%	n/c	-5%	-10%
New business volumes (MARAC)	1,161	581	-	(581)	(1,161)
Interest margins (MARAC)	+100bps 7,515	+50bps 3,767	-	-50bps (3,767)	-100bps (7,515)
Bad debt expense (MARAC)	-0.5% 4,186	+-0.25% 2,093	-	+0.25% (2,093)	+0.5% (4,186)
Real Estate Credit return on Ex MARAC Loans	+5% 2,100	+2.5% 1,050	-	-2.5% (1,050)	-5% (2,100)

n/c = no change

Each factor is described further below. Investors should also refer to the discussion of these and other factors set out under the heading "What are my risks?" on pages 58 to 68 of this Offer Document.

New business volumes

MARAC's lending typically spans multiple accounting periods such that a significant proportion of business for FY2010 was already written in FY2009 and earlier periods. This sensitivity shows the estimated impact on profit after taxation of an increase or decrease in new business written across all finance products.

Interest margins

This sensitivity shows the estimated impact on profit after taxation of an increase or decrease in the assumed margin between cost of funds and charges to customers by applying a basis point uplift to the cost of borrowings. A separate sensitivity has been applied to the Ex-MARAC Loans to be sold to Real Estate Credit.

Bad debt expense

This sensitivity shows the estimated impact on profit after taxation of an increase or decrease in the forecast bad debt expense percentage. The bad debt percentage is applied to the expected monthly closing balance of total finance receivables and operating lease assets. Significant changes in bad debt expense have a material impact on financial performance and can be difficult to estimate reliably.

Real Estate Credit returns on Ex-MARAC Loans

This sensitivity shows the impact of adjustments to the assumed annual rate of return on the Ex-MARAC Loans. The value of each of the Ex-MARAC Loans was written down as at 30 June 2009. However, the actual returns which Real Estate Credit will derive from the Ex-MARAC Loans is dependent on a number of factors, many of which are beyond its control. As such, those returns may vary from the returns assumed in the Prospective Financial Statements and these variations may be significantly more or less favourable. In this regard, investors should consider, amongst other factors, the risks described under the heading "Property lending risks" on pages 66 and 67 of this Offer Document.



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The Directors
Pyne Gould Corporation Limited
PO Box 167
Christchurch

23 September 2009

Dear Sirs

Independent accountant's report in relation to prospective financial information

We have prepared this report for inclusion in the prospectus and investment statement to be dated 23 September (the "Offer Document") and for no other purpose.

Directors' responsibilities

The Directors of the company (or Pyne Gould Corporation Limited and its subsidiaries (the "group")) are responsible for the preparation and presentation of the prospective financial information for the year ending 30 June 2010, including the assumptions on which it is based.

Independent accountant's responsibilities

It is our responsibility to express an independent opinion on the prospective financial information of the group included in the Offer Document for the year ending 30 June 2010. We take no responsibility for, nor do we report on, any part of the Offer Document not specifically mentioned in this report. We have no responsibility to update our opinion on the prospective financial information for events and circumstances occurring after the date of this report.

Our firm has provided other services to the group in relation to audit and other assurance services. Partners and employees of our firm deal with the group on normal terms within the ordinary course of trading activities of the business of the group. There are, however, certain restrictions on the business dealings which the partners or employees of our firm can have with the group. The firm has no other relationship with or interest in the group.

Basis of opinion on prospective financial information

To meet our responsibilities, we have examined the prospective financial information set out in the Appendix on pages 94 to 112 of the Offer Document, to confirm that, so far as the accounting policies and calculations are concerned, the prospective financial information has been properly compiled on the footing of the assumptions made or adopted by the Directors as set out on pages 97 to 112 of the Offer Document and is presented on a basis consistent with the accounting policies normally adopted by the group.

KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss corporation.



Pyne Gould Corporation Limited
Independent Accountant's report
23 September 2009

Unqualified opinion on prospective financial information

In our opinion the prospective financial information, set out in the Appendix on pages 94 to 112, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made or adopted by the Directors of the company set out on pages 97 to 112 of the Offer Document and is presented on a basis consistent with the accounting policies normally adopted by the group.

It is likely that actual results will vary from those forecast since anticipated events frequently do not occur as expected, and these variations may be significant. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Consent for inclusion

We hereby give our consent to the inclusion in the Offer Document of this report in the form in which it is included. We have not made, or been involved in the preparation of, any statement in the Offer Document other than in this independent accountant's report and we expressly disclaim responsibility for any other statements in the Offer Document. We have not authorised or caused the issue of the Offer Document.

Yours faithfully

KPMG
Auckland

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Bryan Mogridge
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Warwick Steel
George Kerr
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