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Document Number

(for office use only)

The Securities Act 1978

MEMORANDUM OF AMENDMENTS TO A REGISTERED PROSPECTUS

(Section 43)

Name of
Issuer

Heartland Building Society

Issuer Number

2541477

Introduction

The Issuer has registered a prospectus for an issue of deposits dated 27 September 2011 as amended on 19 January 2012 (the Prospectus) under the Securities Act 1978 (the Act) at the Companies Office at Auckland.

The Issuer now wishes to amend the Prospectus in accordance with section 43 of the Act.

Amendment

The amendments to the Prospectus are:

- 1 On the cover page, the last sentence is deleted and the following is inserted:

"27 September 2011 (as amended on 19 January 2012 and 3 April 2012)"
- 2 On the first page after the cover page, the first sentence under the heading "Prospectus" is deleted and the following is inserted:

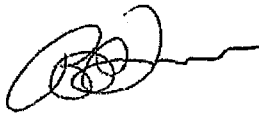
"This Prospectus is dated 27 September 2011 (as amended on 19 January 2012 and 3 April 2012) and is a prospectus in respect of the offer of Deposits to be issued by Heartland Building Society (*Heartland*)."
- 3 The attachment of the following material contracts referred to in pages 46-48 of the Prospectus:
 - a. Transitional Services Agreement (PGW)
 - b. Deed of Guarantee and Indemnity (PGW)
 - c. Distribution and Services Agreement (PGW)
 - d. Supplemental Deed to Crown Deed of Guarantee
 - e. Agreement relating to Sale and Purchase of Shares in PWF
 - f. Agreement for Sale and Purchase of Loans No. 1

- g. Agreement for Sale and Purchase of Loans No. 2
- h. Deed of Defeasance (in relation to PWF Deposits)
- i. Deed of Defeasance (In relation to PWF Bonds)

A copy of the Prospectus as amended accompanies this Memorandum of Amendments.

Dated: 3 April 2012

Signed by all of the directors of the Issuer or by their agents authorised in writing



Bruce Robertson Irvine



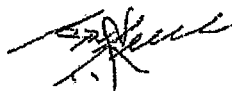
Jeffrey Kenneth Greenslade



Edward John Harvey



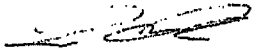
Graham Russell Kennedy



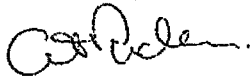
Gary Richard Leech



Christopher Robert Mace



Michelle Anne Smith



Geoffrey Thomas Ricketts

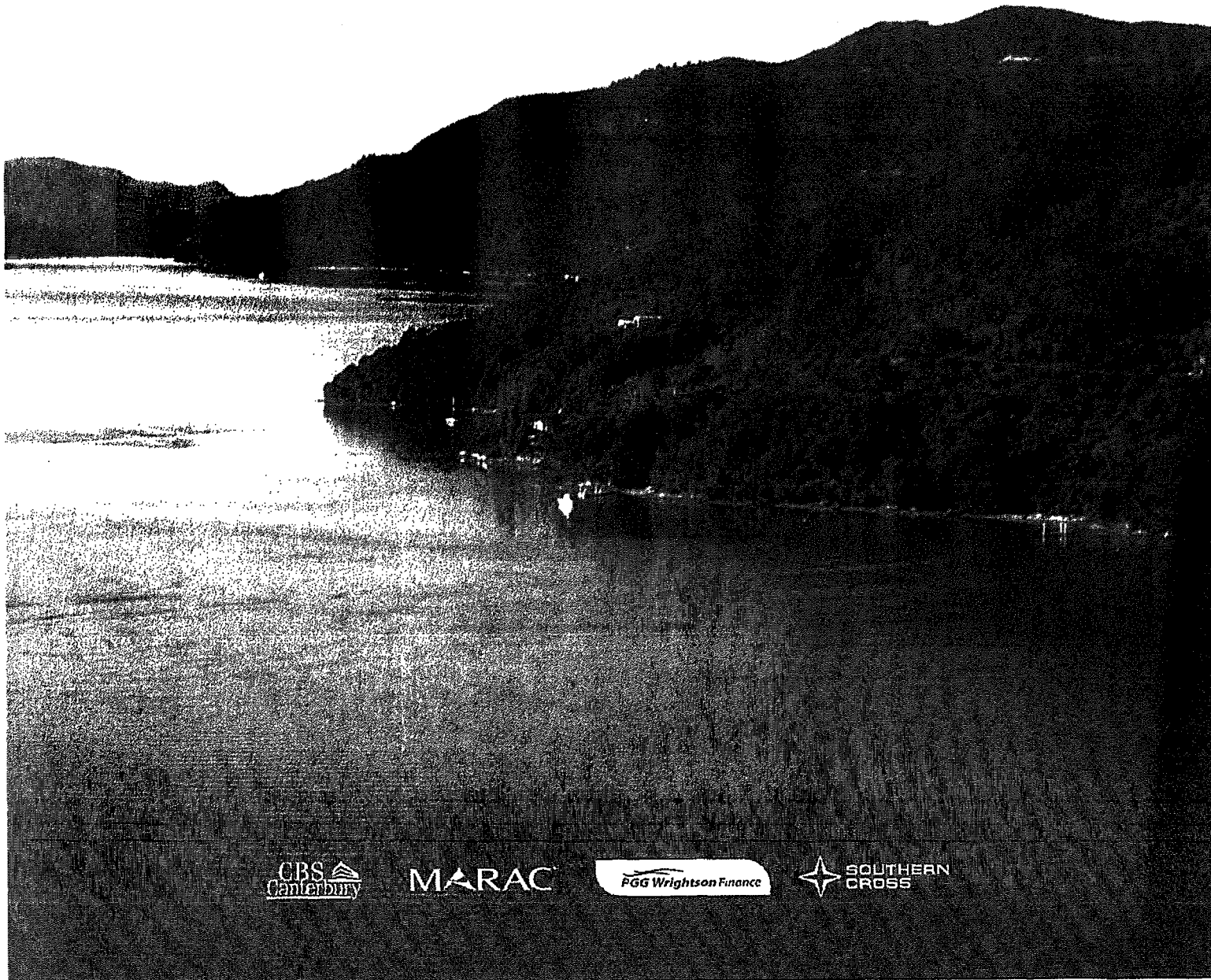
HEARTLAND

Building Society

PROSPECTUS NO.3

RELATING TO THE OFFER OF DEPOSITS

27 SEPTEMBER 2011 (AS AMENDED ON 19 JANUARY 2012 AND 3 APRIL 2012)



IMPORTANT NOTICE

This Prospectus is dated 27 September 2011 (as amended on 19 January 2012 and 3 April 2012) and is a prospectus in respect of the offer of Deposits to be issued by Heartland Building Society (*Heartland*). You should read the content of this Prospectus and the Investment Statement carefully.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus or in other communications from the Directors of Heartland. Any information or representation not so contained may not be relied upon as having been authorised by Heartland.

Registration of Prospectus

A copy of this Prospectus duly signed by or on behalf of the Directors of Heartland and having attached to it copies of the documents and other materials required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act on 7 October 2011.

The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers for registration are:

- the signed report of the Auditor in respect of certain financial information included in this Prospectus, as set out in this Prospectus;
- the signed consent of the Auditor to its audit report appearing in this Prospectus;
- the signed statement from the Trustee as set out in this Prospectus;
- copies of the material contracts referred to in this Prospectus, which have not already been registered by, or filed with, the Registrar of Financial Service Providers¹; and
- letters of authority authorising this Prospectus to be signed by an agent of any Director of Heartland (if and where required).

Forward Looking Statements

This Prospectus contains certain statements that relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Heartland and which may cause actual results, performance or achievements of the Heartland Group to differ materially from those expressed or implied by such statements.

Definitions

Capitalised terms used in this Prospectus have the specific meaning given to them in the Glossary, in the relevant section of this Prospectus or in the Trust Deed.

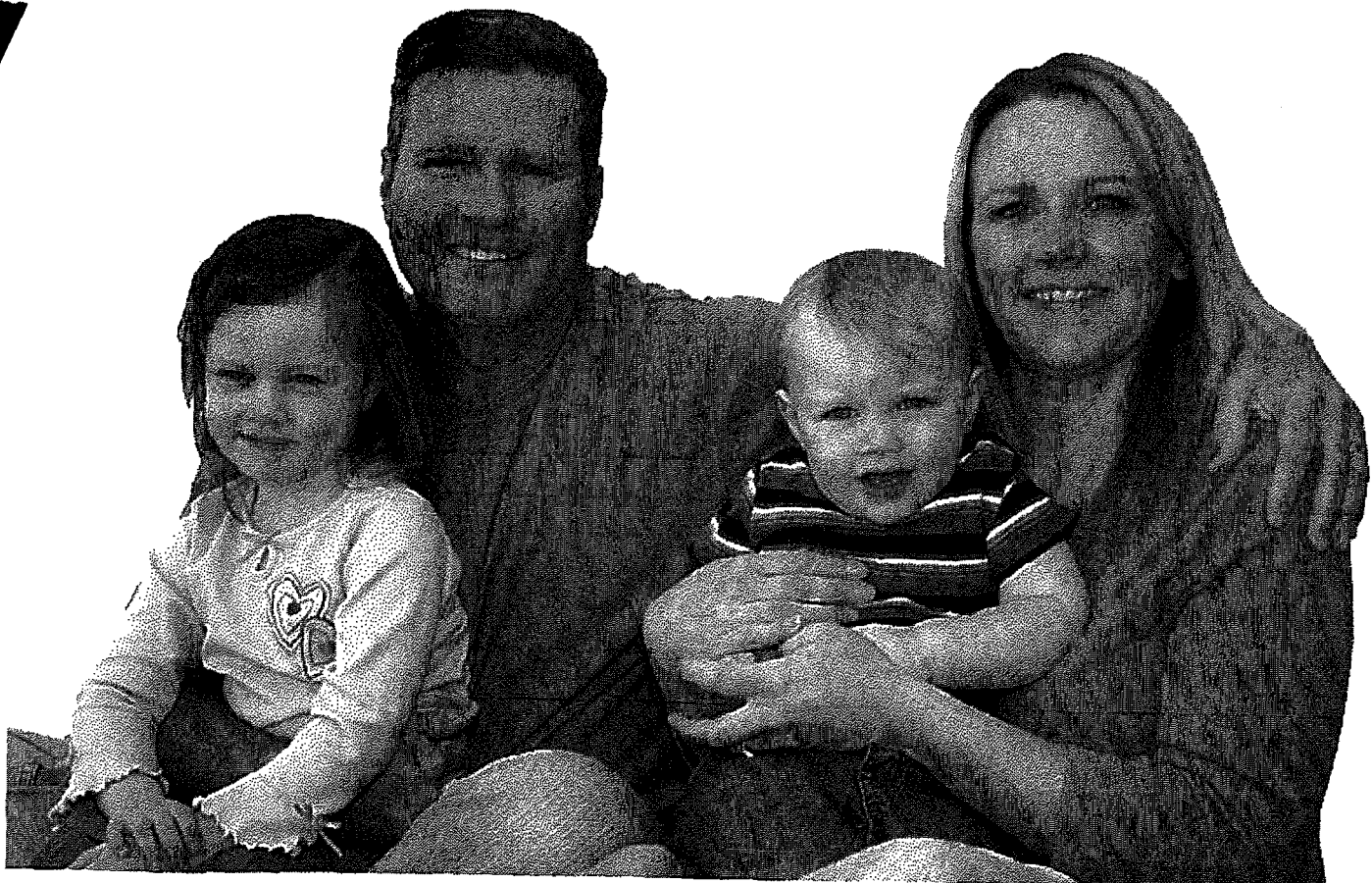
¹ Subject to the Securities Act (Pyne Gould Corporation Limited and Building Society Holdings Limited) Exemption Notice 2011. See the information under the heading "Places of Inspection of Documents" for further details.

HEARTLAND

Building Society

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1.0 HEARTLAND DEPOSITS

This is an offer for Deposits issued by Heartland Building Society (incorporation number 2541477) (*Heartland*)².

Heartland offers a wide range of investment products. Investors can choose the term of their Deposit from at call to five years and with varying features. Further details on the products available to investors are set out in Section 3 of this Prospectus.

Heartland offers flexible investment options through its range of products. Investors can choose how much to invest (subject to a minimum of \$1,000 for Term Accounts and \$2,000 for PWF Savings Optimiser) and whether their interest rate will be fixed for the term of the investment or whether it will be floating.

The Deposits are direct, unsecured, unsubordinated debt obligations ranking equally with all other deposits issued under the Trust Deed. The Deposits are issued subject to the terms and conditions contained in the Trust Deed.

² Heartland Building Society changed its name from Combined Building Society on 1 June 2011.

2.0 INTRODUCING HEARTLAND

Heartland is a building society established under the *Building Societies Act* and comprises the former businesses of CBS Canterbury, Southern Cross and 100% shareholdings in MARAC and PGG Wrightson Finance Limited (*PWF*). Heartland is wholly-owned by Heartland New Zealand (through its subsidiaries)³, which listed on the NZSX on 1 February 2011⁴.

Part of NZ Since 1875

Heartland's roots stretch back to 1875 with the inception of Ashburton Permanent Building & Investment Society, which subsequently merged with SMC Building Society and Loan & Building Society. Together they became CBS Canterbury. Over the decades they have provided the people in the Canterbury region with home, rural and business loans, term investments, and savings and day-to-day accounts.

Southern Cross similarly has a long history. Opening in Auckland in 1923, it has offered a similar range of financial services to its customers throughout the North Island.

For nearly 60 years MARAC has supported the growth of small-to-medium sized New Zealand businesses with a range of finance, investment and insurance solutions.

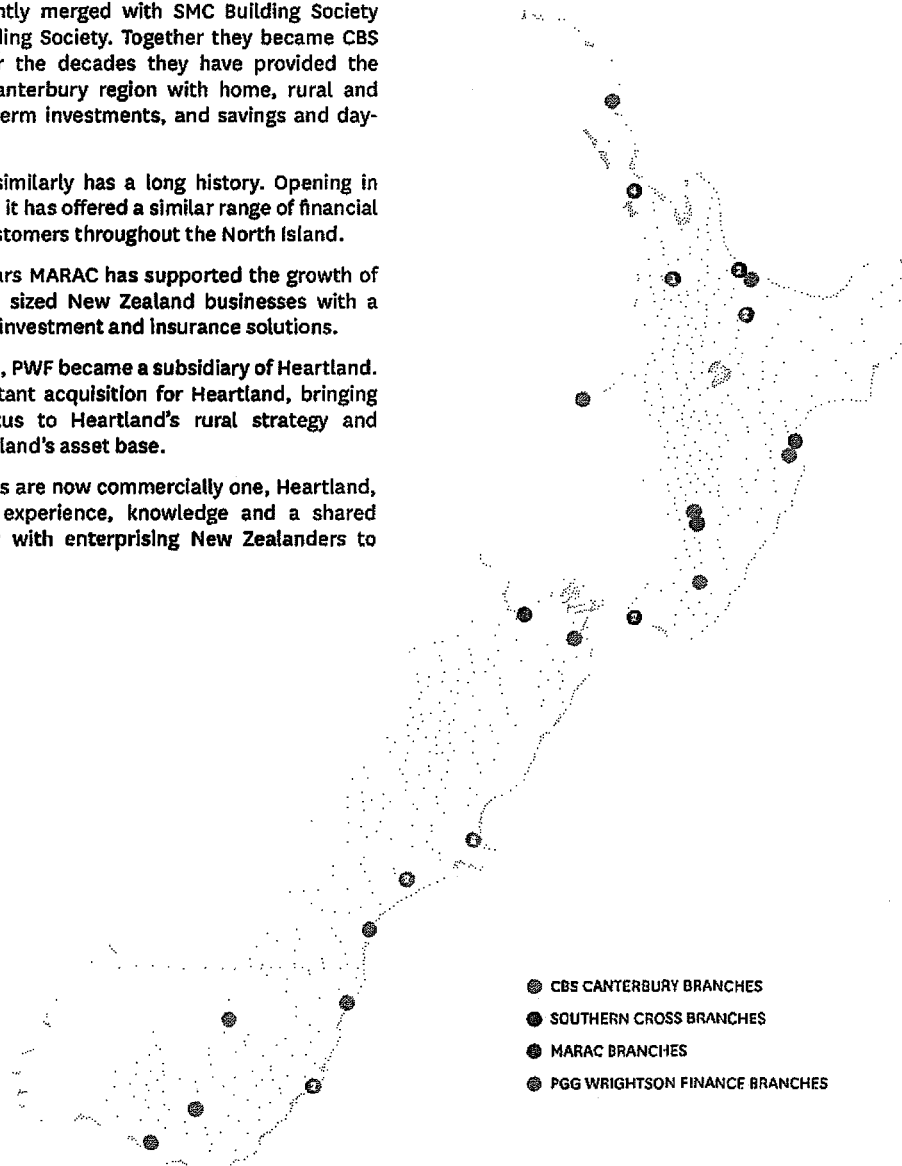
On 31 August 2011, PWF became a subsidiary of Heartland. PWF is an important acquisition for Heartland, bringing significant impetus to Heartland's rural strategy and diversity to Heartland's asset base.

These four entities are now commercially one, Heartland, combining their experience, knowledge and a shared vision to partner with enterprising New Zealanders to succeed.

Across New Zealand, in Heartland Communities

The people at Heartland are part of your local community. They work with you and your community to help provide a sustainable future for all. Heartland has an extensive network of branches and agencies spread throughout New Zealand.

Branches of Heartland Group (as at 31 August 2011)



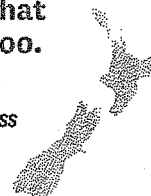
³ Neither Heartland New Zealand nor any of its subsidiaries that hold shares in Heartland guarantee the obligations of Heartland in relation to the Deposits.

⁴ Heartland New Zealand shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Prospectus. The NZSX is a registered market operated by NZX Limited, which is a registered exchange, regulated under the Securities Markets Act 1988.

2.0 INTRODUCING HEARTLAND continued

100% FOR NEW ZEALAND | We like home-grown – and that goes for financial services too.

We are New Zealand operated and managed, with a parent company listed on the NZSX⁵, and use our strong presence in communities across the country to meet the needs of small-to-medium sized businesses, farmers and families.



Service the Heartland Way

Heartland values its heritage, and works hard to earn and retain its customers' respect and loyalty every day. As a Heartland customer you will experience service with a personal touch.

Investing in New Zealand

Heartland funds households, small-to-medium sized businesses and farms that form the backbone of the country's economy. When you invest in Heartland, your deposit helps to drive prosperity in your local community and throughout New Zealand. As at the date of this Prospectus, all of Heartland's lending is in relation to New Zealand based assets.

Highlights of the Business

Here are just some of Heartland's strengths, which together form a solid base on which our Depositors can rely:

- **Credit rating**

At the date of the amendment of this Prospectus, Heartland has a credit rating of BBB- from Standard & Poor's, which is considered an investment grade rating by market participants. For the most up to date Heartland credit rating information refer to www.heartland.co.nz⁶. Further detail on credit ratings is set out on pages 20 to 22 of this Prospectus.

- **All investors rank equally**

All Depositors in Heartland rank equally with each other, and equally with Heartland's current bank funders, Bank of New Zealand and Westpac Banking Corporation. Heartland has undertaken in the Trust Deed not to grant security over any of its assets except in certain limited circumstances.

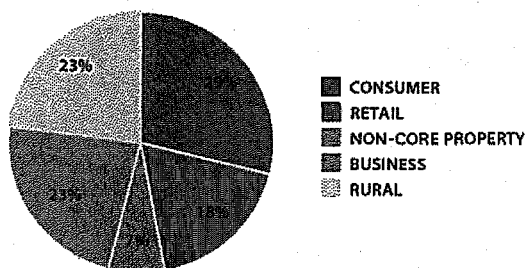
- **Substantial balance sheet, sound cash flow**

Heartland is a substantial business. As at 30 June 2011 (before the acquisition of PWF), Heartland had \$294 million in shareholder funds, with \$2.1 billion in total assets and \$1.8 billion in total liabilities⁷. Heartland's focus is on lending against assets that generate cash flow, assets that have essential uses and assets that have sound realisable values. Through this Heartland maintains a sound cashflow.

- **Lending diversity**

Looking after Depositors' money is something Heartland takes very seriously. Diversification of risk is coupled with robust governance, experienced management and a rigorous approach to credit. Heartland's lending is diversified across the small-to-medium sized business, rural and household sectors, and geographically across New Zealand.

Net Receivables of Heartland Group⁸ and PWF by Division (as at 30 June 2011)⁹



5 Heartland New Zealand shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Prospectus. The NZSX is a registered market operated by NZX Limited, which is a registered exchange, regulated under the Securities Markets Act 1988.

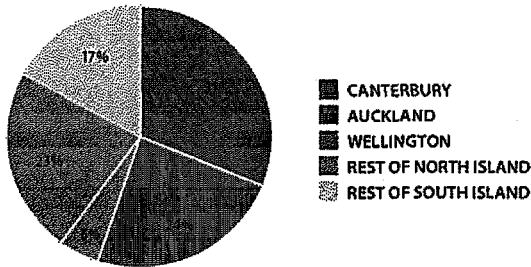
6 For an explanation of Standard & Poor's credit rating system, please see <http://www.standardandpoors.com/ratings/definitions-and-faqs/en/us> under the Section "What do the letter ratings mean?".

7 These amounts have been taken from the most recent annual statement of financial position of Heartland dated 30 June 2011. The amounts were calculated as at that date. The amounts and statement of financial position are included in Heartland's audited financial statements for the year ended 30 June 2011.

8 Heartland consolidates two securitisation trusts – MARAC ABCP Trust 1 and CBS Warehouse A Trust (the Trusts). \$210 million of net securitised receivables continue to be recognised in Heartland's financial statements and in the graph above, however those \$210 million of assets are set aside for the benefit of the investors in the Trusts and no longer form part of Heartland's assets which are available to repay Depositors.

9 The information contained in the graph has been taken and derived, from the most recent annual audited financial statements of Heartland Group dated 30 June 2011 and PWF dated 30 June 2011 (but excludes \$32.7 million operating lease vehicles, \$34.5 million investment properties and the loan assets that were sold by PWF on or about 31 August 2011). The 30 June 2011 financial statements precede the 31 August 2011 acquisition of PWF by Heartland. The categories have been reclassified and aggregated where necessary for consistency of presentation. The graph is provided for illustrative purposes only.

Net Receivables of Heartland Group¹⁰ and PWF by Geography (as at 30 June 2011)¹¹



- **Low concentration of lending exposure to a single borrower**

The Heartland Group has limited exposure to any single customer or counterparty. Under the Trust Deed, the Heartland Group's exposure to its Largest Single Borrower may not exceed 15% of capital and the Board monitors the largest amounts owing by any individual borrower or group of related borrowers.

The Heartland Group operates across a broad New Zealand customer base. This helps to limit the risk of the Heartland Group being exposed to any one group of customers failing to meet their repayments.

- **Funding diversity**

Heartland is funded through retail deposits, committed bank facilities, a securitisation programme and an NZDX-listed bond. This diversified funding base reduces Heartland's reliance on any single funding source, and together with the staggering of maturity dates assists in managing liquidity and re-financing risk.

- **Strong governance**

The Directors of Heartland and its executive management team are experienced in the financial services and banking industries. All of the Directors have extensive corporate governance experience. You can find out more about Heartland's Directors on page 44.

- **NZSX-listed parent company**

Heartland's parent company, Heartland New Zealand, is listed on the NZSX and has over 8,000 shareholders as at the date of this Prospectus¹². Having an NZSX-listed parent provides the potential to access further capital.

- **Banking registration objective¹³**

A key objective of the Heartland Group is ultimately to create a New Zealand operated, controlled and managed banking group, with a parent company listed on the NZSX. Following the acquisition of PWF, Heartland intends to commence the formal application for bank registration during the 2011-2012 financial year. The bank registration process after application is of indeterminate length, and bank registration is subject to satisfaction of the Reserve Bank's requirements.

¹⁰ Heartland consolidates two securitisation trusts - MARAC ABCP Trust 1 and CBS Warehouse A Trust (the Trusts). \$210 million of net securitised receivables continue to be recognised in Heartland's financial statements and in the graph above, however those \$210 million of assets are set aside for the benefit of the investors in the Trusts and no longer form part of Heartland's assets which are available to repay Depositors.

¹¹ The information contained in the graph has been taken and derived, from the most recent annual audited financial statements of Heartland Group dated 30 June 2011 and PWF dated 30 June 2011 (but excludes \$32.7 million operating lease vehicles, \$34.5 million investment properties and the loan assets that were sold by PWF on or about 31 August 2011). The 30 June 2011 financial statements precede the 31 August 2011 acquisition of PWF by Heartland. The categories have been reclassified and aggregated where necessary for consistency of presentation. The graph is provided for illustrative purposes only.

¹² Heartland New Zealand does not guarantee the obligations of Heartland in relation to the Deposits. Heartland New Zealand shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Prospectus. The NZSX is a registered market operated by NZX Limited, which is a registered exchange, regulated under the Securities Markets Act 1988.

¹³ As at the date of this Prospectus, neither Heartland New Zealand, Heartland, nor any Guaranteeing Subsidiary is a registered bank under the Reserve Bank Act. The bank registration process is of indeterminate length and bank registration is subject to satisfaction of the Reserve Bank's requirements.

3.0 DETAILS OF THE OFFER

The following is a summary of the main terms of the Offer. Investors should refer to the more detailed information in other sections of this Prospectus, including the section entitled Statutory Information on pages 44 to 51 and the Investment Statement, which can be obtained by calling 0800 85 20 20, downloading a copy from Heartland's website, www.heartland.co.nz, visiting a Heartland branch, or visiting Heartland's registered office. The product names set out below are subject to change, including following the completion of a formal rebranding exercise which Heartland is currently undertaking.

Key Terms of Security Deposits

Type of Investment	Term Account or Call Account ¹⁴	
Products Available	Term Accounts	Call Accounts
	<ul style="list-style-type: none"> • CBS Canterbury Top Rate Term Deposit • CBS Canterbury Fixed Rate Term Deposit • CBS Canterbury Monthly Income Term Deposit • CBS Canterbury Heart of Gold Term Deposit • Heartland Term Deposit • MARAC Term Deposit • MARAC Deferred Interest Term Deposit • MARAC Capital Drawdown Term Deposit • MARAC Rapid Saver • MARAC Floating Rate Term Deposit • PWF Term Deposit • Southern Cross Term Investment 	<ul style="list-style-type: none"> • CBS Canterbury Everyday Ultimate Account • CBS Canterbury Optimum Club Account • CBS Canterbury Special Purpose Account • CBS Canterbury Living Style Savings Account • CBS Canterbury Kids Cash & Everyday @ Max Account • Heartland Call Deposit • MARAC Call Deposit • MARAC Business Call Deposit • PWF Current Account • PWF Rural Saver • PWF Savings Optimiser¹⁵ • Southern Cross Current Account Saver • Southern Cross Net Saver

¹⁴ Constituted pursuant to the Supplemental Trust Deed (Accounts) which is supplemental to the Master Trust Deed. Copies of these documents are filed on a public register monitored by the Registrar of Financial Service Providers and are available on request.

¹⁵ Withdrawals are subject to 14 days notice.

Key Terms of Security	Deposits
Issuer	Heartland Building Society.
Listed or Unlisted	Unlisted.
Maximum Amount of Deposits Being Issued	\$4.0 billion.
Ranking	Direct, unsecured, unsubordinated debt obligations ranking equally with all other Deposits.
Interest Rate	<p>Heartland's current interest rates and maturity terms are set out in its current rate card which investors can obtain by calling 0800 26 27 22, visiting a Heartland branch, or by visiting Heartland's website www.heartland.co.nz or its registered office.</p> <p>Heartland may vary any of the interest rates applicable to Deposits at any time without notice. Any change in interest rate will not apply to any Term Accounts established before the date of change and which have a fixed rate of interest. For PWF Savings Optimiser deposit interest rate changes, 14 days notice of any change will be given.</p>
Payment of Interest	<p>Interest will accrue on each Account on a daily basis from the date a valid application is received and the application moneys are deposited into a Heartland bank account.</p> <p>Interest on your Call Account is paid to you, or added to the principal sum of the Deposit, on a monthly or quarterly basis (depending on your account type).</p> <p>Interest on your Term Account is paid to you or added to the principal sum of the Deposit on maturity in the case of a term of less than three or six months (depending on your account type) or, in the case of longer terms, on the basis set out on your Application Form (quarterly, six-monthly, annually or at maturity) at the rate agreed between you and Heartland at the time that you make your Deposit.</p>
Upon Maturity of a Term Account	<p>Prior to the maturity date of your Term Account, Heartland will send you a notice to tell you that your investment is about to mature. You can then elect to:</p> <ul style="list-style-type: none"> (a) withdraw your investment by cheque; (b) withdraw your investment in cash at CBS Canterbury or Southern Cross branches; (c) request that Heartland transfer your investment to a bank account nominated by you; or (d) reinvest your money with Heartland, either in the same product or in a different product. <p>Unless you instruct Heartland otherwise, on maturity your Term Account will be automatically reinvested for the same investment term, except if your Deposit type is a MARAC or PWF product and Heartland does not receive a maturity instruction from you. In this circumstance, Heartland will place the matured investment on call at the then "past maturity account rate" detailed in its then current rate card (which investors can obtain by calling 0800 26 27 22, visiting a Heartland branch, or by visiting Heartland's website www.heartland.co.nz, or its registered office).</p>

3.0 DETAILS OF THE OFFER continued

Key Terms of Security	Deposits
Withdrawals From a Call Account	<p>In general, you may withdraw money from your Call Account in the manner agreed to between you and Heartland at the time you make your Deposit or as advised by Heartland from time to time. Withdrawal methods include in person at a CBS Canterbury or a Southern Cross branch; utilising a Heartland cheque book or EFTPOS / ATM card; providing written instruction; or via internet and telephone banking service (subject to any rules that Heartland may apply to online or telephone transfers). For MARAC Call Deposit, withdrawal instructions must be provided in writing, by phone or by email. For PWF Rural Savings Deposit withdrawals, instructions must be provided in writing, by phone, email, in person at a PWF branch or via internet banking. Requests for withdrawals to be paid by electronic funds transfer must be made on a Business Day and in time to enable processing prior to 3.00pm on that date (or such later time as Heartland may agree). For PWF Savings Optimiser Deposits a 14 day notice of withdrawal period will apply. Notice may be provided in writing, by phone, email or in person at a PWF branch.</p> <p>You can register for internet banking, the telephone transfer service or telephone banking by contacting the branch at which your Call Account was opened (for the avoidance of doubt, Heartland is not a registered bank).</p> <p>Restrictions may apply to withdrawals from certain Call Accounts.</p>
Fees	<p>Certain fees may apply to transactions, services and other activity in relation to certain Deposits (including fees for dishonoured transactions and cheques, overdrawn accounts, and international transfers) and those fees are subject to change from time to time.</p> <p>Withdrawals from CBS Canterbury Living Style Accounts are subject to specific notice of withdrawal criteria or, in the absence of required notice, the interest rate payable on these accounts will be reduced by up to 3% (calculated across the term of the investment), unless that amounts to a reduction in interest payable of less than \$30, in which case a fee of \$30 will be payable by the Depositor.</p> <p>Details of applicable fees are available from Heartland on request or can be found by visiting Heartland's website at www.heartland.co.nz.</p> <p>No other charges are payable by any investor or by Heartland or any associated person of Heartland that would affect the amount of your returns.</p>
Minimum Amount of Investment	<p>Apart from the \$2,000 minimum investment for investments in PWF Savings Optimiser, there is no minimum investment for Call Accounts.</p> <p>The minimum investment in Term Accounts as at the date of this Prospectus is \$1,000.</p> <p>Heartland may alter the minimum investment amounts from time to time. Details of the current minimum investment amounts are available from Heartland on request or can be found by visiting Heartland's website at www.heartland.co.nz.</p>

Key Terms of Security	Deposits																		
Taxation	<p>Under current New Zealand tax legislation, Heartland must deduct resident withholding tax (<i>RWT</i>) from all interest paid or compounded before it is paid or credited to New Zealand resident investors.</p> <p>If an investor holds a current certificate of exemption and has given Heartland a copy of that certificate, then Heartland will not deduct RWT.</p> <p>The applicable RWT rates are set out below. Please note that the IRD may instruct interest payers, such as Heartland, to move the RWT rate where the IRD determines they are on a RWT rate inconsistent with their marginal tax rate.</p> <p>RWT for individuals and trustees</p> <p>If an investor is an individual investor or trustee then RWT will be deducted at the rate indicated by that investor, as follows:</p> <table border="1" data-bbox="512 882 970 1039"> <thead> <tr> <th><i>Investor's Income</i></th> <th><i>RWT Rate</i></th> </tr> </thead> <tbody> <tr> <td>\$0 - \$14,000</td> <td>10.5%</td> </tr> <tr> <td>\$14,001 - \$48,000</td> <td>17.5%</td> </tr> <tr> <td>\$48,001 - \$70,000</td> <td>30.0%</td> </tr> <tr> <td>\$70,001 and over</td> <td>33.0%</td> </tr> </tbody> </table> <p>The 10.5% RWT rate is only available to individuals and trustees of testamentary trusts.</p> <p>If an investor is an individual investor or trustee and none of the above apply (for example, the investor has provided their IRD number but not elected a RWT rate), then RWT will be deducted at the default rate of 33.0%.</p> <p>RWT for companies</p> <p>If an investor is a company then RWT will be deducted at the rate indicated by that investor, as follows:</p> <table border="1" data-bbox="512 1290 970 1413"> <thead> <tr> <th><i>Criteria</i></th> <th><i>RWT Rate</i></th> </tr> </thead> <tbody> <tr> <td>No IRD number</td> <td>33.0%</td> </tr> <tr> <td>Elected rate</td> <td>33.0%</td> </tr> <tr> <td>Default rate</td> <td>28.0%</td> </tr> </tbody> </table> <p>Non-resident withholding tax</p> <p>For investors who are not resident in New Zealand for tax purposes, Heartland will deduct non-resident withholding tax (<i>NRWT</i>). The rate of NRWT is currently 10.0% or 15.0% depending on the country of residence.</p> <p>Heartland is also an approved issuer and is able to deduct an approved issuer levy (<i>AIL</i>), which is currently 2.0%, instead of NRWT.</p> <p>All non-resident investors must provide Heartland with their current overseas residential address.</p> <p>Annual interest advice</p> <p>Heartland will advise investors (unless interest paid is less than \$50) of the amount of interest paid or credited and any RWT, NRWT or AIL deducted for the year ending 31 March by 20 May in the same year.</p>	<i>Investor's Income</i>	<i>RWT Rate</i>	\$0 - \$14,000	10.5%	\$14,001 - \$48,000	17.5%	\$48,001 - \$70,000	30.0%	\$70,001 and over	33.0%	<i>Criteria</i>	<i>RWT Rate</i>	No IRD number	33.0%	Elected rate	33.0%	Default rate	28.0%
<i>Investor's Income</i>	<i>RWT Rate</i>																		
\$0 - \$14,000	10.5%																		
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No IRD number	33.0%																		
Elected rate	33.0%																		
Default rate	28.0%																		

3.0 DETAILS OF THE OFFER continued

Key Terms of Security	Deposits
Early Repayment of Term Accounts	<p>Heartland's fixed rates of interest for a particular investment amount and term are based on the expectation that the funds will be invested by you for the full term. You do not have a right to withdraw your investment before maturity, but Heartland understands that people's circumstances do change. Heartland will consider, but is not obliged to accept, written requests for early repayment in certain circumstances such as (and without limitation) the death of an investor or unforeseen financial hardship.</p> <p>In such cases Heartland will require a written application giving full details and confirmation of the situation and the reasons for requesting early repayment.</p> <p>If Heartland agrees to make an early repayment the interest rate payable in respect of the Deposit may be reduced by 3% per annum (calculated across the term of the investment). Any tax that has already been paid on interest earned cannot be refunded back to you and tax must be claimed from the IRD directly.</p>
Transfers	<p>No Account may be transferred or sold without the prior written consent of Heartland, except that investments in a MARAC Term Deposit, MARAC Call Deposit, PWF Savings Optimiser and PWF Term Accounts can be sold privately in minimum amounts of \$1,000 using the standard form for security transfers, which must be executed and delivered to Heartland's registered office.</p>
Statements/Certificates	<p>Heartland will provide to you at the times, and in the manner, agreed between you and Heartland a certificate detailing your Deposit or a statement detailing all transactions that have taken place in relation to your Deposit during the relevant period.</p>

You can invest in a Deposit by visiting any Heartland branch, or by completing the application form distributed with the Investment Statement and returning it, with a cheque for the amount of your investment, to Heartland. Cheques should be made payable to Heartland and be crossed "not transferrable". Heartland will also accept investments by way of electronic funds transfer or cash presented in person at a branch.

Heartland may refuse all or any part of an application without giving a reason.

Special Features of Particular Products

Product	Features
CBS Canterbury Top Rate Term Deposit	Fixed term investment of 12, 24 or 36 months. The interest rate is reviewed during the term to be always equal to the rate available for a similar term CBS Canterbury Fixed Rate Term Deposit. Interest is paid 3 monthly. Additional funds, from \$1,000 to \$250,000, may be added to your deposit at any time.
CBS Canterbury Fixed Rate Term Deposit	Fixed amount investment with a range of terms available from 1 to 60 months at a rate fixed at the commencement of the term and with a range of interest frequencies.
CBS Canterbury Monthly Income Term Deposit	Fixed amount investment with terms available of 12, 24 or 36 months at a rate fixed at the commencement of the term and with interest paid monthly into an account of your choice.
CBS Canterbury Heart of Gold Term Deposit	Fixed amount investment with a range of terms available from 6 to 36 months at a rate fixed at the commencement of the term and with a range of interest frequencies. In addition to the interest paid to you Heartland will also sponsor a charity of your choice (from a list of available charities) an amount equivalent to 0.25% per annum of your investment.
CBS Canterbury Everyday Ultimate Account	An everyday transactional account with funds available at call. An extensive range of access options including in-branch transactions, debit cards, telephone and internet banking. Interest rates are tiered according to the balance with interest calculated on the total daily balance at the applicable rate and compounded quarterly. Overdraft and revolving credit options are also available.
CBS Canterbury Optimum Club Account	A CBS Canterbury Everyday Ultimate style account only available to clubs and non profit organisations and featuring higher interest rates to reflect our support of such organisations in our community.
CBS Canterbury Special Purpose Account	A range of accounts designed to assist general savings or saving towards any special purpose. The interest is calculated on the daily balance with bonus interest earned subject to balance or minimum monthly deposit criteria and is compounded quarterly. Funds are available on call subject to withdrawal fees for excess number of withdrawals. Includes a CBS Canterbury Christmas Club Account where the total balance and interest is paid to your nominated account on the first day of December to assist with expenses over the festive period.
CBS Canterbury Living Style Savings Account	A CBS Canterbury Special Purpose style account for longer term savings. Features higher interest rates with more restrictive withdrawal fees and criteria.
CBS Canterbury Kids' Cash Account	A CBS Canterbury Everyday Ultimate style account only available to children under the age of 12 years. Features include higher interest rates to help encourage saving habits, certain fee exemptions and other special gifts and incentives.
CBS Canterbury Everyday @ Max Account	A CBS Canterbury Everyday Ultimate style account only available to young people aged from 12 to 21 years. Features include higher interest rates to help encourage saving habits, certain fee exemptions and other special gifts and incentives.
Heartland Term Deposit	Fixed interest rate, fixed term investment with regular quarterly or annual interest payments for terms ranging from 30 days to 5 years.
Heartland Call Deposit	Interest bearing floating rate investment with interest compounded monthly and unlimited withdrawals.
MARAC Term Deposit	Fixed interest rate, fixed term investment with regular quarterly or annual interest payments for terms ranging from 30 days to 5 years.

3.0 DETAILS OF THE OFFER continued

Product	Features
MARAC Deferred Interest Term Deposit	On the same terms as the MARAC Term Deposit but all interest/returns are deferred to maturity rather than being paid at regular intervals.
MARAC Capital Drawdown Term Deposit	On the same terms as the MARAC Term Deposit but with a special feature of allowing regular payments made up of interest earned and part of the principal invested.
MARAC Rapid Saver	Savings account set up with an initial investment and fixed rate into which regular contributions are made during the term of the account.
MARAC Floating Rate Term Deposit	On the same terms as the MARAC Term Deposit but a floating interest rate linked to a benchmark applies.
MARAC Call Deposit	Interest bearing floating rate investment with interest compounded monthly and unlimited withdrawals.
MARAC Business Call Deposit	Interest bearing floating rate call deposit with interest compounded monthly and unlimited withdrawals to meet businesses' working capital requirements.
PWF Current Account ¹⁶	An on-call current account with a floating interest rate, with chequebook, EFTPOS card, electronic payment and internet services. Interest is calculated daily and compounded monthly.
PWF Rural Saver	An on-call savings account with a higher floating interest rate than PWF Current Account, and unlimited withdrawals. Interest is calculated daily and compounded monthly.
PWF Savings Optimiser	An enhanced savings account with a floating interest rate and with a 14 day notice period for withdrawals. The minimum investment is \$2,000 and minimum withdrawal is \$200. Interest rate reduction is subject to 14 days prior notice.
PWF Term Deposit	Fixed interest rate, fixed term investment with interest paid or compounded monthly, quarterly or annually for terms ranging from 3 months to 5 years.
Southern Cross Term Investment	Fixed interest rate, fixed term investment with regular interest payments (or with interest paid at maturity, as agreed with Heartland) for terms ranging from 1 month to 36 months.
Southern Cross Current Account Saver	An at call deposit account with a variable interest rate. Interest is paid to you, or added to the principal sum, on a quarterly basis.
Southern Cross Net Saver	Online at call deposit savings account with a variable interest rate. Interest is paid to you, or added to the principal sum, on a monthly basis.

In addition to the above products Heartland has several products which are being phased out and are only available to existing investors in those products.

¹⁶ Credit and lending criteria, fees and charges apply to any overdraft associated with the PWF Current Account.

4.0 SUMMARY OF THE TRUST DEED

General

TEL has been appointed to act on behalf of the holders of Deposits. The Heartland Master Trust Deed, the Supplemental Deed (Accounts) and the Supplemental Deed (Bonds) were entered into by Heartland and the Trustee on 29 October 2010 and the Supplemental Deed (PWF Bonds) was entered into by Heartland and the Trustee on 11 July 2011 (together, the "Trust Deed"). The Trust Deed governs the Deposits. The Heartland Master Trust Deed contains the terms and conditions that apply to all Heartland Debt Instruments (as defined in the Master Trust Deed) and the supplemental deeds contain terms specific to different types of Deposits. MARAC was added as a guarantor under a Supplemental Trust Deed on 14 December 2010, VPS Properties and VPS Parnell were added as guarantors under Supplemental Trust Deeds dated 24 March 2011 and PWF was added as a guarantor under a Supplemental Trust Deed dated 31 August 2011.

Depositors are not entitled to enforce any of their rights or remedies under the Trust Deed directly against Heartland or the Guaranteeing Subsidiaries unless the Trustee fails to enforce such rights or remedies within a reasonable period after having become bound to do so in accordance with the Trust Deed. The Trustee does not guarantee the payment of principal or interest on the Deposits.

In this summary of the Trust Deed, defined terms have the meanings given to them in the Trust Deed. If you require further information you should refer to the Trust Deed itself, which is available for inspection at the places referred to under the heading "Places of Inspection of Documents" in the Statutory Information section of this Prospectus.

The Guaranteeing Group under the Trust Deed as at the date of this Prospectus is made up of Heartland (as issuer and principal debtor), MARAC, VPS Properties, VPS Parnell and PWF.

Status of Debt Instruments

The Debt Instruments are and will at all times be direct, unsecured, unsubordinated and unconditional indebtedness of Heartland and will at all times rank equally without any preference or priority among themselves and at least equally with all other present and future Debt Instruments issued by Heartland (subject to laws affecting creditors' rights generally and general equitable principles).

Financial Covenants

Heartland has undertaken that it will ensure that, at all times:

- (a) the Capital Ratio of the Consolidated Group is not less than 8%;

- (b) the Capital Ratio of the Guaranteeing Group is not less than 8%;

- (c) the Liquid Assets of the Consolidated Group are at least 15% of the Total Liabilities of the Consolidated Group;

- (d) the Liquid Assets of the Guaranteeing Group are at least 15% of the Total Liabilities of the Guaranteeing Group;

- (e) the Related Party Exposures of the Consolidated Group do not exceed 15% of the Consolidated Group's Capital;

- (f) the Related Party Exposures of the Guaranteeing Group do not exceed 15% of the Guaranteeing Group's Capital; and

- (g) the indebtedness of the Largest Single Borrower does not exceed an amount equal to 15% of the Consolidated Group's Capital or the Guaranteeing Group's Capital.

Negative Pledge

Although the Deposits will be unsecured, Heartland and each Guaranteeing Subsidiary has undertaken that it will not create or permit any security over any of its assets other than a Permitted Security.

"Permitted Securities" is defined in the Trust Deed and includes (but is not limited to) netting or set off arrangements, liens arising by operation of law in the ordinary course of trading, securities arising out of suppliers' retention of title provisions, and any other security, provided that the total amount secured by such other securities may not exceed 5% of the Total Tangible Assets of the Guaranteeing Group.

Guarantee

While Heartland is the issuer (and so principal debtor) Heartland's obligations are supported by its Guaranteeing Subsidiaries. As at the date of this Prospectus the Guaranteeing Subsidiaries are MARAC, VPS Properties, VPS Parnell and PWF.

Each Guaranteeing Subsidiary absolutely, unconditionally and irrevocably guarantees to the Trustee the due and punctual payment by Heartland of the Debt Instrument Moneys. The guarantees are not secured by a mortgage or other charge.

Other parties may become guarantors at the discretion of Heartland. As at the date of this Prospectus, it is not intended that any other party will be a Guaranteeing Subsidiary.

4.0 SUMMARY OF THE TRUST DEED continued

General Undertakings

Heartland and the Guarantors may not for so long as any Debt Instruments are outstanding enter into transactions other than in the ordinary course of business, for fair value or on normal commercial terms except in limited circumstances. Heartland may not make any distributions other than to a Guaranteeing Subsidiary while money is due and owing under any Debt Instrument and is unpaid.

Heartland and the Guarantors have further undertaken, among other things, that they will comply with and perform their obligations under all applicable laws and under each Transaction Document, ensure that a Register is maintained, maintain its corporate existence, not make any substantial change to the general nature of its core business, notify the Trustee of the occurrence of an Event of Default, and will provide various notices to the Trustee.

Duties of the Trustee

The Trustee is appointed to act as trustee in respect of the Deposits. The principal duties of the Trustee under the Trust Deed are summarised as follows:

- (a) upon the occurrence of an Event of Default the Trustee may in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution, declare the relevant Debt Instruments to be immediately due and payable and then distribute all moneys received in respect of the Debt Instruments from Heartland in accordance with the provisions of the Trust Deed;
- (b) to receive the regular financial and other reports and certificates furnished to it by Heartland and the wider Guaranteeing Group;
- (c) to perform functions relating to the ongoing administration of the Trust Deed including in relation to the meetings of Holders, the joining and releasing of Guarantors, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration; and
- (d) on being satisfied that all Debt Instruments have been repaid, at the request of Heartland, to execute a deed of release of the Trust Deed.

In addition, the Trustee has a statutory duty to exercise reasonable diligence to:

- (a) ascertain whether or not there has been any breach of the terms of the Trust Deed or of the terms of the offer of the Debt Instruments and to do all it is empowered to do to cause any such breach to be remedied (except where satisfied that the breach will not materially prejudice the interests of the Holders);
- (b) ascertain whether or not the assets of Heartland and the Guaranteeing Subsidiaries that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of the Debt Instruments as they become due; and

- (c) discharge its statutory obligations as a trustee to report and otherwise provide information in relation to a non bank deposit taker.

The Trustee has the right to be indemnified for all expenses, losses and liabilities sustained or incurred by it in carrying out the trusts, powers, authorities or discretions vested in the Trustee by the Trust Deed or otherwise for any action taken, or omitted to be taken in accordance with the provisions of the Trust Deed, other than a claim arising out of a wilful default, gross negligence or wilful breach of trust.

The Trustee is not required to take any action or exercise any trusts, powers, authorities or discretions vested in the Trustee by the Trust Deed or comply with any request or direction pursuant to the Trust Deed unless it has first been indemnified to its satisfaction against all expenses, losses and liabilities it may sustain or incur by so doing.

Except to the limited extent provided in the Trust Deed, the Trustee owes no duties to Wholesale Holders.

Reporting

Heartland has undertaken to supply to the Trustee a range of regular reports, certificates, accounts and other information as to its and the Guaranteeing Group's financial condition and as to compliance with the Trust Deed.

This includes a requirement for the directors of Heartland to certify to the Trustee, following the end of each quarter, stating that to the best of the directors' knowledge and belief no Event of Default has occurred and continues unremedied and to confirm compliance with the financial covenants set out in the Trust Deed as at the end of the period. Annual and semi-annual statements and quarterly reports will also be provided to the Trustee.

Events of Default and Enforcement

Upon the occurrence of an Event of Default that is continuing unremedied, the Trustee may in its discretion, and must immediately if directed to do so by an Extraordinary Resolution, declare the Debt Instruments to be immediately due and payable.

The Events of Default include:

- (a) a failure to pay any principal or interest amount within three business days of its due date for payment, or a failure to pay any other amount in respect of any Debt Instruments within ten business days;
- (b) a failure by an Obligor to perform or comply with any of its other material undertakings under the Trust Deed and, in the case of a failure that is capable of remedy, that failure is not remedied within 30 days of the date that the Obligor first became aware of it and such default has, in the reasonable opinion of the Trustee, a material adverse effect;

- (c) any representation, warranty or statement made or deemed to be repeated by an Obligor under the Trust Deed which is or was untrue or incorrect in a material respect and, in respect of any misrepresentation which is capable of being remedied, is not remedied within 30 days of Heartland becoming aware of that misrepresentation;
- (d) an Obligor ceasing or threatening in writing to cease to carry on the whole or a substantial part of its business or an application or order is made for the dissolution of that Obligor;
- (e) an Obligor being unable or admitting an inability to pay its debts as they fall due or suspending making payments on any of its debts, being declared or becoming insolvent or being deemed under any applicable law to be unable to pay its debts when they fall due; or
- (f) a receiver, liquidator, provisional liquidator, administrator or statutory manager being appointed to an Obligor.

Heartland has undertaken to notify the Trustee promptly of the occurrence of any Event of Default.

Meetings

The Trust Deed contains provisions for meetings of Holders. Each Holder is bound by any resolutions that are passed, whether or not that Holder voted or was present at the meeting and whether or not that Holder supported the resolution. An Extraordinary Resolution is a resolution where not less than 75% of the votes cast are in favour of the resolution.

Waivers

Heartland and the Guaranteeing Subsidiaries give certain covenants and undertakings in the Trust Deed for the benefit of Holders. However, the Trustee may waive any breach or prospective breach of those covenants and undertakings if it is satisfied such waiver would not materially prejudice the Holders or the Holders approve the waiver by way of an Extraordinary Resolution (on terms and conditions approved by the Extraordinary Resolution).

Amendments to the Trust Deed

The Trust Deed may be amended without the consent of Holders if the amendment is (among other things) of a minor, formal, administrative or technical nature, is to correct a manifest error, is made to comply with any applicable law and Heartland is of the opinion that

such amendment will not be materially prejudicial to the interests of Holders generally and the Trustee is of the opinion that such amendment will not be materially prejudicial to the interests of the Holders generally. Notice will be provided to the Holders within 30 days of the amendment being made.

In addition, the Trust Deed may be amended if the amendment has been approved by an Extraordinary Resolution.

Substitution

Heartland may, with the consent of the Trustee but without the consent of the Holders, substitute any person incorporated in New Zealand in place of Heartland as the principal debtor under the Trust Deed in relation to any one or more series of Debt Instruments. This is subject to certain conditions being fulfilled, including the new issuer becoming bound by the Trust Deed, the new issuer being solvent and the new issuer having a credit rating no lower than that assigned to Heartland.

Bank Registration¹⁷

Heartland intends to apply to become a registered bank under the Reserve Bank Act and may convert to a company. Under the Trust Deed, Heartland is entitled to take all steps that may be necessary to do this and no consent will be required from the Trustee or the Holders in relation to such registration or conversion provided that no such step may be taken without the prior written consent of the Trustee if such step, in the reasonable opinion of Heartland and the Trustee, would be materially prejudicial to the interest of the Holders. The Trustee is authorised to give any consents or waivers or to enter into any document or agreement that the Trustee considers necessary or desirable to enable Heartland to become a registered bank or convert to a company. Immediately upon Heartland becoming a registered bank, the Trust Deed will be released and the terms of each Debt Instrument will be converted into direct, unsecured, unsubordinated and unconditional indebtedness of Heartland on the terms set out in the deed poll annexed to the Trust Deed, or, in each case, such other terms as Heartland and the Trustee may agree.

The terms of the deed poll are similar to the terms of the Trust Deed but exclude a number of representations, warranties, covenants and events of default. There are no financial covenants in the deed poll and no person will guarantee the Debt Instruments. In addition, a breach of a representation or warranty will not constitute an event of default.

¹⁷ Neither Heartland nor any member of the Heartland Group is a registered bank, and Heartland will not be a registered bank until it is registered as such under the Reserve Bank Act. As part of any application for bank registration Heartland may convert into a company.

TRUSTEE'S STATEMENT



Trustees Executors

Level 5, 10 Customhouse Quay, PO Box 3222, DX SP20011,
Wellington, New Zealand. Phone (04) 495-0990, Fax (04) 496-2952

27 September 2011

The Directors
Heartland Building Society
75 Riccarton Road
CHRISTCHURCH 8011

Dear Sirs

Re: Prospectus No. 3

Clause 14(3) of the Schedule 2 to the Securities Regulations 2009 requires us to confirm that the offer of securities ("the Deposits") set out in this Prospectus complies with any relevant provisions of the Trust Deed. These provisions are those which:

- (i) Entitle Heartland Building Society to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Deposits offered in the Prospectus;
- (ii) Impose restrictions on the right of Heartland Building Society to offer the Deposits;

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

The Auditors have reported on the financial information set out in the Prospectus and our statement does not refer to that information or to any other material in the Prospectus which does not relate to the Trust Deed.

We confirm that the offer of the Deposits set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) set out above; and
- (b) that, subject to the duties imposed on the Trustee by Schedule 15 of the Securities Regulations 2009 and otherwise under the Trust Deed, the Trustee relies on the information supplied to it by Heartland Building Society pursuant to the Trust Deed and does not carry out an independent check of that information.

Trustees Executors Limited does not guarantee the repayment of the Deposits or the payment of interest thereon.

Signed for and on behalf of
Trustees Executors Limited

Luiza Moran
Manager
Corporate Trust

5.0 WHAT ARE MY RISKS?

A brief description of the principal risks of the money paid by a Depositor not being recovered in full by the Depositor, Depositors not receiving the returns described in this Prospectus, and any Depositor being required to pay more money in respect of Deposits are detailed in this section. These risk factors are not the only ones faced by the Heartland Group. There may be additional risk factors that the Heartland Group is currently unaware of, or that are beyond the control of the Heartland Group or that the Heartland Group currently deems immaterial but which may subsequently become key risk factors for Heartland specifically or for the Heartland Group as a whole. You should consider these risk factors in conjunction with other information in this Prospectus and the Investment Statement.

The risk factors described below necessarily include forward-looking statements. Actual events may be materially different to those described below and may therefore affect the Heartland Group in a different way.

Summary of Principal Risks

The main risk of you not recovering the sum which you paid for the investment, or of not receiving the returns described in this Prospectus, is the insolvency or statutory management of the Heartland Group. This could arise as a result of circumstances such as those set out below.

General Risks Related to the Heartland Group

Macro-economic risks

There are several factors which impact the activities of the Heartland Group over which management has little or no control, including the political and economic environment in New Zealand and legislation. 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 Heartland Group and a reduced ability of borrowers to service loans and it may also make it more difficult for the Heartland Group to realise assets held as security.

The Heartland 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 natural disasters (such as earthquakes), 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 developments in the global credit market and any further finance company failures. These events could, for example, reduce the Heartland Group's ability to source funds and adversely affect the Heartland Group's borrowing margins and overall cost of funds.

Competition in the finance sector

The Heartland Group faces competition from both incumbent service providers (including banks, savings institutions and finance companies) and new entrants to the market. The Heartland Group 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 financial services sector participants.

Financial services sector confidence

As a result of the "Global Financial Crisis", the broader New Zealand financial services sector has been adversely affected by a number of NBDT (predominantly finance companies) failures. Further failures or insolvencies could occur, which are events outside of the control of the Heartland Group, and impact the confidence of Depositors/investors. This could make it more difficult for the Heartland Group to obtain funding from Depositors/investors, either through reinvestment of existing funds or investment of new funds. Such events could also adversely affect the Heartland Group's borrowing margins, overall cost of funds or the ability to issue listed retail debt securities on the NZDX or obtain wholesale funding.

Regulatory risks

The Heartland Group is 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 Heartland Group and/or expose the Heartland 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 Heartland Group or result in increased costs being incurred by the Heartland Group.

Policies and decisions of the Government and other regulatory bodies in New Zealand may impact on the rural industry (or any other industry sector) and in turn, performance and debt servicing abilities of farmers and Heartland Group borrowers.

Specific Risks Related to the Heartland Group

Liquidity and reinvestment risk

There is a risk that the Heartland Group may not have sufficient liquid funds, or may not be able to raise sufficient funds, to meet its financial obligations as they fall due. These financial obligations include repayment of Deposits, bonds and other retail funding issued by Heartland as they mature.

The Heartland Group may not have sufficient liquid funds to meet its financial obligations as they fall due if there is a significant mismatch in the maturity profile of the Heartland Group's financial assets and liabilities.

5.0 WHAT ARE MY RISKS? continued

The Heartland Group may not be able to raise sufficient funds to meet its financial obligations as they fall due if there is any material change in the availability of any of its sources of funding.

The Heartland Group's sources of funding include:

- shareholders' funds;
- bank facilities and securitisation facilities (both commonly referred to as "wholesale funding facilities"); and
- retail funding (including NZDX listed bonds).

As to shareholders' funds, Heartland may seek to raise funds from the shareholders of its parent Heartland New Zealand if it does not have sufficient liquid funds, or cannot raise sufficient funds, to meet its financial obligations as they fall due. Those persons may not support such a capital raising at the time it is contemplated and Heartland may be required to seek equity funding from external investors, who may in turn refuse to support such a capital raising.

As to wholesale funding facilities, these facilities may expire in accordance with their terms and may not be able to be renewed or replaced on acceptable terms. These facilities could also cease to be available or be terminated if there is any failure to comply with relevant terms and conditions, or there is some other default. For example, Heartland has a number of financial covenants under these facilities that it is required to comply with (although these may be waived or varied without investor consent). Such events could adversely affect the Heartland Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the Heartland Group) and ultimately significantly increase the liquidity risk of the Heartland Group.

As to retail funding, the Heartland Group seeks to maintain consistent reinvestment rates and new investment inflows for its retail funding in order to meet its financial obligations and continue to grow its business. If there was to be any significant reduction in reinvestment rates or new investment inflows, it could (depending on the extent of the reduction) adversely affect the Heartland Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the Heartland Group) and ultimately significantly increase the liquidity risk of the Heartland Group. Heartland had a guarantee under the Crown retail deposit scheme which expired on 31 December 2011. The expiry of this guarantee could adversely affect retail funding reinvestment rates or new investment inflows, and so increase the liquidity and reinvestment risk of the Heartland Group.

Reinvestment rates and new investment inflows are affected by the level of investor confidence in the New Zealand financial services sector generally. In addition there are a number of other matters relevant to the level of investor confidence in the Heartland Group specifically. These include the following:

Heartland's credit rating

What is it and what does it mean?

At the date of the amendment of this Prospectus, Heartland has a credit rating of BBB- from S&P which is considered an investment grade rating by market participants. Heartland's credit rating of BBB- is in the lowest tier of the Investment Grade category.

As credit ratings or outlooks may change from time to time, for the most up to date Heartland credit rating information refer to www.heartland.co.nz¹⁹.

What is a credit rating?

A credit rating is a rating agency's opinion of an institution's ability to pay back in full and on time all the money they have promised an investor. In Heartland's case, this is the funds its investors have invested with it.

Credit ratings are based on research and analysis by a ratings agency, which takes into account the financial history and current financial position of the institution. Ratings are continuously reviewed, although most ratings are subject to annual review.

What is the scale used for credit ratings?

The S&P rating scale is shown below. The rating scale used by S&P represents the breadth of opinions about the creditworthiness of an issuer. Generally a lower credit rating indicates a higher risk that an institution will "default" and an investor will not get their money back in full and/or on time, as promised.

S&P's long term issuer rating categories, from strongest creditworthiness to most vulnerable, are outlined opposite.

¹⁹ For an explanation of Standard & Poor's credit rating system, please see <http://www.standardandpoors.com/ratings/definitions-and-faq/en/us> under the Section "What do the letter ratings mean?".

	Grade	Description
INVESTMENT GRADE	AAA	Extremely strong: An obligor rated AAA has extremely strong capacity to meet its financial commitments. AAA is the highest issuer credit rating assigned by S&P.
	AA	Very strong: An obligor rated AA has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
	A	Strong: An obligor rated A has strong capacity to meet its financial commitments, but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
	BBB	Adequate capacity: An obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
SPECULATIVE GRADE	BB	Less vulnerable: An obligor rated BB is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.
	B	More vulnerable: An obligor rated B is more vulnerable than the obligors rated BB, but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
	CCC	Currently vulnerable: An obligor rated CCC is currently vulnerable, and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.
	CC	Currently highly vulnerable: An obligor rated CC is currently highly vulnerable.
	D/SD	Default/Selective Default: An obligor rated D (Default) or SD (Selective Default) has failed to pay one or more of its financial obligations (rated or unrated) when it came due.

Heartland's credit rating of BBB- sits in the lowest tier of this investment grade category

Ratings between AA and CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

"Investment grade" is broadly used to describe issuers and issues with relatively high levels of creditworthiness and credit quality. In contrast, the term "noninvestment grade," or "speculative grade," generally refers to debt securities where the issuer currently has the ability to repay but faces significant uncertainties, such as adverse business or financial circumstances that could affect credit risk.

In S&P's long-term rating scale, issuers and debt issues that receive a rating of 'BBB-' or above are generally considered by regulators and market participants to be "investment grade," while those that receive a rating lower than 'BBB-' are generally considered to be "speculative grade."

If S&P anticipates that a credit rating may change in the coming 6 to 24 months, it may issue an updated ratings "Outlook" assessment. An Outlook assessment considers the potential direction of a long term credit rating over the intermediate term (typically six months to two years). An Outlook assessment is not necessarily a precursor of a rating change. The common rating outlook definitions are: Positive - means that a rating may be raised; Negative - means that a rating may be lowered; Stable - means that a rating is not likely to change; and Developing - means a rating may be raised or lowered.

S&P may also offer an opinion (termed a "CreditWatch") as to whether a credit rating is likely to be upgraded (positive), downgraded (negative) or uncertain (neutral). It focuses on identifiable events and short-term trends that cause ratings to be placed under special surveillance by S&P.

5.0 WHAT ARE MY RISKS? continued

Additional information about Heartland's rating

Heartland's rating is a 'long term issuer' rating which reflects Heartland's creditworthiness over a time period of one year or more. The rating also assesses Heartland's capacity to repay in New Zealand dollars.

Where can I find more information?

The Reserve Bank has some useful information on credit ratings on its website www.rbnz.govt.nz.

Additional information can also be found on S&P's website www.standardandpoors.com.

Investors may also wish to engage an investment adviser for independent advice and Heartland encourages you to do so.

Two final things to note

Credit ratings are only one tool in assessing risk, and the Reserve Bank advises investors to seek more information on making wise investment decisions.

S&P's credit ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Accordingly, any user of credit ratings should not rely on any such ratings or other opinion issued by S&P in making any investment decision. Ratings are based on information received by S&P.

Ratings may be changed, withdrawn or suspended by S&P at any time. Any reduction in its credit rating could adversely affect the Heartland Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the Heartland Group) and ultimately significantly increase the liquidity and reinvestment risk of the Heartland Group, as described above.

Bank registration²⁰

A key objective of Heartland is to become a registered bank under the Reserve Bank Act over the medium term. Following the acquisition of PWF, Heartland intends to commence the formal application for bank registration during the 2011-2012 financial year. The registration process after application is of indeterminate length, and registration is subject to satisfaction of the Reserve Bank's requirements. 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 include:

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

- risk management systems and policies; and
- outsourcing arrangements.

These factors are not exhaustive. There is no certainty that Heartland will be able to meet all relevant criteria (which may change in the future) and become a registered bank.

In the event Heartland is unable to obtain bank registration, or there is a significant delay in obtaining such registration, the profitability of the Heartland Group may be adversely affected.

If Heartland does obtain bank registration, the Trust Deed will be discharged and Heartland will be subject to governance by the Reserve Bank.

NBDT regulations

As in the case with other NBDTs, the Heartland Group faces increased levels of regulation and is required to comply with a range of statutory and regulatory requirements.

NBDTs are required to comply with a set of prudential requirements as prescribed in Part 5D of the Reserve Bank Act and relevant regulations. The prudential requirements are broadly categorised into the following six areas:

- credit rating;
- risk management;
- capital;
- related party exposures;
- liquidity; and
- governance.

Any change to existing regulations or the introduction of new regulations could result in additional requirements being imposed on the Heartland Group or result in increased costs being incurred by the Heartland Group. There is a NBDT Bill in Select Committee which, if enacted, will require licensing, approval of directors and restrictions on changes in ownership.

Interest rate risk

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

Credit risk and realisation risk

The Heartland Group lends money to a variety of customers, including individuals, farming operations, 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.

If a borrower fails to meet its principal or interest payment obligations, the Heartland Group may need to realise any asset which has been provided as security for that loan.

²⁰ Neither Heartland nor any member of the Heartland Group is a registered bank, and Heartland will not be a registered bank until it is registered as such under the Reserve Bank Act. As part of any application for bank registration Heartland may convert into a company.

There is a risk that the realisable value of any such asset may be less than the value of the loan, for example because of lack of demand for that asset, and that the Heartland Group will be unable to recover the full amount owed. Current economic conditions may 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 the Heartland Group as a result of such events could have an adverse effect on its financial performance and condition.

In terms of property lending, the Heartland Group lends to borrowers based on mortgage security over residential, commercial and rural properties based only in New Zealand. Each of these property sectors has particular risks associated with it. In addition, Heartland has a number of legacy property development loans which it is seeking to exit through realisation of the real estate held as security for those loans. There is a risk Heartland will be unable to recover the full amount owed.

However, the board of Heartland considers that factors such as the diversity of the Heartland Group's loan portfolio and the limited concentration of the Heartland Group's lending to any particular customer, offer the Heartland Group some degree of protection in the event of any further deterioration in property values in New Zealand.

Investment property

The Heartland Group may enforce security over property loans and hold the underlying security as investment property. The carrying value of investment property will be based on fair value as determined by independent valuers or similar evidence adjusted where necessary to take into account market movements since the date of valuation. If property values decline, this may have an adverse effect on the financial performance and the financial condition of the Heartland Group.

Impairment of assets

As noted above, borrowers from the Heartland Group may default on payments. In such cases if the value of the underlying security held by the Heartland Group is insufficient to meet the debt and the cost of enforcing such security, then the Heartland Group could suffer an overall loss.

Where appropriate, impairments and other provisions relating to assets may be required to be made by the Heartland Group.

Failure to implement strategy

The successful implementation of the Heartland Group's strategy will be a very important driver for the Heartland Group's prospective financial performance. If this strategy is not achieved as anticipated, or is significantly delayed, the financial performance of the Heartland Group could be adversely affected.

As part of the Heartland Group's strategic initiatives, the Heartland Group may grow its existing business organically or via acquisitions of new businesses or assets that fit with its lending criteria, the recent acquisition by Heartland of all the shares in PWF being an example of such an acquisition. 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 Heartland Group failing to achieve the anticipated benefits of acquired businesses or assets due to unexpected difficulties in successfully integrating the operations of acquired businesses or assets with existing operations;
- the acquired businesses or assets may not prove to be as profitable as expected or may result in the Heartland Group incurring unforeseen liabilities; and
- that Heartland may not be able to raise the additional capital required in order to increase its asset base.

Environmental risk

The Heartland Group may be exposed to a number of external risks that are beyond its control. The rural sector is subject to environmental changes (for example, drought and disease), and all industry sectors are subject to economic changes (for example, decreases in commodity prices) or political changes (for example, New Zealand Government and foreign government actions affecting factors such as tariffs), which could disrupt the business and competitiveness of the Heartland Group's clients and consequently the ability of those clients to make repayments under their loans.

The demand for lending and the ability of borrowers to repay the Heartland Group may be affected by the state of New Zealand's economy. A prolonged economic slowdown or recession may have a negative impact on the demand for lending and may adversely affect a borrower's ability to repay or refinance loan facilities with the Heartland Group.

Currency risk

Fluctuations in the value of the New Zealand dollar relative to other currencies may impact on export sales and returns on those sales to the rural sector in particular. In turn this may affect the ability of the Heartland Group to lend to, or be repaid by, borrowers.

Integration risk

The success of the Heartland Group will in turn depend on the successful integration of the operations of MARAC, CBS Canterbury, Southern Cross and PWF, over time. Although it is intended that the integration of the respective activities will be undertaken on a staged basis, it cannot be assured that the integration of the respective activities of those parties is undertaken within

5.0 WHAT ARE MY RISKS? continued

the planned timeframe and/or within the estimated integration costs expected to be incurred as part of the Merger integration process and/or the PWF integration process.

Operational and other risks

The Heartland Group 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 business continuity and disaster recovery processes, and data integrity risk;
- a breakdown in internal control systems or operating procedures;
- the possibility of key personnel leaving the businesses and the potential short-term disruption caused by seeking appropriate replacements;
- the risk that the Heartland Group or any of its businesses and customers is the victim of fraud;
- the possibility of a dispute that results in court or arbitration proceedings that could adversely affect the Heartland Group's financial position and reputation;
- the possibility of a competitor introducing new technology, products or services into the market or of a competitor following an aggressive pricing strategy, thereby undermining the competitiveness and/or profitability of any of the Heartland Group's business products or services; and
- a natural disaster disrupting the ability of the Heartland Group to operate its business.

Information technology risks

Information technology plays a critical role in the Heartland Group's business, with the delivery of financial services to customers dependent on the availability and reliability of its information technology systems. The Heartland Group'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 the Heartland Group's products and services. The Heartland Group's business operations are likely to be significantly affected should its information technology systems fail or not operate in an efficient manner.

Consequences of Insolvency

Depositors will not be liable to pay any money to any person as a result of the insolvency of Heartland or any Guaranteeing Subsidiary.

In the unlikely event of Heartland or any Guaranteeing Subsidiary becoming insolvent, certain claims or payments must be met before investments can be repaid to the Depositors. These claims are set out in legislation and include secured creditors, taxes, certain payment to employees and any liquidator's costs.

After the payment of these preferred creditors, the Deposits will rank equally in all respects with all existing and future debt securities issued by Heartland pursuant to the Trust Deed and without priority or preference amongst themselves.

6.0 FINANCIAL INFORMATION

This section contains financial information required by clauses 8 and 9 of Schedule 2 to the Securities Regulations.

Audited Financial Statements

This section contains summary historical financial information of the Heartland Group for the last five financial years. This historical financial information has been prepared from the 30 June 2011 audited financial statements of Heartland and PGG Wrightson Finance Limited (*PWF*), the 30 June 2010 audited financial statements of MARAC Finance Limited (*MARAC*) and Southern Cross Building Society (*Southern Cross*), the audited financial statements of Canterbury Building Society (*CBS Canterbury*) at 31 March 2010 and the unaudited financial statements of CBS Canterbury for the three months ending 30 June 2010.

KPMG's report in relation to the financial statements of MARAC for the year ended 30 June 2009 made reference to those financial statements being prepared assuming the successful conclusion of matters relating to MARAC's bank financing arrangements. These matters were successfully concluded subsequent to the completion of KPMG's 2009 audit, and this was noted in their December 2009 report for inclusion in MARAC's prospectus. With the exception of this explanatory paragraph, none of the audit reports for the audited financial statements on which these historical summaries are based contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to a proper understanding of the basis of the opinions given.

The full financial statements for each entity were prepared in accordance with NZ GAAP. Each of Heartland, PWF, MARAC, Southern Cross and CBS Canterbury is a profit-oriented entity and has made an explicit and unreserved statement of compliance with IFRS in its full financial statements.

The summary financial statements have been prepared in accordance with FRS43 ("Summary Financial Statements"). However, these cannot be expected to provide as complete an understanding as provided by the full financial statements of each entity.

Copies of the full latest financial statements for Heartland, PWF, MARAC, Southern Cross, and CBS Canterbury may be obtained from the Heartland registered office or by downloading these from www.heartland.co.nz. Copies of the full annual financial statements for each entity may also be downloaded from the public register for companies or building societies maintained by the Companies Office at www.business.govt.nz/companies.

6.0 FINANCIAL INFORMATION continued

Heartland: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Comprehensive Income						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Consolidated						
Interest income	161,297	148,337	168,933	173,438	134,849	121,226
Interest expense	99,705	89,271	109,318	108,637	80,371	81,059
Net interest income	61,592	59,066	59,615	64,801	54,478	40,167
Other net income	8,988	10,015	6,004	5,389	5,504	18,961
Total operating income before other gains	70,580	69,081	65,619	70,190	59,982	59,128
Employee benefits	22,049	13,049	13,377	14,411	12,454	12,080
Other operating expenses	22,777	11,976	11,671	11,404	9,697	9,477
Profit before impairment and tax	25,754	44,056	40,571	44,375	37,831	37,571
Impairment	13,298	23,765	13,318	5,726	955	356
Net profit before tax	12,456	20,291	27,253	38,649	36,876	37,215
Tax expense	4,712	5,992	8,199	12,785	12,199	12,311
Net profit after tax	7,744	14,299	19,054	25,864	24,677	24,904
Statements of Comprehensive Income						
Net profit after tax attributable to owners of the society	7,744	14,299	19,054	25,864	24,677	24,904
Other comprehensive income/(loss) for the period, net of tax						
Net change in available-for-sale reserve, net of tax	111	-	-	-	-	-
Net change in defined benefit plan reserve, net of tax	14	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges, net of tax	596	4,208	(4,427)	(1,765)	-	-
Total comprehensive income for the period, net of tax	8,465	18,507	14,627	24,099	24,677	24,904
Total comprehensive income attributable to: owners of the society	8,465	18,507	14,627	24,099	24,677	24,904
Statements Of Changes in Equity						
Opening balance	206,468	152,961	139,989	120,890	107,463	110,790
Total comprehensive income for the period attributable to: owners of the society	8,465	18,507	14,627	24,099	24,677	24,904
Contributions from owners	79,774	35,000	11,345	-	-	-
Distributions to owners	(866)	-	(13,000)	(5,000)	(11,250)	(11,250)
Closing Balance	293,841	206,468	152,961	139,989	120,890	124,444
Components of equity:						
Share capital	134,774	55,000	20,000	20,000	20,000	20,000
Capital reserve	-	-	-	-	-	14
Retained earnings	160,330	153,452	139,153	121,754	100,890	104,430
Available for sale reserve	111	-	-	-	-	-
Defined benefit reserve	14	-	-	-	-	-
Fair value through other comprehensive income reserve	(1,388)	(1,984)	(6,192)	(1,765)	-	-
Total Equity	293,841	206,468	152,961	139,989	120,890	124,444

From a legal perspective MARAC is a subsidiary of Heartland, however, under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) MARAC is treated as the acquirer of CBS Canterbury and Southern Cross. The effect of this is that the comparative consolidated financial statements for the years ending 30 June 2010, 2009, 2008 and 2007 represent a continuation of the MARAC Group only, given Heartland was not formed until 5 January 2011.

Heartland's consolidated Statements of Comprehensive Income and consolidated Statements of Cash Flows reflect the operations of the MARAC Group from 1 July 2010 to 5 January 2011 and the Heartland Group from 6 January to 30 June 2011, whilst the consolidated Statement of Financial Position as at 30 June 2011 reflects that of the Heartland Group.

Heartland: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Financial Position						
	Audited As at 30 June 2011 \$000	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Consolidated						
Assets						
Cash and cash equivalents	267,034	86,406	62,462	8,655	-	-
Investments	17,831	-	-	-	-	-
Investment Properties	34,499	-	-	-	-	-
Finance receivables	1,497,618	941,328	1,136,646	1,011,954	1,197,815	1,204,210
Finance receivables - securitised	209,693	160,853	157,941	291,532	-	-
Operating lease vehicles	32,727	42,895	36,209	29,719	36,834	36,675
Intangible assets	21,602	901	-	-	-	-
Other assets	34,481	62,173	19,537	10,404	7,261	5,129
Total Assets	2,115,485	1,294,556	1,412,795	1,352,264	1,241,910	1,246,014
Liabilities						
Bank overdraft	-	-	-	-	910	910
Deposits and interest accruals	1,593,247	834,381	1,066,231	901,091	1,088,450	1,089,200
Borrowings - Securitised	194,277	149,298	150,728	283,042	-	-
Other liabilities	34,120	104,409	42,875	28,142	31,660	31,460
Total Liabilities	1,821,644	1,088,088	1,259,834	1,212,275	1,121,020	1,121,570
Net Assets	293,841	206,468	152,961	139,989	120,890	124,444
Equity						
Share capital	134,774	55,000	20,000	20,000	20,000	20,000
Reserves	159,067	151,468	132,961	119,989	100,890	104,444
Total Equity	293,841	206,468	152,961	139,989	120,890	124,444
Statements Of Cash Flows						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Consolidated						
Net cash flows from/(used in) operating activities	2,820	99,664	5,915	5,115	29,374	38,066
Net cash flows from/(used in) investing activities	20,502	124,213	73,764	(77,612)	(168,415)	(177,107)
Net cash flows from/(used in) financing activities	(49,820)	(199,933)	(23,036)	82,062	144,427	144,427
Net increase/(decrease) in cash held	(26,498)	23,944	56,643	9,565	5,386	5,386
Add opening cash brought forward:						
Cash on hand and at bank	86,406	62,462	8,655	(910)	(6,296)	(6,296)
Acquired on amalgamation	207,126	-	(2,836)	-	-	-
Closing cash carried forward	267,034	86,406	62,462	8,655	(910)	(910)
Comprising:						
Cash on hand and at bank/ bank overdraft	267,034	86,406	62,462	8,655	(910)	(910)
Date of Authorisation of Financial Statements						
Authorised for issue by the Board	19-Aug-2011	26-Aug-2010	28-Aug-2009	26-Aug-2008	24-Aug-2007	24-Aug-2007

From a legal perspective MARAC is a subsidiary of Heartland, however, under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) MARAC is treated as the acquirer of CBS Canterbury and Southern Cross. The effect of this is that the comparative consolidated financial statements for the years ending 30 June 2010, 2009, 2008 and 2007 represent a continuation of the MARAC Group only, given Heartland was not formed until 5 January 2011.

Heartland's consolidated Statements of Comprehensive Income and consolidated Statements of Cash Flows reflect the operations of the MARAC Group from 1 July 2010 to 5 January 2011 and the Heartland Group from 6 January to 30 June 2011, whilst the consolidated Statement of Financial Position as at 30 June 2011 reflects that of the Heartland Group.

6.0 FINANCIAL INFORMATION continued

Heartland: Summary Financial Statements

Heartland: Notes to Summary Financial Statements

Heartland is a profit-oriented entity, which for accounting purposes consolidates the MARAC Group. The "MARAC Group" is a profit-oriented entity, which consists of MARAC, MARAC ABCP Trust 1 (*Trust*), MARAC Retirement Bonds Superannuation Fund (*Fund*) and MARAC PIE Fund (*PIE*). The Fund was wound up with effect from 31 October 2010.

Heartland consolidates two securitisation trusts - MARAC ABCP Trust 1 (as above) and CBS Warehouse A Trust (*Trusts*). The assets securitised into the Trusts continue to be recognised in Heartland's financial statements, however those assets are set aside for the benefit of the investors in the Trusts and do not form part of Heartland's assets which are available to repay holders of Heartland debt securities.

The summary financial statements of Heartland have been prepared on the following basis:

- The values presented in the summary financial statements for the financial year ending 30 June 2011 were extracted from the full financial statements of Heartland Building Society. The values presented in the summary financial statements for the financial years ending 30 June 2010, 2009, 2008 and 2007 were extracted from the full financial statements of the MARAC Group.
- The full financial statements for the financial years ending 30 June 2011, 2010, 2009, 2008 and 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for the financial years ending 30 June 2011, 2010, 2009, 2008 and 2007 included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 30 June 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS (*previous NZ GAAP*).
- Heartland Building Society full financial statements for the financial year ending 30 June 2011, and the MARAC Group full financial statements for the financial years ending 30 June 2010, 2009, 2008 and 2007 presented in the summary financial statements as the Heartland Building Society comparatives have been audited. KPMG's report in relation to the financial statements of the MARAC Group for the year ended 30 June 2009 made reference to those financial statements being prepared assuming the successful conclusion of matters relating to MARAC's bank financing arrangements. These matters were successfully concluded subsequent to the completion of KPMG's 2009 audit, and this was noted in their December 2009 report for inclusion in MARAC's prospectus. With the exception of this explanatory paragraph, none of these audit reports contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for building societies maintained by the Companies Office at www.business.govt.nz/companies.
- The accounting policies that have been applied in preparing Heartland Building Society's full financial statements for the year ended 30 June 2011 are consistent with the accounting policies applied in the MARAC Group full financial statements for the year ended 30 June 2010.
- The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.
- The summary financial statements comply with the Financial Reporting Standard 43 (*FRS 43*) "Summary Financial Statements" as required by the Securities Regulations.
- The summary financial statements reflect the current presentation requirements of FRS 43 "Summary Financial Statements" (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements (revised 2007)) for all periods presented, including the presentation of other comprehensive income and total comprehensive income.
- The summary financial statements are presented in New Zealand dollars which is the functional currency of Heartland. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The summary financial statements were authorised for issue by the Directors of Heartland on 19 August 2011.

PWF: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Comprehensive Income						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Interest income	54,183	58,730	56,685	49,678	37,877	37,779
Interest expense	32,609	30,357	37,758	34,322	25,064	24,755
Net interest income	21,574	28,373	18,927	15,356	12,813	13,024
Other net income	946	925	916	338	-	98
Total operating income before other gains	22,520	29,298	19,843	15,694	12,813	13,122
Employee benefits	4,703	4,385	4,542	3,786	3,443	3,443
Other operating expenses	3,761	2,869	2,314	3,035	1,611	1,713
Profit before impairment and tax	14,056	22,044	12,987	8,873	7,759	7,966
Impairment	8,812	8,949	2,877	460	(480)	(480)
Net profit before non-recurring items and tax	5,244	13,095	10,110	8,413	8,239	8,446
Non-operating items	(136)	-	-	-	-	-
Fair value adjustments	2,172	(338)	1,002	245	-	-
Total non-recurring items	2,036	(338)	1,002	245	-	-
Net profit before tax	7,280	12,757	11,112	8,658	8,239	8,446
Tax expense	2,747	3,824	3,334	2,839	2,787	2,787
Net profit after tax	4,533	8,933	7,778	5,819	5,452	5,659
Statements of Comprehensive Income						
Net profit after tax attributable to: owners of the entity	4,533	8,933	7,778	5,819	5,452	5,659
Other comprehensive income/(loss) for the period, net of tax						
Effective portion of changes in fair value of cash flow hedges, net of tax	(1,282)	(2,992)	5,146	(52)	(538)	-
Total comprehensive income for the period, net of tax	3,251	5,941	12,924	5,767	4,914	5,659
Total comprehensive income attributable to: owners of the entity	3,251	5,941	12,924	5,767	4,914	5,659
Statements Of Changes in Equity						
Opening balance	100,375	66,816	53,892	40,625	31,211	31,623
Total comprehensive income for the period attributable to: owners of the entity	3,251	5,941	12,924	5,767	4,914	5,659
Contributions from owners	-	33,850	-	7,500	10,000	10,000
Distributions to owners	(2,707)	(6,232)	-	-	(5,500)	(5,500)
Closing Balance	100,919	100,375	66,816	53,892	40,625	41,782
Components of equity:						
Share capital	31,500	31,500	31,500	31,500	24,000	24,000
Capital reserve	-	-	-	-	-	-
Retained earnings	35,569	33,743	31,042	23,394	17,575	17,782
Preference Shares	33,850	33,850	-	-	-	-
Fair value through other comprehensive income reserve	-	1,282	4,274	(1,002)	(950)	-
Total Equity	100,919	100,375	66,816	53,892	40,625	41,782

6.0 FINANCIAL INFORMATION continued

PWF: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
	Audited As at 30 June 2011 \$000	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Statements of Financial Position						
Assets						
Cash and cash equivalents	71,617	9,277	3,779	625	-	-
Loans and advances	381,778	530,119	559,659	502,591	394,443	394,443
Assets classified as held for sale	50,522	-	-	-	-	-
Other assets	14,815	10,266	12,037	4,248	3,823	3,251
Total Assets	518,732	549,662	575,475	507,464	398,266	397,694
Liabilities						
Bank overdraft	-	-	-	-	475	475
Borrowings	412,293	439,057	499,146	449,483	351,631	352,405
Other liabilities	5,520	10,230	9,513	4,089	5,535	3,032
Total Liabilities	417,813	449,287	508,659	453,572	357,641	355,912
Net Assets	100,919	100,375	66,816	53,892	40,625	41,782
Equity						
Share capital	65,350	65,350	31,500	31,500	24,000	24,000
Reserves	35,569	35,025	35,316	22,392	16,625	17,782
Total Equity	100,919	100,375	66,816	53,892	40,625	41,782
Statements Of Cash Flows						
	Audited 12 months to 30 June 2011 \$000	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Net cash flows from/(used in) operating activities	4,814	20,638	14,232	5,496	7,539	7,539
Net cash flows from/(used in) investing activities	88,897	20,373	(61,143)	(109,439)	(112,885)	(63,307)
Net cash flows from/(used in) financing activities	(31,371)	(35,513)	50,065	105,043	103,402	53,824
Net increase/(decrease) in cash held	62,340	5,498	3,154	1,100	(1,944)	(1,944)
Add opening cash brought forward:						
Cash on hand and at bank	9,277	3,779	625	(475)	1,469	1,469
Closing cash carried forward	71,617	9,277	3,779	625	(475)	(475)
Comprising:						
Cash on hand and at bank/ bank overdraft	71,617	9,277	3,779	625	(475)	(475)
Date of Authorisation of Financial Statements						
Authorised for issue by the Board	29-Aug-2011	12-Aug-2010	27-Aug-2009	19-Aug-2008	16-Aug-2007	16-Aug-2007

PWF: Notes to Summary Financial Statements

The amounts stated above for the financial years ending 30 June 2011, 2010, 2009, 2008 and 2007 are taken from the audited financial statements of PWF. All years' financial statements have received an unqualified audit opinion with no matters highlighted by the auditor that would be regarded as relevant to a proper understanding of the basis of the opinion. The summary financial statements for the years ending 30 June 2011, 2010, 2009, 2008 and 2007 were prepared on the basis of New Zealand equivalents to International Financial Reporting Standards as disclosed in the basis of preparation section of the notes to the full financial statements. The results for the year ending 30 June 2007 have also been amended for comparison purposes. Pre-NZ IFRS figures for the year ending 30 June 2007 were prepared in accordance with previous GAAP. At the date of preparing the summary financial statements, PWF was a single entity profit-oriented company that did not qualify for differential reporting concessions.

The summary financial statements cannot provide as complete an understanding as provided by full financial statements. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for companies maintained by the Companies Office at www.business.govt.nz/companies.

The summary financial statements have been extracted from the following audited full Financial Statements:

- Year ended 30 June 2011, which were authorised by the PWF board on 29 August 2011 and audited by KPMG who issued an unqualified opinion on 29 August 2011;
- Year ended 30 June 2010, which were authorised by the PWF board on 12 August 2010 and audited by KPMG who issued an unqualified opinion on 12 August 2010;
- Year ended 30 June 2009, which were authorised by the PWF board on 27 August 2009 and audited by KPMG who issued an unqualified opinion on 27 August 2009;

- Year ended 30 June 2008, which were authorised by the PWF board on 19 August 2008 and audited by KPMG who issued an unqualified opinion on 19 August 2008;
- Year ended 30 June 2007, which were authorised by the PWF board on 16 August 2007 and audited by KPMG who issued an unqualified opinion on 16 August 2007.

Each of the full financial statements are presented in New Zealand dollars which was PWF's functional and presentation currency at the date of preparing the summary financial statements. All values are rounded to the nearest thousand dollars. The summary financial statements have been prepared in accordance with FRS 43 subject to the Securities Regulations 2009.

The summary financial statements were authorised for issue by the directors of PWF on 29 August 2011.

6.0 FINANCIAL INFORMATION continued

MARAC: Summary Financial Statements

	NZ IFRS				PREVIOUS NZ GAAP
Statements of Comprehensive Income					
	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Parent and Consolidated					
Interest income	148,337	168,933	173,438	134,849	121,226
Interest expense	89,271	109,318	108,637	80,371	81,059
Net interest income	59,066	59,615	64,801	54,478	40,167
Other net income	10,015	6,004	5,389	5,504	18,961
Total operating income before other gains	69,081	65,619	70,190	59,982	59,128
Employee benefits	13,049	13,377	14,411	12,454	12,080
Other operating expenses	11,976	11,671	11,404	9,697	9,477
Profit before impairment and tax	44,056	40,571	44,375	37,831	37,571
Impairment	23,765	13,318	5,726	955	356
Net profit before tax	20,291	27,253	38,649	36,876	37,215
Tax expense	5,992	8,199	12,785	12,199	12,311
Net profit after tax	14,299	19,054	25,864	24,677	24,904
Statements of Comprehensive Income					
Net profit after tax attributable to owners of the entity	14,299	19,054	25,864	24,677	24,904
Other comprehensive income/(loss) for the period, net of tax					
Effective portion of changes in fair value of cash flow hedges, net of tax	4,208	(4,427)	(1,765)	-	-
Total comprehensive income for the period, net of tax	18,507	14,627	24,099	24,677	24,904
Total comprehensive income attributable to: owners of the entity	18,507	14,627	24,099	24,677	24,904
Statements Of Changes in Equity					
Opening balance	152,961	139,989	120,890	107,463	110,790
Total comprehensive income for the period attributable to: owners of the entity	18,507	14,627	24,099	24,677	24,904
Contributions from owners	35,000	11,345	-	-	-
Distributions to owners	-	(13,000)	(5,000)	(11,250)	(11,250)
Closing Balance	206,468	152,961	139,989	120,890	124,444
Components of equity:					
Share capital	55,000	20,000	20,000	20,000	20,000
Capital reserve	-	-	-	-	14
Retained earnings	153,452	139,153	121,754	100,890	104,430
Fair value through other comprehensive income reserve	(1,984)	(6,192)	(1,765)	-	-
Total Equity	206,468	152,961	139,989	120,890	124,444

MARAC: Summary Financial Statements

	NZ IFRS				PREVIOUS NZ GAAP
Statements of Financial Position					
	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Parent and Consolidated					
Assets					
Cash and cash equivalents	86,406	62,462	8,655	-	-
Finance receivables	941,328	1,136,646	1,011,954	1,197,815	1,204,210
Finance receivables - securitised	160,853	157,941	291,532	-	-
Operating lease vehicles	42,895	36,209	29,719	36,834	36,675
Other assets	63,074	19,537	10,404	7,261	5,129
Total Assets	1,294,556	1,412,795	1,352,264	1,241,910	1,246,014
Liabilities					
Bank overdraft	-	-	-	910	910
Deposits and interest accruals	834,381	1,066,231	901,091	1,088,450	1,089,200
Borrowings - Securitised	149,298	150,728	283,042	-	-
Other liabilities	104,409	42,875	28,142	31,660	31,460
Total Liabilities	1,088,088	1,259,834	1,212,275	1,121,020	1,121,570
Net Assets	206,468	152,961	139,989	120,890	124,444
Equity					
Share capital	55,000	20,000	20,000	20,000	20,000
Reserves	151,468	132,961	119,989	100,890	104,444
Total Equity	206,468	152,961	139,989	120,890	124,444
Statements Of Cash Flows					
	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Parent and Consolidated					
Net cash flows from/(used in) operating activities	30,373	5,915	5,115	29,374	38,066
Net cash flows from/(used in) investing activities	193,504	73,764	(77,612)	(168,415)	(177,107)
Net cash flows from/(used in) financing activities	(199,933)	(23,036)	82,062	144,427	144,427
Net increase/(decrease) in cash held	23,944	56,643	9,565	5,386	5,386
Add opening cash brought forward:					
Cash on hand and at bank	62,462	8,655	(910)	(6,296)	(6,296)
Acquired on amalgamation	-	(2,836)	-	-	-
Closing cash carried forward	86,406	62,462	8,655	(910)	(910)
Comprising:					
Cash on hand and at bank/ bank overdraft	86,406	62,462	8,655	(910)	(910)
Date of Authorisation of Financial Statements					
Authorised for issue by the Board	26-Aug-2010	28-Aug-2009	26-Aug-2008	24-Aug-2007	24-Aug-2007

6.0 FINANCIAL INFORMATION continued

MARAC: Notes to Summary Financial Statements

The "MARAC Group" is a profit-oriented entity, which consists of MARAC, MARAC ABCP Trust 1 ("Trust"), MARAC Retirement Bonds Superannuation Fund ("Fund") and MARAC PIE Fund ("PIE"). The Fund was wound up with effect from 31 October 2010.

The assets securitised into the Trust continue to be recognised in MARAC's financial statements, however those assets are set aside for the benefit of the investors in the Trust and do not form part of MARAC's assets which are available to repay holders of Heartland debt securities. Accordingly, as MARAC's and the MARAC Group's financial performance and position are the same in all material respects, a single set of numbers is presented.

The summary financial statements of the MARAC Group have been prepared on the following basis:

- The values presented in the summary financial statements were extracted from the full financial statements of the MARAC Group for the financial years ending 30 June 2010, 2009, 2008 and 2007.
- The full financial statements for the financial years ended 30 June 2010, 2009, 2008 and 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for each of these years included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 30 June 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS ("previous NZ GAAP").
- The full financial statements for each year presented in the summary financial statements have been audited. KPMG's report in relation to the financial statements of MARAC for the year ended 30 June 2009 made reference to those financial statements being prepared assuming the successful conclusion of matters relating to MARAC's bank financing arrangements. These matters were successfully concluded subsequent to the completion of KPMG's 2009 audit, and this was noted in their December 2009 report for inclusion in MARAC's prospectus. With the exception of this explanatory paragraph, none of the audit reports for the audited financial statements of MARAC on which these historical summaries are based contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to a proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for companies maintained by the Companies Office at www.business.govt.nz/companies.

- The accounting policies that have been applied in preparing the full financial statements for the year ended 30 June 2010 are consistent with the accounting policies applied in the previous year.
- The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.
- The summary financial statements comply with the Financial Reporting Standard 43 "Summary Financial Statements" as required by the Securities Regulations.
- The summary financial statements reflect the current presentation requirements of FRS 43 Summary Financial Statements (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements (revised 2007)) for all periods presented, including the presentation of other comprehensive income and total comprehensive income.
- The summary financial statements are presented in New Zealand dollars which is the functional currency of the MARAC Group. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The summary financial statements were authorised for issue by the directors of MARAC on 24 September 2010.

SOUTHERN CROSS: Summary Financial Statements

	NZ IFRS				PREVIOUS
					NZ GAAP
Statements of Comprehensive Income					
	Audited 12 months to 30 June 2010	Audited 12 months to 30 June 2009	Audited 12 months to 30 June 2008	Audited 12 months to 30 June 2007	Audited 12 months to 30 June 2007
Parent and Consolidated	\$000	\$000	\$000	\$000	\$000
Interest income	27,372	38,125	44,451	39,706	38,908
Interest expense	17,675	27,545	33,304	30,708	30,403
Net interest income	9,697	10,580	11,147	8,998	8,505
Other net income	39	428	1,824	2,154	2,665
Total operating income before other net gains	9,736	11,008	12,971	11,152	11,170
Employee benefits	3,313	3,352	3,108	2,806	2,806
Other operating expenses	4,196	4,437	4,229	4,344	4,344
Profit before impairment, other net gains, restructuring costs and tax	2,227	3,219	5,634	4,002	4,020
Impairment	5,765	14,625	593	1,222	1,180
Profit/(loss) before non-recurring items and tax	(3,538)	(11,406)	5,041	2,780	2,840
Other net gains/(losses)	(1,183)	-	2,668	2,871	-
Restructuring costs	(458)	47	(1,905)	(1,600)	(1,600)
Total non-recurring items	(1,641)	47	763	1,271	(1,600)
Net profit/(loss) before tax	(5,179)	(11,359)	5,804	4,051	1,240
Tax expense/(benefit)	(477)	(2,614)	636	1,386	531
Net profit/(loss) after tax	(4,702)	(8,745)	5,168	2,665	709
Statements of Comprehensive Income					
Net profit/(loss) after tax attributable to owners of the Society	(4,702)	(8,745)	5,168	2,665	709
Other comprehensive income/(loss) for the period, net of tax					
Net change in asset revaluation reserve, net of tax	(174)	-	-	690	2,484
Net change in available-for-sale reserve, net of tax	-	1,015	(1,504)	(391)	-
Net change in defined benefit plan reserve, net of tax	-	(502)	(286)	-	-
Net change in fair value through other comprehensive income reserve	(353)	-	-	-	-
Total comprehensive income/(loss) for the period, net of tax	(5,229)	(8,232)	3,378	2,964	3,193
Total comprehensive income/(loss) attributable to owners of the Society	(5,229)	(8,232)	3,378	2,964	3,193
Statements Of Changes in Equity					
Opening balance	52,198	60,405	57,140	43,676	44,163
Change in accounting policy - early adoption of NZ IFRS 9	612	-	-	-	-
Opening balance restated	52,810	60,405	57,140	43,676	44,163
Total comprehensive income/(loss) for the period attributable to owners of the Society	(5,229)	(8,232)	3,378	2,964	3,193
Contributions from owners	25	25	425	10,500	10,500
Distributions to owners	-	-	(538)	-	-
Closing Balance	47,606	52,198	60,405	57,140	57,856
Components of equity:					
Share capital	10,475	10,450	10,425	10,500	10,500
Capital reserve	40,000	40,000	40,000	40,000	40,000
Retained earnings	(3,676)	1,026	9,771	(729)	-
Available for sale reserve	-	(612)	(1,627)	(123)	-
Asset revaluation reserve	1,074	1,248	1,248	6,618	7,356
Defined benefit reserve	86	86	588	874	-
Fair value through other comprehensive income reserve	(353)	-	-	-	-
Total Equity	47,606	52,198	60,405	57,140	57,856

6.0 FINANCIAL INFORMATION continued

SOUTHERN CROSS: Summary Financial Statements

	NZ IFRS				PREVIOUS NZ GAAP
Statements of Financial Position					
	Audited As at 30 June 2010 \$000	Audited As at 30 June 2009 \$000	Audited As at 30 June 2008 \$000	Audited As at 30 June 2007 \$000	Audited As at 30 June 2007 \$000
Parent and Consolidated					
Assets					
Cash and cash equivalents	681	1,006	1,306	645	645
Short term deposits	122,013	95,368	55,392	29,835	29,834
Investment securities	19,123	25,477	49,488	57,848	57,147
Investment property	-	-	-	16,000	15,610
Loans and advances	249,822	275,621	338,498	371,787	374,848
Deferred tax asset	5,572	5,414	2,824	2,171	1,224
Other assets	5,785	9,126	8,408	15,081	14,775
Total Assets	402,996	412,012	455,916	493,367	494,083
Liabilities					
Deposits and interest accruals	353,737	358,162	384,791	423,653	423,543
Redeemable shares	-	-	7,845	10,097	10,097
Other liabilities	1,653	1,652	2,875	2,477	2,587
Total Liabilities	355,390	359,814	395,511	436,227	436,227
Net Assets	47,606	52,198	60,405	57,140	57,856
Equity					
Share capital	10,475	10,450	10,425	10,500	10,500
Reserves	37,131	41,748	49,980	46,640	47,356
Total Equity	47,606	52,198	60,405	57,140	57,856
Statements Of Cash Flows					
	Audited 12 months to 30 June 2010 \$000	Audited 12 months to 30 June 2009 \$000	Audited 12 months to 30 June 2008 \$000	Audited 12 months to 30 June 2007 \$000	Audited 12 months to 30 June 2007 \$000
Parent and Consolidated					
Net cash flows from/(used in) operating activities	(282)	(1)	(22,039)	(5,208)	27,023
Net cash flows from/(used in) investing activities	(43)	(299)	17,987	(393)	(6,670)
Net cash flows from/(used in) financing activities	-	-	4,713	5,500	(20,454)
Net increase/(decrease) in cash held	(325)	(300)	661	(101)	(101)
Add opening cash brought forward:					
Cash on hand and at bank	1,006	1,306	645	746	746
Closing cash carried forward	681	1,006	1,306	645	645
Comprising:					
Cash on hand and at bank	681	1,006	1,306	645	645
Date of Authorisation of Financial Statements					
Authorised for Issue by the Board	11-Aug-2010	12-Aug-2009	22-Aug-2008	23-Aug-2007	23-Aug-2007

Southern Cross: Notes to Summary Financial Statements

At the date these Summary Financial Statements were prepared, Southern Cross was a profit-oriented building society registered in New Zealand under the Building Societies Act. For the purposes of these Financial Statements the "Southern Cross Group" consists of Southern Cross and its wholly owned subsidiaries, Southern Cross Building and Investments Limited and Southern Cross Nominees Limited.

The summary financial statements of Southern Cross have been prepared on the following basis:

- The values presented in the summary financial statements were extracted from the full financial statements of Southern Cross for the financial years ending 30 June 2010, 2009, 2008 and 2007.
 - The full financial statements for the financial years ended 30 June 2010, 2009, 2008 and 2007 have been prepared in accordance with NZGAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for each of these years included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 30 June 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS ("previous NZ GAAP").
 - The full financial statements for each year presented in the summary financial statements have been audited. None of these audit reports contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for building societies maintained by the Companies Office at www.business.govt.nz/companies.
 - The accounting policies that have been applied in preparing the full financial statements for the year ended 30 June 2010 are consistent with the accounting policies applied in the previous year.
 - The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.
- The summary financial statements comply with the Financial Reporting Standard 43 "Summary Financial Statements" as required by the Securities Regulations.
 - The summary financial statements are presented in New Zealand dollars which was the functional currency of the Southern Cross Group at date of preparing the summary financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand.

The summary financial statements were authorised for issue by the directors of Southern Cross on 22 September 2010.

6.0 FINANCIAL INFORMATION continued

CBS Canterbury: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
Statements of Comprehensive Income						
	Unaudited 3 months to 30 June 2010 \$000	Audited 12 months to 31 March 2010 \$000	Audited 12 months to 31 March 2009 \$000	Audited 12 months to 31 March 2008 \$000	Audited 12 months to 31 March 2007 \$000	Audited 12 months to 31 March 2007 \$000
Parent and Consolidated						
Interest income	7,928	30,406	50,993	35,650	28,657	28,675
Interest expense	5,789	22,372	39,794	27,455	21,984	21,744
Net interest income	2,139	8,034	11,199	8,195	6,673	6,931
Other net income	363	2,362	696	827	982	1,065
Total operating income before other net gains	2,502	10,396	11,895	9,022	7,655	7,996
Employee benefits	1,153	4,141	3,801	2,531	2,139	2,133
Other operating expenses	1,158	4,469	4,935	3,273	3,059	3,106
Profit before impairment and tax	191	1,786	3,159	3,218	2,457	2,757
Impairment	75	589	2,410	15	-	1
Net profit before tax	116	1,197	749	3,203	2,457	2,756
Impairment of goodwill	-	-	(4,148)	-	-	-
Restructuring costs	(165)	-	-	-	-	-
Special finance charge	-	-	-	(1,110)	-	-
Total non-recurring items	(165)	-	(4,148)	(1,110)	-	-
Net profit/(loss) before tax	(49)	1,197	(3,399)	2,093	2,457	2,756
Tax expense/(benefit)	332	(711)	82	1,209	845	904
Net profit/(loss) after tax	(381)	1,908	(3,481)	884	1,612	1,852
Statements of Comprehensive Income						
Net profit/(loss) after tax attributable to: owners of the Society	(381)	1,908	(3,481)	884	1,612	1,852
Other comprehensive income/(loss) for the period, net of tax						
Net change in asset revaluation reserve, net of tax	-	101	(127)	68	628	765
Net change in available-for-sale reserve, net of tax	120	412	(349)	(211)	12	-
Net change in capital gains reserve, net of tax	-	-	-	241	-	-
Total comprehensive income/(loss) for the period, net of tax	(261)	2,421	(3,957)	982	2,252	2,617
Total comprehensive income/(loss) attributable to: owners of the Society	(261)	2,421	(3,957)	982	2,252	2,617
Statements Of Changes in Equity						
Opening balance	51,552	48,594	53,490	24,920	19,399	22,116
Total comprehensive income/(loss) for the period attributable to: owners of the Society	(261)	2,421	(3,957)	982	2,252	2,617
Contributions from owners	-	537	1,175	28,176	4,251	4,251
Distributions to owners	-	-	(2,114)	(588)	(982)	(1,223)
Closing Balance	51,291	51,552	48,594	53,490	24,920	27,761
Components of equity:						
Share capital	44,288	44,288	43,752	42,577	14,401	17,401
Retained earnings	5,203	5,583	3,674	9,270	8,974	8,544
Available for sale reserve	(40)	(135)	(547)	(199)	12	-
Asset revaluation reserve	1,553	1,529	1,428	1,555	1,487	1,770
Realised capital gains reserve	287	287	287	287	46	46
Total Equity	51,291	51,552	48,594	53,490	24,920	27,761

CBS Canterbury: Summary Financial Statements

	NZ IFRS					PREVIOUS NZ GAAP
	Unaudited As at 30 June 2010 \$000	Audited As at 31 March 2010 \$000	Audited As at 31 March 2009 \$000	Audited As at 31 March 2008 \$000	Audited As at 31 March 2007 \$000	Audited As at 31 March 2007 \$000
Statements of Financial Position						
Parent and Consolidated						
Assets						
Cash and cash equivalents	33,460	44,309	93,615	75,334	65,906	825
Short term deposits	31,500	27,000	5,300	10,300	-	65,133
Investment securities	8,025	7,918	17,131	8,166	4,876	4,824
Loans and advances	450,499	445,262	417,424	449,071	270,616	270,405
Intangibles	9,824	9,897	10,122	13,479	530	443
Other assets	5,950	6,459	6,058	5,377	7,347	7,440
Total Assets	539,258	540,845	549,650	561,727	349,275	349,070
Liabilities						
Deposits and interest accruals	484,675	486,262	493,151	506,156	319,952	319,952
Preference Shares	-	-	-	-	3,000	-
Other liabilities	3,292	3,031	7,905	2,081	1,403	1,357
Total Liabilities	487,967	489,293	501,056	508,237	324,355	321,309
Net Assets	51,291	51,552	48,594	53,490	24,920	27,761
Equity						
Share capital	44,288	44,288	43,752	42,577	14,401	17,401
Reserves	7,003	7,264	4,842	10,913	10,519	10,360
Total Equity	51,291	51,552	48,594	53,490	24,920	27,761
Statements Of Cash Flows						
	Unaudited 3 months to 30 June 2010 \$000	Audited 12 months to 31 March 2010 \$000	Audited 12 months to 31 March 2009 \$000	Audited 12 months to 31 March 2008 \$000	Audited 12 months to 31 March 2007 \$000	Audited 12 months to 31 March 2007 \$000
Parent and Consolidated						
Net cash flows from/(used in) operating activities	(6,263)	(37,754)	24,697	(6,936)	(1,602)	2,653
Net cash flows from/(used in) investing activities	(4,586)	(12,088)	(5,476)	4,639	(328)	(9,883)
Net cash flows from/(used in) financing activities	-	536	(940)	11,724	8,225	7,985
Net increase/(decrease) in cash held	(10,849)	(49,306)	18,281	9,427	6,295	755
Add opening cash brought forward:						
Cash on hand and at bank	44,309	93,615	75,334	65,907	59,611	70
Closing cash carried forward	33,460	44,309	93,615	75,334	65,906	825
Comprising:						
Cash on hand and at bank	33,460	44,309	93,615	75,334	65,906	825
Date of Authorisation of Financial Statements						
Authorised for issue by the Board	30-Sep-2010	11-Jun-2010	12-Jun-2009	27-Jun-2008	14-Jun-2007	14-Jun-2007

6.0 FINANCIAL INFORMATION continued

CBS Canterbury: Notes to Summary Financial Statements

At the date these Summary Financial Statements were prepared, CBS Canterbury was a profit-oriented building society registered in New Zealand under the Building Societies Act. For the purpose of these Financial Statements, CBS Canterbury consists of Canterbury Building Society and its subsidiary, Loan Properties Limited. Loan Properties Limited was acquired on 1 February 2008, through the business combination with Loan and Building Society, and was subsequently struck off on 3 March 2009. For the 2007 financial year the parent and group financial statements are the same due to no group existing at these reporting dates.

The summary financial statements of CBS Canterbury have been prepared on the following basis:

- The values presented in the summary financial statements were extracted from the unaudited financial statements of CBS Canterbury for the three months ending 30 June 2010 and from the full audited financial statements of CBS Canterbury for the financial years ending 31 March 2010, 2009, 2008 and 2007.
 - The full financial statements for the three months ended 30 June 2010 and the financial years ended 31 March 2010, 2009, 2008 and 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities. The full financial statements for the financial years ended 31 March 2010, 2009, 2008 and 2007 included an explicit and unreserved statement of compliance with IFRS. The full financial statements for the financial year ended 31 March 2007 have been prepared in accordance with NZ GAAP and comply with New Zealand Financial Reporting Standards (NZ FRS) applicable prior to the implementation of NZ IFRS ("previous NZ GAAP").
 - The full financial statements for the financial years ending 31 March 2010, 2009, 2008 and 2007 presented in the summary financial statements have been audited. None of these audit reports contain qualified opinions or any explanatory paragraphs highlighting matters regarded as relevant to proper understanding of the basis of the opinions given. These financial statements may be obtained from the Heartland registered office, or downloaded from the public register for building societies maintained by the Companies Office at www.business.govt.nz/companies.
 - The accounting policies that have been applied in preparing the unaudited financial statements for the three months ended 30 June 2010 and the full financial statements for the year ended 31 March 2010 are consistent with the accounting policies applied in the previous year.
 - The summary financial statements cannot be expected to provide a complete understanding as provided by the full financial statements from which they are extracted.
 - The summary financial statements comply with the Financial Reporting Standard 43 "Summary Financial Statements" as required by the Securities Regulations.
 - The summary financial statements reflect the current presentation requirements of FRS 43 Summary Financial Statements (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements (revised 2007)) for all periods presented, including the presentation of other comprehensive income and total comprehensive income.
 - The summary financial statements are presented in New Zealand dollars which was the functional currency of CBS Canterbury at the date of preparing the summary financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand.
- On 1 April 2006 the assets, liabilities and engagements of SMC Building Society were transferred to CBS Canterbury at fair value, including goodwill of \$0.5 million.
- On 16 August 2007 a non-renounceable issue to both ordinary and preference shareholders was made in the ratio of 1 for 10 at an issue price of \$4.50 per new ordinary share. The offer resulted in CBS Canterbury allotting 801,578 new ordinary shares fully paid.
- Also on 16 August 2007 CBS Canterbury redeemed the 3,000,000 preference shares that were on issue. Shareholders received an aggregate redemption amount of \$1.37 comprising a redemption dividend of 37 cents per share together with the \$1.00 originally subscribed per share. In accordance with NZ IFRS accounting requirements, these dividends are accounted for as a finance charge through the Statements of Comprehensive Income.
- On 30 November 2007 an interim dividend of 8 cents per share (fully imputed) was paid on the ordinary shares on issue.
- On 1 February 2008 the assets, liabilities and engagements of Loan and Building Society were transferred to CBS Canterbury at fair value as a business combination, including goodwill of \$13.2 million.
- On 25 July 2008 an interim dividend of 8 cents per share (fully imputed) was paid on the ordinary shares on issue.
- On 19 December 2008 a bonus issue of shares, in lieu of an interim dividend, equivalent to 10 cents per share (fully imputed) was paid on the ordinary shares on issue.
- The summary financial statements were authorised for issue by the directors of CBS Canterbury on 30 September 2010.

Audit report



Independent Auditor's Report

To the readers of the Prospectus No. 3 of Heartland Building Society

As auditor of Heartland Building Society ("the Society") and the group, comprising the Society and its subsidiaries ("the Group"), we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 for inclusion in the prospectus dated 27 September 2011.

Report on the Society and Group financial statements

We have audited the financial statements of the Society and the Group, comprising the Society and its subsidiaries, for the year ending 30 June 2011. We expressed an unmodified audit opinion on those financial statements in our report dated 19 August 2011.

Report on the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

The summary financial statements on pages 25 to 40 are derived from the audited financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited for the years ended as follows:

Entity	Reporting Dates	Pages
Heartland Building Society	30 June 2011	26 to 28
<i>Acquired businesses and subsidiary</i>		
PGG Wrightson Finance Limited	30 June 2011 30 June 2010 30 June 2009 30 June 2008 30 June 2007	29 to 31
MARAC Finance Limited	30 June 2010 30 June 2009 30 June 2008 30 June 2007	32 to 34
Southern Cross Building Society	30 June 2010 30 June 2009 30 June 2008 30 June 2007	35 to 37
Canterbury Building Society	31 March 2010 31 March 2009 31 March 2008 31 March 2007	38 to 40

6.0 FINANCIAL INFORMATION continued

Audit report continued



The summary financial statements do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited.

Directors' responsibility for the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

The Directors are responsible for preparing a summary of the audited financial statements as detailed in the table above, in accordance with clause 8, 9(2) and 9(3) of Schedule 2 of the Securities Regulations 2009.

Auditor's responsibility for the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted to confirm that the amounts set out in the historical summaries of financial statements on pages 25 to 40 pursuant to clauses 8, 9(2) and 9(3) of the Securities Regulations 2009 Schedule 2, have been correctly taken from the audited financial statements, as detailed in the table above.

Opinion on the summary financial statements of Heartland Building Society, Canterbury Building Society, Southern Cross Building Society, MARAC Finance Limited and PGG Wrightson Finance Limited

In our opinion, the amounts set out in the summary financial statements on pages 25 to 40 of this prospectus, derived from the audited financial statements, as detailed above, as required by clauses 8, 9(2) and 9(3) of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements detailed in the table above.

Report on the ranking of securities

Directors' responsibility for the ranking of securities

The Directors are responsible for the preparation and presentation of the details and amounts in respect of the ranking of securities of the Society and the Group as at 30 June 2011, in accordance with clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditor's responsibility for the ranking of securities

Our responsibility is to express an opinion on whether the amounts set out in the ranking of securities have been correctly taken from the audited financial statements of the Society and the Group as at 30 June 2011.



Opinion on the ranking of securities

In our opinion, the amounts set out in the ranking of securities on page 48 of this prospectus, have been correctly taken from the audited financial statements of Heartland Building Society and the Group as at 30 June 2011.

Report on other legal and regulatory requirements

In accordance with the requirements of clauses 22(d) and 22(e) of Schedule 2 of the Securities Regulations 2009, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Heartland Building Society and the Group as far as appears from our examination of those records.

Other matters

Responsibility for updating

We have no responsibility to update our opinion on any of the matters above for events and circumstances occurring after the date of this report.

Restriction on use

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 22 of Schedule 2 of the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the summary financial statements, or the ranking of securities for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Auditor's consent

In accordance with regulation 18(1)(c)(ii) of the Securities Regulations 2009, we hereby give our consent to the inclusion of this report in the prospectus in the form in which it appears. We also confirm that we have not, before delivery of this prospectus, withdrawn our consent to the issue thereof.

KPMG

27 September 2011

Auckland

7.0 STATUTORY INFORMATION

This section contains information required by Schedule 2 of the Securities Regulations that is not set out elsewhere in this Prospectus.

Price to be Paid for Deposits

The Deposits will be issued at face value, being \$1.00 for each \$1.00 of Deposits.

Details of Incorporation of Heartland

Heartland was established in New Zealand on 22 October 2010 under the Building Societies Act. Heartland's registration number is 2541477. Heartland's registered office is set out in the Directory.

The public file relating to the incorporation of Heartland is kept by the Companies Office and can be accessed on the Companies Office website at www.business.govt.nz/companies.

Guarantors

MARAC, VPS Properties, VPS Parnell and PWF which are subsidiaries of Heartland are guarantors of the Deposits pursuant to the Trust Deed. Further information in respect of the guarantees given by MARAC, VPS Properties, VPS Parnell and PWF is set out in the Summary of the Trust Deed section of this Prospectus.

Names, Addresses, and Other Information

Directorate

The Directors of Heartland (as issuer) as at the date this Prospectus was amended are: Bruce Robertson Irvine (Christchurch, New Zealand), Jeffrey Kenneth Greenslade (Auckland, New Zealand), Edward John Harvey (Auckland, New Zealand), Graham Russell Kennedy (Ashburton, New Zealand), Gary Richard Leech (Ashburton, New Zealand), Christopher Robert Mace (Auckland, New Zealand), Geoffrey Thomas Ricketts (Auckland, New Zealand) and Michelle Anne Smith (Christchurch, New Zealand).

Each of the Directors named above can be contacted at the registered office of Heartland set out in the Directory.

As at the date of this Prospectus, except for the Director named below, none of the Directors named above are employees of Heartland, or of an associated person of Heartland.

Jeffrey Greenslade is the CEO and Managing Director of Heartland and Heartland New Zealand.

Secretary

The Secretary of Heartland is Martin Dilly. The Secretary can be contacted at the registered office of Heartland set out in the Directory.

Registrar

Heartland is the registrar for all Deposits. The registered address of Heartland is set out in the Directory.

Auditor

The Auditor of Heartland is KPMG. The registered address of the Auditor is set out in the Directory.

Advisors

The name and address of the solicitors and other professional advisors who have been involved in the preparation of this Prospectus are set out in the Directory.

Trustee

The Trustee of Heartland is Trustees Executors Limited. The registered address of the Trustee is set out in the Directory.

Restrictions on Directors' Powers

The Rules provide that the Board of Heartland may only declare and make distributions to shareholders if it is satisfied on reasonable grounds that (a) such money is not immediately necessary for the performance of the functions of Heartland described in the Rules (including to meet the application or withdrawal of funds by depositors), (b) Heartland will hold and will continue to hold sufficient assets and funds to perform those functions and (c) Heartland will be and will continue to be solvent immediately after making such distributions.

The Building Societies Act contains provisions that could have the effect, in certain circumstances, of imposing restrictions on the powers of the Board. For example, a building society must have one or more of the specified functions set out in the Building Societies Act. These provisions apply to any building society under the Building Societies Act.

Description of Activities

Set out below is a description of the principal activities of Heartland and the Guarantoring Subsidiaries.

Heartland is the principal operating subsidiary of Heartland New Zealand, and commenced business as a financial services provider in January 2011, on completion of the Merger. Since it commenced business, Heartland's principal activities have been its lending and other financial services activities, and its fundraising activities.

MARAC became a wholly owned subsidiary of Heartland under the Merger. MARAC and its predecessors have serviced the consumer and small-to-medium business market for approximately 60 years, with its principal activities involving the provision of consumer and commercial lending across a broad range of sectors and providing a select range of insurance products.

VPS Properties and VPS Parnell are both wholly owned subsidiaries of Heartland. These entities each currently own one or more properties that were originally mortgaged to MARAC to secure financial indebtedness owed to MARAC. MARAC has funded the acquisition by VPS Properties and VPS Parnell of these properties and holds a registered first mortgage over the properties.

PWF became a wholly owned subsidiary of Heartland on 31 August 2011. The principal activities of PWF have been to raise funds from the public, banks and other entities and on-lend those funds to borrowers in the rural sector of New Zealand. PWF has been carrying on these activities since 2006. However, some of the businesses that now comprise PWF (including the finance divisions of the former stock and station companies Williams & Kettle, Wrightson, Pyne Gould Guinness and Reid Farmers) have been carrying on these activities for over a century.

Principal assets

The principal assets of the Heartland Group used in undertaking the Heartland Group's principal activities are:

- cash and cash equivalents (held for liquidity purposes, and to the extent not required for that purpose used to make loans and finance available to borrowers);
- finance receivables, securitised finance receivables, operating leases, and trade and other receivables (used to make loans and finance available to borrowers); and
- investment properties (held to earn rental income and/or for capital appreciation).

The assets referred to above are owned or held under lease by the Heartland Group and are subject to obligations in favour of other persons that modify or restrict the ability of the Heartland Group to deal with the assets. These obligations include the arrangements with Heartland's trustee and depositors and the arrangements with the Heartland Group's financiers described below under the heading "Material Contracts". In addition, Heartland Group consolidates two securitisation trusts - MARAC ABCP Trust 1 and CBS Warehouse A Trust (*Trusts*). The assets securitised into the Trusts continue to be recognised in Heartland's financial statements; however those assets are set aside for the benefit of the investors in the Trusts and are not available to repay holders of debt securities issued by Heartland.

Acquisition of Business or Subsidiary

On 5 January 2011, pursuant to the Merger, Heartland acquired the businesses of CBS Canterbury and Southern Cross (by taking a transfer of engagements from each of CBS Canterbury and Southern Cross under the Building Societies Act) and all of the shares in MARAC.

Prior to the Merger, each of MARAC, CBS Canterbury and Southern Cross provided financial services involving making loans or otherwise providing financial services, and taking investments.

The summary financial statements and reference to the latest audited financial statements of CBS Canterbury, Southern Cross and MARAC are set out in the Financial Information section of this Prospectus.

In addition, on 31 August 2011, Heartland acquired all of the shares in PWF.

The consideration paid for the shares in PWF was an amount equal to the net tangible assets of PWF adjusted to take account of certain agreed items. Heartland also agreed to assume all of PWF's obligations in relation to the PWF deposits.

Details of the business carried on by PWF are set out earlier on this page of this Prospectus. The summary financial statements and reference to the latest audited financial statements of PWF are set out in the Financial Information section of this Prospectus.

Material Contracts

The following material contracts have been entered into in the two years preceding the date of registration of this Prospectus by Heartland and/or the Guaranteeing Subsidiaries.

Contracts with Ongoing Day to Day Application

Crown Deed of Guarantee (Building Society)

Heartland and Her Majesty the Queen in right of New Zealand are party to a Crown Deed of Guarantee (Building Society) dated 15 December 2010 (as amended and restated by a Deed of Amendment and Restatement of Crown Deed of Guarantee (Building Society) dated 30 August 2011). As at the date this Prospectus was amended, the guarantee given under this Crown Deed of Guarantee has expired.

Deed of Indemnity and Postponement

Heartland New Zealand, MARAC, Heartland and certain other group companies (being any subsidiary or holding company of Heartland New Zealand and/or Heartland) entered into a Deed of Indemnity and Postponement with Her Majesty the Queen in right of New Zealand on 14 December 2010, under which (among other things) MARAC indemnifies the Crown for amounts paid by the Crown pursuant to the Heartland Crown Guarantee. Two wholly-owned subsidiaries of Heartland, being VPS Properties and VPS Parnell, have joined into this Deed of Indemnity and Postponement as indemnifiers by deeds of accession dated 21 March 2011. PWF has joined into this Deed of Indemnity and Postponement as an indemnifier by a deed of accession dated 30 August 2011.

Standby Cash Advances Facility Agreement

Heartland and MARAC entered into a Standby Cash Advances Facility Agreement with Bank of New Zealand and Westpac Banking Corporation dated 15 December 2010, for facilities of up to \$200 million, the purpose of which is to provide liquidity support and funding for the Heartland and MARAC loan portfolios. VPS Properties and VPS Parnell have joined into this Standby Cash Advances Facility Agreement as guarantors by guarantor accession deeds dated 21 March 2011. PWF has joined into this Standby Cash Advances Facility Agreement as a guarantor by a guarantor accession deed dated 31 August 2011.

7.0 STATUTORY INFORMATION continued

All Obligations Cross Guarantee and Indemnity Deed Poll

MARAC and Heartland entered into an All Obligations Cross Guarantee and Indemnity Deed Poll dated 15 December 2010, under which each of MARAC and Heartland guarantee each other's obligations to Bank of New Zealand and Westpac Banking Corporation. VPS Properties and VPS Parnell have joined into this All Obligations Cross Guarantee and Indemnity Deed Poll as guarantors by supplemental deeds dated 21 March 2011. PWF has joined into this All Obligations Cross Guarantee and Indemnity Deed Poll as a guarantor by a supplemental deed dated 31 August 2011.

Master Trust Deed

Heartland entered into a Master Trust Deed dated 29 October 2010 with the Trustee, relating to the ongoing issue of unsecured debt instruments by Heartland (and for the benefit of the holders of those debt instruments). MARAC has joined into this Master Trust Deed as a guarantor by a supplemental trust deed dated 14 December 2010. VPS Properties and VPS Parnell have joined into this Master Trust Deed as guarantors by supplemental trust deeds dated 24 March 2011. PWF has joined into this Master Trust Deed as a guarantor by a supplemental trust deed dated 31 August 2011.

Supplemental Trust Deed (Accounts)

Heartland entered into a Supplemental Trust Deed (Accounts) dated 29 October 2010 with the Trustee which is supplemental to the Master Trust Deed and governs the terms of the Accounts issued by Heartland.

Supplemental Trust Deed (Bonds)

Heartland entered into a Supplemental Trust Deed (Bonds) dated 29 October 2010 with the Trustee which is supplemental to the Master Trust Deed and governs the terms of the NZDX quoted bonds issued by Heartland (other than the PWF Bonds).

Supplemental Trust Deed (PWF Bonds)

Heartland entered into a Supplemental Trust Deed (PWF Bonds) dated 11 July 2011 with the Trustee which is supplemental to the Master Trust Deed and governs the terms of the PWF Bonds. The PWF Bonds were fully repaid on 10 October 2011.

RECL Management Agreement

MARAC and RECL are parties to a Management Agreement dated 5 January 2011 (*RECL Management Agreement*), by which RECL agreed to manage certain non-core real estate loan assets of MARAC for a 5 year period, and assume the risk of loss on those loans for that period (with any payment by RECL to MARAC in respect of that loss at the end of that period, subject to limited rights on the part of MARAC to earlier payment). RECL's payment obligations are "limited in recourse" to a pool of security provided by RECL. This pool of security includes an \$11 million 5 year zero coupon bond, and an initial minimum \$22 million in security value of other qualifying assets.

Service Amount Security Agreement

MARAC and RECL are parties to a Service Amount Security Agreement dated 5 January 2011 (in connection with the RECL Management Agreement). Under this agreement RECL grants to MARAC security over its assets to secure its obligations under the RECL Management Agreement.

Support Provider Undertaking

MARAC and PGC are parties to a Support Provider Undertaking dated 5 January 2011 (in connection with the RECL Management Agreement). Under this agreement PGC undertakes to procure that RECL complies with its obligations to ensure that the security value of other qualifying assets subject to a first priority security interest under the Service Amount Security Agreement is not less than a stated minimum amount (initially \$22 million).

Transitional Services Agreement (PGW)

PGW and Heartland entered into a Transitional Services Agreement dated 31 August 2011 relating to the administration by PGW post completion of the sale of the ordinary shares in PWF to Heartland.

Deed of Guarantee and Indemnity (PGW)

PGW and Heartland entered into a Deed of Guarantee and Indemnity dated 31 August 2011 which relates to PGW providing a guarantee and indemnity to Heartland in respect of certain existing credit facilities provided by PWF.

Distribution and Services Agreement (PGW)

PGW and Heartland entered into a Distribution and Service Agreement dated 31 August 2011. This agreement relates to PGW distributing to its customers certain Heartland products and services.

Other Contracts (Including Contracts Fully Performed)

Merger Implementation Agreement

CBS Canterbury, Southern Cross, PGC, MARAC and MFSL entered into a Merger Implementation Agreement dated 15 September 2010, pursuant to which the parties conditionally agreed to implement the Merger.

Deed of Defeasance (MARAC)

Heartland entered into a Deed of Defeasance with MARAC, The New Zealand Guardian Trust Company Limited and the Trustee dated 14 December 2010, which sets out the terms on which Heartland assumed liability for the stock issued by MARAC under its then existing Debenture Trust Deed.

Deed of Defeasance (CBS Canterbury)

Heartland entered into a Deed of Defeasance with CBS Canterbury and the Trustee dated 14 December 2010, which sets out the terms on which Heartland assumed liability for the deposits of CBS Canterbury outstanding under its then existing Debt Security Trust Deed.

Deed of Defeasance (Southern Cross)

Heartland entered into a Deed of Defeasance with Southern Cross and the Trustee dated 14 December 2010, which sets out the terms on which Heartland assumed liability for the deposits of Southern Cross outstanding under its then existing Debt Security Trust Deed.

Crown Deed of Guarantee

PWF and Her Majesty the Queen in right of New Zealand entered into a Crown Deed of Guarantee (Non-Bank Deposit Taker) dated 8 December 2009. The guarantee given under this Crown Deed of Guarantee expired at 12.01am on 12 October 2010.

Extended Crown Deed of Guarantee

PWF and Her Majesty the Queen in right of New Zealand entered into an Extended Crown Deed of Guarantee (Non-Bank Deposit Taker) dated 1 April 2010. The guarantee given under this Extended Crown Deed of Guarantee expires at 11.59pm on 31 December 2011.

Supplemental Deed to Crown Deed of Guarantee

PWF and Her Majesty the Queen in right of New Zealand entered into a Supplemental Deed to the Extended Crown Bank Guarantee (Non-Bank Deposit Taker) dated 17 June 2010. This deed amended the Extended Crown Deed of Guarantee above so as to clarify the status of excluded securities issued in accordance with the terms of the previous Crown guarantee.

Deed of Variation to PWF Bond Trust Deed

PWF entered into a Deed of Variation of PWF Bonds trust deed dated 7 July 2010 with New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds). This deed clarified the status of overseas bondholders with reference to the PWF's Bonds.

Second Deed of Variation to PWF Bond Trust Deed

PWF entered into a Second Deed of Variation of PWF Bond trust deed dated 12 August 2010 with New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds). This deed varied the conditions of the PWF Bonds, so as to permit PWF to exercise its term extension option notwithstanding the variation of the Crown retail deposit guarantee scheme. This variation was authorised by an Extraordinary Resolution of the relevant bondholders.

Third Deed of Variation of PWF Bond Trust Deed

PWF and New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds) entered into a Third Deed of Variation of PWF Bond trust deed dated 1 December 2010. This deed varied the PWF Bond trust deed, so as to meet the requirements of the NBDT regime, including the Deposit Takers Regulations, which came into force on 1 December 2010.

Fourth Deed of Variation of PWF Bond Trust Deed

PWF and New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds) entered into a Fourth Deed of Variation of PWF Bond trust deed dated 9 February 2011.

This deed varied the PWF Bond trust deed, so as to amend the definition of Treasury Stock.

Fifth Deed of Variation of PWF Bond Trust Deed

PWF and New Zealand Permanent Trustees Limited (as trustee of the PWF Bonds) entered into a Fifth Deed of Variation of PWF Bond trust deed dated 15 August 2011. This deed varied the PWF Bond trust deed, so as to effect certain amendments as a consequence of an extraordinary resolution of bondholders.

Second Deed of Modification of PWF Debenture Trust Deed

PWF and New Zealand Permanent Trustees Limited entered into a Second Deed of Modification of trust deed dated 1 December 2010. This deed varied the PWF Debenture Trust Deed, so as to meet the requirements of the NBDT regime, including the Deposit Takers Regulations, which came into force on 1 December 2010.

Third Deed of Modification of PWF Debenture Trust Deed

PWF and New Zealand Permanent Trustees Limited entered into a Third Deed of Modification of trust deed dated 15 August 2011. This deed varied the PWF Debenture Trust Deed, so as to effect certain amendments as a consequence of an extraordinary resolution of bondholders.

Agreement relating to Sale and Purchase of Shares in PWF

PGW and Heartland New Zealand entered into an agreement for the sale and purchase of all the shares in PWF from PGW to Heartland New Zealand. On 30 August 2011, Heartland acceded to this agreement as purchaser of the PWF shares. The sale was completed on 31 August 2011.

Agreement for Sale and Purchase of Loans No. 1

PWF, PGW Rural Capital Limited and PGW entered into an Agreement for Sale and Purchase of Loans No. 1 dated 30 August 2011. This agreement is in connection with the sale of the ordinary shares in PWF, from PGW to Heartland, where PWF agreed to sell certain finance contracts and receivables to PGW Rural Capital Limited, a wholly owned subsidiary of PGW.

Agreement for Sale and Purchase of Loans No. 2

PWF, PGW Rural Capital Limited and PGW entered into an Agreement for Sale and Purchase of Loans No. 2 dated 31 August 2011. This agreement is in connection with the sale of ordinary shares in PWF, from PGW to Heartland, where PWF agreed to sell certain finance contracts and receivables to PGW Rural Capital Limited, a wholly owned subsidiary of PGW.

Deed of Defeasance (in relation to PWF Deposits)

PWF, New Zealand Permanent Trustees Limited, Heartland and the Trustee entered into a Deed of Defeasance dated 31 August 2011 which sets out the terms on which Heartland assumed liability for the PWF deposits outstanding under its then existing debt security trust deed.

7.0 STATUTORY INFORMATION continued

Deed of Defeasance (in relation to PWF Bonds)

PWF, New Zealand Permanent Trustees Limited, Heartland and the Trustee entered into a Deed of Defeasance dated 31 August 2011 which sets out the terms on which Heartland assumed liability for the PWF Bonds outstanding under its then existing debt security trust deed.

Pending Proceedings

There are no legal proceedings or arbitrations pending as at the date of registration of this Prospectus that may have a material adverse effect on the Heartland Group.

Issue Expenses

The estimated expenses for the issue of the Deposits pursuant to this Prospectus are \$538,000 excluding brokerage and commission but including Trustee, legal and Auditor's fees and printing costs. Details of brokerage are set out below.

Brokerage

No brokerage or commission is payable by investors. Heartland will pay brokerage (up to 0.50% per annum) to NZX Primary Market Participants and other Heartland accredited brokers. Heartland will pay commission (up to 0.85% per annum) to accredited agents.

Brokerage will be paid to brokers on the value of applications lodged by them. Brokerage will also be paid (at the rates prevailing at the time of renewal) on Deposits which are reinvested at the end of their fixed term, provided the renewal advice bears the broker name/stamp.

Commission will be paid to agents based on growth in the total value of applications lodged by them.

Heartland reserves the right to adjust brokerage or commission on investments which are repaid early and any other charges applicable to the Deposits.

Brokers are the agents of investors whom they advise. Brokers are accredited by Heartland solely for the purpose of lodging applications on behalf of their client investors. Accordingly, Heartland is not responsible for the advice given by such brokers. Heartland agents operate in accordance with the Financial Advisers Act 2008, under Heartland's qualifying financial entity (QFE) status.

Ranking of Securities

The Deposits offered under this Prospectus are debt securities which constitute direct, unsecured, unsubordinated debt obligations of Heartland and are not secured by a mortgage or charge. The Deposits will rank equally in all respects with all existing and future debt securities issued by Heartland pursuant to the Trust Deed and without priority or preference amongst themselves and equally with all other unsecured and unsubordinated indebtedness of Heartland, except indebtedness preferred by law.

As at 30 June 2011, the only securities of Heartland Group that are secured by a mortgage or charge over any of the

assets of the Heartland Group and that rank in point of security ahead of, or equally with, the Deposits subject to the Offer were;

- the mortgages granted by VPS Properties securing \$27,168,532 and VPS Parnell securing \$7,330,000 to Heartland which rank ahead of the Deposits²¹. As these are an intra-group transaction they should not affect the return to investors.
- a total of \$1,593,247,000 Deposits and NZDX Bonds on issue that rank equally with the Deposits being offered under this Prospectus.

Refer to the Summary of the Trust Deed section of this Prospectus for more detail about permitted security interests which can be granted by a Heartland Group member which may rank ahead of, or equally with, the Deposits.

Other Restrictions on the Heartland Group

Description of trust deed documents

The Deposits to be issued pursuant to the Offer will be governed by the Master Trust Deed and the Supplemental Deed (Accounts), each dated 29 October 2010 between Heartland and the Trustee.

The Supplemental Deed referred to above and the Master Trust Deed (except to the extent it is modified by that Supplemental Deed) set out the terms and conditions of the Deposits. Depositors are bound by, and are deemed to have notice of, the provisions of the Trust Deed. A summary of the terms of the Trust Deed is set out in the Summary of Trust Deed section of this Prospectus. Copies of the Trust Deed are available at the places referred to under the heading "Places of inspection of documents" below.

Limitation on mortgages, charges, liabilities

The Deposits are unsecured indebtedness of Heartland. The Trust Deed imposes a limitation on the ability of Heartland and the Heartland Group to grant security over their assets (for further details refer to the Summary of the Trust Deed section of this Prospectus). However as the Deposits are and will in the future be unsecured, the Trust Deed does not contain any limitations on the creation of new mortgages or charges ranking in point of security ahead of, or equally with, any mortgage or charge securing the Deposits.

The Trust Deed also includes a covenant from Heartland that the Capital Ratio for each of the Consolidated Group and the Guaranteeing Group will be not less than 8% (as each of those terms is defined in the Trust Deed), which is consistent with requirements of regulations applicable to NBDTs with a credit rating under the Reserve Bank Act.

Duties and powers of the Trustee

The Trustee is appointed to act as trustee of the Depositors. The principal duties of the Trustee under the Trust Deed and under the Securities Act and the Securities

²¹ The mortgages and the loans were transferred from Heartland to MARAC by way of a deed of assignment of loans dated 19 September 2011.

Regulations are set out in the Summary of Trust Deed section of this Prospectus.

Borrowing restrictions

The following restrictions on the ability of any member of the Heartland Group to borrow (as a result of any undertaking given, or contract or deed entered into by any of them) will apply:

Trust Deed

There are no restrictions in the Trust Deed on the ability of Heartland or the Heartland Group to borrow funds, other than the financial covenants described in the Summary of the Trust Deed section of this Prospectus.

Standby Cash Advances Facility Agreement

Heartland has a \$200 million committed bank facility, to provide liquidity support for the Heartland Group. Pursuant to the Standby Cash Advances Facility Agreement entered into by Heartland and MARAC with Bank of New Zealand and Westpac Banking Corporation:

- Heartland undertakes to comply with certain financial covenants (such as a tangible net worth covenant) which may restrict levels of borrowing; and
- Heartland undertakes not to enter into any further borrowing facility with a registered bank, without first obtaining written consent.

Investors should be aware that Heartland's banking arrangements may change in the future or Heartland may enter into new financing arrangements, which require compliance with different covenants and ratios and have different events of review and events of default. The Banks may grant waivers in relation to any event of review or event of default.

Other Terms of the Offer and Securities

All of the terms of the Offer and all the terms of the Deposits are set out in this Prospectus, other than any terms implied by law or any terms set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Prospectus.

Places of Inspection of Documents

The Rules of Heartland, the financial statements referred to in the Financial Information section of this Prospectus and copies of the material contracts referred to under the heading "Material Contracts" above, may be inspected (without charge) during normal business hours at the registered office of Heartland set out in the Directory.

A copy of the RECL Management Agreement may be inspected (without charge) during normal business hours at the registered office of Heartland set out in the Directory. The copy of the RECL Management Agreement delivered to the Companies Office and the copy available for inspection at Heartland's registered office shall exclude certain information in accordance with the Securities Act (Pyne Gould Corporation Limited and

Building Society Holdings Limited) Exemption Notice 2011. Information has been redacted from Schedule 1 of the copy of the RECL Management Agreement delivered to the Companies Office and the copy available for inspection because it is commercially sensitive information. The excluded information is personal information relating to third parties that is included in the RECL Management Agreement for the purposes of identifying certain loan assets of MARAC which are to be managed by RECL pursuant to the RECL Management Agreement.

The Directors of Heartland warrant that the exclusion of the redacted information in Schedule 1 of the RECL Management Agreement does not make this Prospectus misleading in any material particular by a failure to refer, or give proper emphasis, to any adverse circumstances.

Other Material Matters

Securities Act exemptions

Securities Act (Building Societies) Exemption Amendment Notice 2010

The Financial Markets Authority (previously the Securities Commission) has extended to Heartland certain exemptions from Securities Act and Securities Regulations requirements granted to building societies under the Securities Act (Building Societies) Exemption Notice 2002. Under the Securities Act (Building Societies) Exemption Amendment Notice 2010, Heartland is included as a building society to which the exemption notice applies.

Securities Act (Pyne Gould Corporation Limited and Building Society Holdings Limited) Exemption Notice 2011

The Financial Markets Authority (previously the Securities Commission) has granted Heartland New Zealand and certain related entities (including Heartland) exemptions from section 37A(1)(a) of the Securities Act, regulation 18(1)(a) of the Securities Regulations, clause 25(c) of Schedule 1 and clause 19(c) of Schedule 2 of the Securities Regulations, and regulation 26 of the Securities Regulations. These exemptions are contained in the Securities Act (Pyne Gould Corporation Limited and Building Society Holdings Limited) Exemption Notice 2011.

The effect of this exemption notice (to the extent relevant to this Prospectus) is that certain commercially sensitive information may be omitted from the copy of the RECL Management Agreement which is required to be delivered to the Registrar of Financial Service Providers for registration with this Prospectus (and any future prospectus registered by, among others, Heartland) and made available for inspection.

There are no other material matters relating to the Offer, other than those set out in this Prospectus, the financial statements referred to in the Financial Information section of this Prospectus or in contracts entered into in the ordinary course of business of Heartland or the Guaranteeing Subsidiaries.

7.0 STATUTORY INFORMATION continued

Directors' Statement

The Directors of Heartland, after due inquiry by them, are of the opinion that none of the following has materially and adversely changed during the period between 30 June 2011 and the date of registration of this Prospectus:

- the trading or profitability of the Borrowing Group;
- the value of the assets of the Borrowing Group; or
- the ability of any of the Borrowing Group to pay their liabilities due within the next 12 months.

Signatures Required Under the Securities Act

A copy of this Prospectus has been signed by each Director of Heartland (or his or her agent authorised in writing), each an "issuer" for the purposes of the Securities Act.

Directors of Heartland:



Bruce Robertson Irvine



Bryan William Mogridge Resigned 28 October 2011



Edward John Harvey



Christopher Robert Mace



Jeffrey Kenneth Greenslade



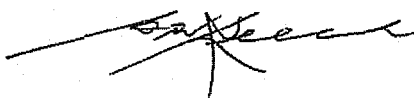
Geoffrey Thomas Ricketts



Graham Russell Kennedy



Michelle Anne Smith



Gary Richard Leech

Statutory Index

As required by regulation 16 of the Securities Regulations 2009

SCHEDULE 2, SECURITIES REGULATIONS 2009

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GLOSSARY

\$, NZD or NZ\$ New Zealand dollars	Glossary This glossary of terms	Merger The merger of the financial services businesses of MARAC, CBS Canterbury and Southern Cross, which was completed on 7 January 2011
Account Any Deposit including the word "account" or "saver" or described as an "account" or "deposit"	Guaranteeing Group Has the meaning given to it in the Trust Deed	Merger Parties CBS Canterbury, Southern Cross and MARAC
Auditor KPMG	Guaranteeing Subsidiaries MARAC, VPS Properties, VPS Parnell, PWF and any other subsidiary of Heartland which becomes a guarantor under the Master Trust Deed	MFSL MARAC Financial Services Limited
Board The board of directors of Heartland	Heartland Heartland Building Society (incorporation number 2541477) which is the issuer of the Deposits, established under the Building Societies Act	NBDT Non-bank deposit taker
Borrowing Group Heartland and the Guaranteeing Subsidiaries	Heartland Group Heartland Building Society, MARAC, VPS Properties, VPS Parnell, PWF and any other subsidiaries of Heartland from time to time	NZ GAAP Generally accepted accounting practice in New Zealand
Building Societies Act The Building Societies Act 1965, as amended from time to time	Heartland New Zealand Heartland New Zealand Limited, which is the ultimate holding company of Heartland	NZ IFRS New Zealand equivalents to International Financial Reporting Standards
Call Account An Account, the principal amount of which is payable by Heartland to the relevant Depositor on request being made by that Depositor, subject to the terms and conditions of the Account	Investment Statement The current investment statement in respect of the Offer	NZDX The market for debt securities, operated by NZX
CBS Canterbury Canterbury Building Society	IRD Inland Revenue Department	NZDX Bonds The NZDX listed bonds issued by MARAC that were transferred to Heartland on 5 January 2011
Consolidated Group Has the meaning given to it in the Trust Deed	IFRS International Financial Reporting Standards	NZSX The main board equity security market, operated by NZX
Depositor A holder of a Deposit	MARAC MARAC Finance Limited	NZX NZX Limited
Deposits Debt securities issued by Heartland under the Trust Deed and which are the subject of this Offer	MARAC Group A profit oriented entity which consists of MARAC, MARAC ABCP Trust 1 and MARAC PIE Fund	Offer The offer of Deposits pursuant to this Prospectus
Director A member of the Board	Master Trust Deed The trust deed entered into between Heartland and the Trustee on 29 October 2010 (a summary of which is set out in this Prospectus)	PGC Pyne Gould Corporation Limited
Directory The directory set out in this Prospectus		PGW PGG Wrightson Limited
GAAP Generally accepted accounting practice, as defined in the Financial Reporting Act 1993		

Prior Charge

Any security (as that term is defined in the Trust Deed), other than:

- (a) any netting or set-off arrangement entered into by Heartland or the Guaranteeing Subsidiaries in the ordinary course of its business;
- (b) any lien arising by operation of law and in the ordinary course of trading or securing taxes or other governmental or regulatory review, duties or imposts;
- (c) securities arising out of title retention provisions in a supplier's standard conditions of supply of goods acquired by Heartland or the Guaranteeing Subsidiaries in the ordinary course of its business; or
- (d) any other securities, the aggregate secured by which does not exceed 1% of the total tangible assets of the Heartland Group

Prospectus

This Prospectus, which is a prospectus in respect of the Offer for the purposes of the Securities Act

PWF

PGG Wrightson Finance Limited

PWF Bonds

Bonds for which Heartland was liable under the Trust Deed, being the PWF secured bonds which became PWF Bonds from 31 August 2011 and which were listed on the NZDX until repayment on 10 October 2011

RECL

Real Estate Credit Limited

Reserve Bank

The Reserve Bank of New Zealand constituted under the Reserve Bank Act

Reserve Bank Act

The Reserve Bank of New Zealand Act 1989, as amended from time to time

Rules

The rules of Heartland registered under the Building Societies Act, as amended from time to time

Securities Act

The Securities Act 1978, as amended from time to time

Securities Regulations

The Securities Regulations 2009, as amended from time to time

Southern Cross

Southern Cross Building Society

Standard & Poor's or S&P

Standard & Poor's (Australia) Pty Limited

Supplemental Trust Deed

(Accounts)

The supplemental trust deed (accounts) entered into between Heartland and the Trustee on 29 October 2010, which is supplemental to the Master Trust Deed

Supplemental Trust Deed (Bonds)

The supplemental trust deed (bonds) entered into between Heartland and the Trustee on 29 October 2010, which is supplemental to the Master Trust Deed

Supplemental Deed (PWF Bonds)

The supplemental trust deed (PWF Bonds) entered into between Heartland and the Trustee on 11 July 2011 which is supplemental to the Master Trust Deed

TEL

Trustees Executors Limited

Term Account

An Account which is not a Call Account and is generally for a fixed term

Trust Deed

The Master Trust Deed, the Supplemental Trust Deed (Accounts), the Supplemental Trust Deed (Bonds) and the Supplemental Trust Deed (PWF Bonds) and/or the supplemental trust deeds pursuant to which the Guaranteeing Subsidiaries become guarantors

Trustee

TEL as trustee in respect of the Deposits

VPS Parnell

VPS Parnell Limited, a subsidiary of Heartland

VPS Properties

VPS Properties Limited, a subsidiary of Heartland

DIRECTORY

Issuer

Heartland Building Society (*Heartland*)

75 Riccarton Road
Riccanton
Christchurch 8011
Phone: 0800 85 20 20
Facsimile: +64 (9) 927 9310

Directors of the Issuer

B R Irvine	Christchurch (Chairman)
J K Greenslade	Auckland
E J Harvey	Auckland
G R Kennedy	Ashburton
G R Leech	Ashburton
C R Mace	Auckland
G T Ricketts	Auckland
M A Smith	Christchurch

Legal Advisers to the Issuer

Chapman Tripp

Level 35, ANZ Centre
23-29 Albert Street
Auckland 1140

Phone: +64 (9) 357 9000
Facsimile: +64 (9) 357 9099

Trustee for Depositors

Trustees Executors Limited

Level 5, 10 Customhouse Quay
Wellington 6011

Phone: +64 (4) 495 0999
Facsimile: +64 (4) 496 2952

Legal Advisers to the Trustee

Buddle Findlay

State Insurance Tower
1 Willis Street
Wellington 6011

Phone: +64 (4) 499 4242
Facsimile: +64 (4) 499 4141

Auditor of the Issuer

KPMG

KPMG Centre
18 Viaduct Harbour Avenue
Auckland 1140

Phone: +64 (9) 367 5800
Facsimile: +64 (9) 367 5875

Tax Advisers to the Issuer

Deloitte

Deloitte Centre
80 Queen St
Auckland 1010

Phone: +64 (9) 303 0700
Facsimile: +64 (9) 303 0701

HEARTLAND

Building Society

BUSINESS | RURAL | FAMILIES

INVESTMENTS - LENDING - WORKING CAPITAL - LIVESTOCK & SEASONAL FINANCE
HOME & VEHICLE LOANS - DAY TO DAY ACCOUNTS - INSURANCE

www.heartland.co.nz

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Transitional Services Agreement

PGG Wrightson Limited

PGW

and

Heartland Building Society

Heartland

Date 31 August 2011

BELL GULLY

AUCKLAND VERO CENTRE, 48 SHORTLAND STREET
PO BOX 4198, AUCKLAND 1140. DX CP20509. NEW ZEALAND
TEL 04 9 916 8800 FAX 04 9 916 8801

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This Transitional Services Agreement is made on 31 August 2011

- between (1) PGG Wrightson Limited (PGW)
- and (2) Heartland Building Society (Heartland) being a wholly owned subsidiary of Heartland New Zealand Limited

Introduction

- A. Pursuant to a sale and purchase agreement dated as of 13 June 2011 (**Sale and Purchase Agreement**), PGW has agreed to sell all of the outstanding ordinary shares of PGG Wrightson Finance Limited (PWF) to Heartland Building Society (Heartland) (the **PWF Sale**), subject to the satisfaction of certain conditions, including debt holder approval.
- B. Subject to completion of the PWF Sale, PGW and Heartland wish to enter into this agreement to provide for the provision of services post completion of the Sale and Purchase Agreement :
- (a) by PGW to Heartland, which will ensure the Business is able to continue to be operated as it was operated prior to completion of the Sale and Purchase Agreement .
- (b) by Heartland to PGW on the terms set out in this Agreement.

It is agreed

1 Definitions and interpretation

1.1 Definitions

In this Agreement, unless the context requires otherwise:

Applicable Laws means any law or legal requirements (including at common law, in equity, under any statute, regulation or any consent, licence, permit, order or authorisation from a Government Agency, and any compulsory directive or requirement of any Government Agency), guidelines, ordinances or similar which relate to the Services;

Authorised Representative means a person nominated by a party pursuant to clause 5.1 from time to time;

Business means the business of raising funds from the public and providing finance to customers carried on by PWF to be purchased by Heartland pursuant to and in accordance with the Sale and Purchase Agreement;

Client Banking Services means the services set out in Part A of Schedule 2;

Commencement Date means the date of completion under the Sale and Purchase Agreement, being 31 August 2011;

Confidential Information means the know-how, trade secrets, technical processes, information relating to products, finances, contractual arrangements with customers or suppliers or any other information which, by its nature, or by the circumstances of its

disclosure to the holder of the information, is or could reasonably be expected to be regarded as confidential, but does not include any information that is already in the public domain other than by reason of a party breaching its obligations of confidentiality owed under this Agreement or any other obligation of confidence owed by one party to the other party;

Excluded Loans means the Excluded Loans No.1 and the Excluded Loans No.2 (each as defined in the Sale and Purchase Agreement);

Excluded Loans SPA means the Excluded Loans Sale and Purchase Agreement No. 1 (as defined in the Sale and Purchase Agreement) and/or the Excluded Loans Sale and Purchase Agreement No. 2 (as defined in the Sale and Purchase Agreement), as applicable;

Force Majeure Event means any of the following events or occurrences and the effects thereof: act of God or public enemy, flood, earthquake, storm, cyclone, tornado, hurricane, lightning, fire, explosion, epidemic, war, embargo, riot or civil disturbance, strike or other labour dispute, sabotage, expropriation, confiscation or requisitioning of facilities, orders or temporary or permanent injunctions of any duly constituted court of competent jurisdiction and any other matter or event which is beyond the control of the relevant party and which the relevant party could not take reasonable measures to prevent or mitigate the effects thereof, but does not include any failure or inability to pay any amount outstanding under this Agreement;

Government Agency means any government or any public, statutory, governmental (including a local authority), semi-governmental, local governmental or judicial body, entity, department or authority, any self-regulatory organisation established under statute, or any other body that has legal power to require another person to act or not act in a particular way or to authorise a particular act in any part of the world;

GST means tax as defined in the GST Act;

GST Act means the Goods and Services Tax Act 1985;

Heartland Group means Heartland and its wholly owned subsidiaries, which, for the avoidance of doubt, includes PWF;

Heartland Services means the services to be provided by Heartland to PGW following the Commencement Date, as described in Schedule 2;

HR Services means the services set out in Part B of Schedule 1;

Insolvency Event means in respect of a party to this Agreement (other than for the purpose of a solvent reconstruction or amalgamation):

- (a) a receiver, receiver and manager, liquidator, interim liquidator, statutory manager, trustee, administrator, controller, inspector appointed under any companies or securities legislation, or similar official is appointed in respect of that party or any of its property, or any security over any substantial part of its assets is enforced;
- (b) the party suspends payment of its debts generally or is or becomes unable to pay its debts when due, or is presumed to be unable to pay its debts under any law;
- (c) an application or order is made for the winding up or dissolution of a party or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the party;

- (d) the party makes an assignment for the benefit of, or enters into or makes any arrangement or compromise with, that party's creditors or threatens to do so, or stops payments to its creditors generally;
- (e) a distress, attachment or other execution is levied or enforced upon or commenced against any substantial part of its assets and is not stayed within 10 business days; or
- (f) anything having a similar effect to any of the events specified above happens under the law of any applicable jurisdiction;

Intellectual Property Rights means any copyright, trade or service mark, or any trade, business or company name or other proprietary right, or any right to registration of such rights relating to the Services;

IT Services means the services set out in Part A of Schedule 1;

IT System means any computer hardware, configuration, software, programme, process or database used by PGW in the provision of the IT Services to Heartland;

PGW Banking Customers means those customers to whom the Excluded Loans have been provided and in relation to whom the Client Banking Services are provided by Heartland;

PGW Group means PGW and its wholly owned subsidiaries;

PGW Premises means the premises located at 57 Waterloo Road, Christchurch 8042;

PGW Services means the services to be provided by PGW to Heartland following the Commencement Date, being all the services which are necessary to ensure that the PWF business is able to continue to be operated as it was operated prior to the Commencement Date being those services described in Schedule 1;

Premises Access means the access set out in Part D of Schedule 1;

Premises means the area of the PGW Premises occupied by PWF during the period of three months prior to the Commencement Date;

Sale and Purchase Agreement means the sale and purchase agreement dated as of 13 June 2011 between PGW and Heartland New Zealand Limited relating to sale and purchase of shares in PWF;

Secondment Services means the services set out in Part B of Schedule 2;

Service Charges means the amount payable by the Service Recipient to the Service Provider for the provision of the Services as set out in the Schedules;

Service Provider means, in the case of the PGW Services, PGW, and in the case of the Heartland Services, Heartland;

Service Recipient means, in the case of the PGW Services, Heartland, and in the case of the Heartland Services, PGW;

Services means the PGW Services and the Heartland Services, as applicable and Service shall mean any one of the PGW Services or the Heartland Services (as applicable);

Service Termination Date in relation to a Service means the earlier to occur of:

- (a) the service termination date for that Service set out in the Schedule; and
- (b) the date on which that Service is terminated in accordance with clause 11;

Tax Invoice has the same meaning as in the GST Act;

Term means the period commencing on the Commencement Date and ending on the earlier of:

- (a) the date twelve months after the Commencement Date;
- (b) the last Service Termination Date; and
- (c) the date on which this Agreement is terminated, whether under clause 11.2 or otherwise;

Third Party Provider means a third party which provides Third Party Services;

Third Party Service Agreement means an agreement under which a Third Party Provider provides Third Parties Services, and **Third Party Service Agreements** shall mean all such agreements;

Third Party Services means any Services provided to the Service Provider by a third party which relate to the Business and which are supplied by the Service Provider to the other party pursuant to this Agreement; and

Transferring Employees has the meaning given to that term in the Sale and Purchase Agreement.

1.2 Construction of certain references

In this Agreement, unless the context otherwise requires:

- (a) a **person** includes:
 - (i) an individual, body corporate, an association of persons (whether corporate or not), a trust, a state, a society, an agency of a state and any other entity (in each case, whether or not having separate legal personality);
 - (ii) a reference to the person's successors, substitutes (including, but not limited to, persons taking by novation) and permitted assigns;
- (b) a reference to **business day** means a day (other than a Saturday or Sunday) on which registered banks are open for general banking business in Auckland;
- (c) a reference to any **legislation** or to any legislative provision includes any legislative or statutory modification or re-enactment of it or any legislative or statutory provision substituted for it, and includes all ordinances, by-laws, regulations, rules and legislative or statutory instruments (however described) issued under it;
- (d) **headings** and the **table of contents** are inserted for convenience only and are to be ignored in construing this Agreement;
- (e) a reference to a **clause** or **schedule** is a reference to a clause or schedule of this Agreement;

- (f) the **singular** includes the plural and vice versa;
- (g) a reference to this **Agreement** or another instrument includes any variation or replacement of either of them; and
- (h) specifying anything in this Agreement after the words **"including"**, **"includes"** or **"for example"** or similar expressions does not limit what else is included unless there is express wording to the contrary.

2. Term

This Agreement commences on the Commencement Date and shall continue until expiry of the Term.

3. Services

3.1 Provision of Services

Subject to clause 3.3, PGW will provide the PGW Services to Heartland during the Term on the terms set out in this Agreement and Heartland will provide the Heartland Services to PGW during the Term on the terms set out in this Agreement.

3.2 Term of each Service

Each Service will be provided until the earlier to occur of:

- (a) the Service Termination Date for that Service; and
- (b) the last day of the Term.

3.3 Limitations on obligation to provide Services

Notwithstanding any other provision of this Agreement, the Service Provider shall not be required to perform any Service to the extent that, as a result, the Service Provider would:

- (a) breach any Applicable Law;
- (b) breach the terms of any Third Party Service Agreement; or
- (c) breach any other legal obligation, contractual or otherwise, owed by it to any third party.

3.4 Use of services by subsidiary

The parties acknowledge that some Heartland Services will be supplied to other members of the PGW Group. PGW will ensure that each member of the PGW Group who is supplied Heartland Services complies with the relevant obligations under this Agreement as if that member of the PGW Group was a party to this Agreement and PGW will at all times remain responsible for the performance by the PGW Group of its obligations under this Agreement.

3.5 Performance of services by subsidiary

The parties acknowledge that some Heartland Services may be provided by other members of the Heartland Group. Heartland will at all times remain responsible for the performance by the Heartland Group of its obligations under this Agreement.

3.6 Contractual privity

Each of the parties to this agreement acknowledges and declares that for the purposes of the Contracts (Privity) Act 1982 each of the covenants, guarantees and other undertakings given by it under this agreement in favour of each person who is expressed to have any rights under this agreement (each a **Recipient**) is intended to confer a benefit on each such Recipient and may be relied upon and enforced by each such Recipient as if such Recipient was a party to this agreement. Any amendment made to this agreement in accordance with its terms will, pursuant to section 6 of the Contracts (Privity) Act 1982, be binding on each Recipient whether or not that Recipient has consented to the amendment.

4. Covenants and performance standards

4.1 General principle

The parties agree to co-operate with each other in good faith and act in an open and reasonable manner to ensure that the Services are provided in the most efficient manner possible.

4.2 Compliance with Applicable Laws

Each party will comply in all material respects with all Applicable Laws (including the Privacy Act 1993) in providing and receiving the Services under this Agreement.

4.3 The Service Recipient's obligations

- (a) The Service Recipient must comply with, and must ensure that each employee, contractor and agent of the Service Recipient complies with, the terms of each Third Party Service Agreement as notified by the Service Provider to the Service Recipient in relation to a particular Service, for so long as the Services provided by the Service Provider under and in accordance with the terms of this Agreement are Third Party Services to which that Third Party Service Agreement relates.
- (b) The Service Recipient must provide the Service Provider reasonable access to its personnel, premises and assets to the extent reasonably required by the Service Provider to perform the relevant Services under this Agreement. The parties acknowledge that the Service Recipient will be entitled to provide direction to personnel of the Service Provider to the extent reasonably necessary to facilitate receipt or performance of the relevant Services and in order to comply with any health and safety requirements of the Service Recipient.

4.4 Performance standard

- (a) The Service Provider will use its reasonable efforts to provide each Service at a level and standard of performance which is consistent with the level and standard of performance of such Services to the Business during the three months immediately prior to the Commencement Date, and with the service level agreement set out in the relevant Schedule (as applicable).

- (b) PGW will procure prompt technical support for the IT Services. Such technical support will be provided from 8.00am to 7.00pm on business days and PGW will use its reasonable endeavours to procure prompt on-call support at other times.

4.5 Third party consents

The Service Provider will use its reasonable endeavours to obtain all necessary third party consents which are required to provide the relevant Services under this Agreement, on terms which are reasonably acceptable to the parties.

4.6 IT Services

The parties acknowledge and agree in relation to the IT Services, that:

- (a) Heartland agrees to not alter any of PGW's applicable facilities, equipment, systems or software used for the IT Services in a way that will have a detrimental effect on the IT Services, and to cooperate with Third Party Providers in good faith and to provide them with such information and documentation relating to the IT Services as may reasonably be required in order to allow them to provide equipment or services to Heartland;
- (b) If a system breakdown or service interruption (other than one caused by Heartland's breach of this Agreement) adversely affects or may adversely affect the ability of PGW to provide the IT Services in accordance with this Agreement, PGW shall:
- (i) where the breakdown or interruption comes to the attention of PGW before Heartland has become aware of the breakdown or interruption, immediately notify Heartland of the breakdown or interruption;
 - (ii) respond to the breakdown or interruption and endeavour to resolve the breakdown or interruption in the same manner and in the same timeframe as if the breakdown or interruption was a breakdown or interruption having an impact of the same extent on PGW's own business; and
 - (iii) ensure that restoration of the relevant IT Service or IT System to PWF is made as promptly as the similar services are restored to PGW's own internal divisions and/or related parties;
- (c) Heartland will provide all reasonable assistance to PGW to enable PGW to provide the IT Services in accordance with the terms of this Agreement and inform PGW of any matters which may prejudice PGW's ability to provide the IT Services;
- (d) Heartland agrees to take all commercially reasonable measures and procedures to ensure that, in utilising the IT Services, it does not access confidential information of PGW and only accesses or uses PGW's IT System for a permitted purpose associated with the IT Services and the operation of the Business; and
- (e) Heartland agrees that at all times while receiving the IT Services, Heartland will exercise, and will ensure that its employees, agents and sub-contractors (if any) exercise due care and diligence in using the IT Services and that all information received by Heartland and its employees, agents and sub-contractors in connection with the IT Services is held in the strictest confidence and good faith; and
- (f) Heartland agrees that at all times while receiving the IT Services, Heartland will and will ensure that its employees, agents and sub-contractors (if any) immediately comply with any and all reasonable directions of PGW in connection with the administration of the IT Services; and

- (g) Heartland warrants that in using the IT Services, it will not knowingly or negligently:
 - (i) breach any of PGW's IT policies that have been notified or made available to Heartland;
 - (ii) access, copy, remove, misuse or in any other way compromise data belonging to PGW;
 - (iii) introduce viruses or any other malicious code into PGW's IT System or the system of any Third Party Service Provider; or
 - (iv) infringe the intellectual property rights of any third party.

4.7 Client Banking Services

The parties acknowledge and agree in relation to the Client Banking Services, that:

- (a) PGW agrees to not alter any of Heartland's applicable facilities, policies or systems used for the Client Banking Services in a way that will have a detrimental effect on the Client Banking Services and/or PWF, and to cooperate with any Third Party Providers in good faith and to provide them with such information and documentation relating to the Client Banking Services as may reasonably be required in order to allow them to provide services to Heartland;
- (b) if a system breakdown or service interruption (other than one caused by PGW's breach of this Agreement) adversely affects or may adversely affect the ability of Heartland to provide the Client Banking Services in accordance with this Agreement, Heartland shall, as soon as practicable, notify PGW and take all steps reasonably necessary, as if the breakdown or interruption was a breakdown or interruption having an impact of the same extent on Heartland's own business, to restore the system, as promptly as the similar services are restored to Heartland's own internal divisions and/or related parties, so the Client Banking Services can continue to be provided by Heartland;
- (c) PGW will provide and procure that its subsidiaries provide all reasonable assistance to Heartland to enable Heartland to provide the Client Banking Services in accordance with the terms of this Agreement and inform Heartland of any matters which may prejudice Heartland's ability to provide the Client Banking Services;
- (d) PGW agrees that it and its subsidiaries will take all commercially reasonable measures and procedures to ensure that, in utilising the Client Banking Services, it does not access any confidential information of Heartland and only accesses or uses Heartland's accounting systems for the permitted purpose associated with the Client Banking Services and the operation of the Business;
- (e) PGW agrees that at all times while receiving the Client Banking Services, PGW will exercise, and will ensure that its subsidiaries and its and their respective employees, agents and sub-contractors (if any) exercise due care and diligence in using the Client Banking Services and that all information received by PGW and its employees, agents and sub-contractors in connection with the Client Banking Services is held in the strictest confidence and good faith;
- (f) PGW agrees that at all times while receiving the Client Banking Services, PGW will and will ensure that its and its subsidiaries' employees, agents and sub-contractors (if any) immediately comply with any and all reasonable directions of Heartland in connection with the administration of the Client Banking Services; and
- (g) PGW warrants that in using the Client Banking Services, it will not knowingly or negligently:

- (i) breach any of Heartland's accounting policies that have been notified or made available to PGW;
 - (ii) breach any of Heartland's obligations in relation to Heartland' online banking services including the terms of any arrangements between Heartland and Heartland's bank(s); and
 - (iii) access, copy, remove, misuse or in any other way compromise any banking or accounting information belonging to Heartland;
- (h) Heartland will not vary the existing rates and fees charged to PGW Banking Customers on the working accounts of the PGW Banking Customers as at the date of this Agreement, except with the prior written consent of PGW;
- (i) by 8 a.m. on every business day, Heartland will provide to PGW a list (the Refer List) of transactions undertaken by PGW Banking Customers as part of the Client Banking Services since the date and time of the previous Refer List provided to PGW (and, in the case of the first Refer List, which shall be provided by Heartland to PGW on the business day immediately following completion of the relevant Excluded Loans SPA, the list shall include all such transactions undertaken since the completion of the relevant Excluded Loans SPA), provided that in the case of system outage or other force majeure event which prevents Heartland providing the Refer List by 8am on a business day, Heartland will seek to provide the Refer List to PGW as soon as practicable;
- (j) by no later than 12 noon on the day of receipt of the Refer List, PGW will approve or disapprove of the transactions specified in the Refer List and Heartland shall, promptly upon receipt of notice of any disapprovals, request the dishonour of such disapproved transactions;
- (k) PGW may at any time provide written notice (Stop Notice) to Heartland requesting that Heartland not provide any further Client Banking Services to one or more of the PGW Banking Customers. Upon receipt of a Stop Notice Heartland will discontinue providing current account services to the PGW Banking Customers;
- (l) within three business days after the end of every calendar month, Heartland will provide to PGW a monthly statement (Excluded Loans Transactional Statement) setting out the total of all transactions forming part of the Client Banking Services for the PGW Banking Customers, and will provide a similar statement to each PGW Banking Customer in respect of the Client Banking Services utilised by that PGW Banking Customer, including, where applicable, the following details for the most recently completed calendar month:
- (i) all banking transactions (including, without limitation, cheques, direct debits, internet banking transfers, automatic payments and card transactions) cleared for each PGW Banking Customer (whether in relation to the Excluded Loans or otherwise), with a total of all banking transactions cleared for all PGW Banking Customers;
 - (ii) receipts received in relation to each PGW Banking Customer (whether in relation to the Excluded Loans or otherwise), with a total of all receipts received in relation to all PGW Banking Customers;
 - (iii) account fees for each PGW Banking Customer (whether in relation to the Excluded Loans or otherwise), with a total of all account fees for all PGW Banking Customers;
 - (iv) interest earned or charged on accounts held by each PGW Banking Customer (whether in relation to the Excluded Loans or otherwise), with a total of all

interest earned or charged on the accounts held by the PGW Banking Customers; and

- (v) the balance of all credits less all debits for all transactions described above in relation to the PGW Banking Customers (the **Balance**);
- (m) unless there is a bona fide dispute in relation to the Excluded Loans Transactional Statement and/or the Balance, then:
 - (i) if the Balance is negative, such that the total of all banking transactions cleared for, account fees charged in relation to, and interest charged on, accounts held by the PGW Banking Customers exceeds the total of receipts received in relation to, and interest earned on, accounts held by the PGW Banking Customers, PGW will, within two business days of receipt of the Excluded Loans Transactional Statement, pay the Balance to Heartland (without counterclaim or set-off) by real-time electronic direct bank transfer of cleared and immediately available funds;
 - (ii) if the Balance is positive, such that the total of receipts received in relation to, and interest earned on, accounts held by the PGW Banking Customers exceeds the total of all banking transactions cleared for, account fees charged in relation to, and interest charged on, accounts held by the PGW Banking Customers, Heartland will, within two business days of the provision of the Excluded Loans Transactional Statement to PGW, pay the Balance to PGW (without counterclaim or set-off) by real-time electronic direct bank transfer of cleared and immediately available funds;
- (n) if there is a bona fide dispute in relation to the Excluded Loans Transactional Statement and/or the Balance, such dispute shall be resolved in accordance with the process set out in clause 9;
- (o) PGW absolutely, unconditionally and irrevocably guarantees to the Heartland Group the due and punctual payment by each PGW Banking Customer of all amounts advanced by the Heartland Group to such customer in accordance with and as part of the Client Banking Services (**Customer Advances**), except:
 - (i) to the extent that such advances are made following receipt by Heartland of a Stop Notice in accordance with clause 4.7(k)
 - (ii) to the extent that such advances are made in respect of transactions that are disapproved by PGW in accordance with clause 4.7(j), provided that PGW will continue to guarantee any Customer Advances that are disapproved by PGW in accordance with clause 4.7(j) if such advance is made without any fault by the Heartland Group.

Subject to this clause 4.7(o), PGW undertakes that if the PGW Banking Customer does not pay to any entity within the Heartland Group any of the Customer Advances when due, PGW will pay to that Heartland Group member immediately on written demand:

- (iii) the Customer Advance concerned; plus
- (iv) interest on such Customer Advance for the period from the date such Customer Advance was first due from the PGW Banking Customer concerned to the date of actual receipt of payment by that Heartland Group member under this Agreement to the extent not already included in amounts payable under 4.7(o)(iii); less
- (v) any payments made by PGW pursuant to clause 4.7(m)(i).

4.8 Premises Access

- (a) PGW will make the Premises available to PWF as set out in Part D of Schedule. In accessing and using the Premises, Heartland must ensure that PWF will:
- (i) not do or permit anything to be done that would place the Premises at risk;
 - (ii) comply and ensure that every person for whom it is responsible complies, with all applicable laws and all security, safety and other operational protocols and procedures from time to time prescribed by PGW for access and use of the Premises.
- (b) Except as specifically provided in this agreement, PGW is not responsible for providing or meeting costs relating to Heartland or PWF mobile phones, landline toll calls or computer hardware.
- (c) PGW will not, by reason of providing the Premises Access be:
- (i) liable for any loss, damage, cost or expense suffered or incurred by Heartland or PWF, unless directly caused by PGW's negligence or wilful default; or
 - (ii) responsible for the performance of any of Heartland or PWF's legal, statutory or other obligations.

5. Authorised Representatives

5.1 Nomination

PGW and Heartland will each nominate an Authorised Representative to manage the provision and receipt (respectively) of the Services. The Authorised Representative of each party will act as the contact person for any matters arising out of or in connection with the Services to be provided under this Agreement. Notification of any such matter by a party to the Authorised Representative of the other party shall be deemed to be notification of that matter to that party.

5.2 Replacement

Each of PGW and Heartland may replace its Authorised Representative from time to time by advising the other party in writing.

5.3 Initial Authorised Representatives

As at the Commencement Date, PGW's Authorised Representative is **Rob Woodgate, Chief Financial Officer** and Heartland's Authorised Representative is **Will Purvis, Head of Rural**.

6. Service Charges

6.1 Service Charges

In consideration for the provision of each of the Services, the Service Recipient will pay to the Service Provider the service charge for each Service as set out in the service charge column of the relevant Schedule.

6.2 Change of Services

If a material change occurs to the cost of providing a Service, and that change is not reflected in the Service Charge payable by the Service Recipient for that Service, then the parties will negotiate in good faith to agree an adjustment to the relevant Service Charge, having regard to the principle that the Service Charge payable by the Service Recipient should correspond to the actual reasonable costs of the Service Provider in providing the relevant Service.

6.3 Third Party Service costs

The Service Provider will pass on and the Service Recipient will pay any charges payable to Third Party Providers related to Services provided to that Service Recipient under this Agreement. To the extent that any such charges relate to the provision of the Services provided by the Service Provider and other parts of that Service Provider's business, the Service Provider may charge the Service Recipient a portion of such charges relevant to the extent that the Third Party Service relates to the Services.

6.4 GST

- (a) Subject to clause 6.4(b), where a supply made by the Service Provider is subject to GST, the Service Recipient will pay to the Service Provider, in addition to and at the same time as any other consideration is payable to the Service Provider for that supply, an amount equal to the GST on that supply.
- (b) The Service Recipient shall not be required to make any payment in accordance with clause 6.4(a) unless the Service Provider has issued a Tax Invoice to the Service Recipient in respect of that supply.

6.5 Invoices

No later than the second business day of each month, the Service Provider will invoice the Service Recipient for the Service Charges payable with respect to the Services provided by that Service Provider during the previous month. The Service Provider will prepare a single invoice for all Services provided during the previous month, with the invoice to itemise the total charges payable for each Service provided during the previous month.

6.6 Payment terms

Unless there is a bona fide dispute in relation to any invoice provided pursuant to clause 6.5, the Service Recipient must pay the invoiced amount no later than the twentieth day of the month during which the invoice was received. In the event of a bona fide dispute in relation to any invoice, the undisputed amount of such invoice (if any) must be paid in accordance with this clause 6.6.

6.7 No set off

Neither PGW nor Heartland may set off any obligation either of them may have to make any payment to the other under this Agreement against any obligation by the other party to make any payment to it under this Agreement.

7. Intellectual property

The parties acknowledge and agree that any Intellectual Property Rights relating to the Services will continue to be owned by the Service Provider that provides the Service or the

relevant Third Party Provider, as applicable. The Service Recipient agrees and acknowledges that:

- (a) no Intellectual Property Rights owned by the Service Provider or the relevant Third Party Provider are transferred to the Service Recipient as a result of the provision or receipt of the Services; and
- (b) it will not be entitled to copy or adapt any of the intellectual property of the Service Provider or the relevant Third Party Provider, or to incorporate the same into any other work or products, without the prior written consent of the Service Provider.

8. Warranties

8.1 Exclusion of warranties

Except as expressly provided in this Agreement, no representation, warranty or condition, express or implied, statutory or otherwise, as to condition, quality, performance or fitness for purpose or otherwise is given by the Service Provider in relation to the Services provided by that Service Provider, and all such representations, warranties and conditions are excluded except to the extent that their exclusion is prohibited by law.

8.2 Consumer Guarantees Act

Without limiting clause 8.1, the parties agree that the Service Recipient is acquiring and has held itself out as acquiring the Services for the purpose of a business and that as a consequence, nothing in the Consumer Guarantees Act 1993 will apply to, or be deemed to override the terms of this Agreement.

9. Dispute resolution

9.1 Process

- (a) If there is any disagreement or dispute between the parties arising out of, in relation to, or in connection with, this Agreement which remains unresolved for a period of 10 business days, each party will designate a senior officer or manager to review the issues which give rise to the disagreement or dispute and instruct that person to use every reasonable effort to develop a workable resolution to the disagreement or dispute.
- (b) If the dispute remains unresolved for a further period of 10 business days after the dispute has been referred to the senior officer or manager of each party for resolution, each party will refer the dispute to their respective chief executive officers who will use every reasonable effort to develop a workable resolution to the disagreement or dispute as soon as reasonably practicable.
- (c) If the chief executive officers of the parties are unable to reach a workable resolution to the disagreement or dispute within 15 business days of the matter being referred to them pursuant to clause 9.1(a), the matter may be referred by either party to an independent expert (**Independent Expert**) agreed by the parties or, in default of such agreement, appointed by the President for the time being of the New Zealand Law Society. The Independent Expert will determine the dispute as an expert, and not as an arbitrator, and the Arbitration Act 1996 will not apply to the Independent Expert's consideration of the matter. Each party will co-operate with each other to provide the Independent Expert with all information reasonably required by him or her to complete his or her determination. The costs of the Independent Expert will be shared equally between the parties.

9.2 Interlocutory relief

Notwithstanding anything in this clause 9, a party may commence court proceedings in relation to any disagreement or dispute at any time where that party seeks urgent interlocutory relief.

10. Liability

10.1 Continuity of provision of Services

The Service Provider will use all reasonable endeavours to ensure the continuity of the provision of the relevant Service but it will not be liable to the Service Recipient or to any other person for any failure:

- (a) to procure the supply of any Third Party Services (as applicable) as anticipated under this Agreement by any Third Party Provider;
- (b) by a Third Party Provider to provide any Third Party Services (as applicable) in accordance with the terms agreed between that Third Party Provider and the Service Provider or to otherwise comply with its obligations to the Service Provider; or
- (c) by it to perform its obligations under this Agreement, unless such failure is caused by its gross negligence or wilful act or wilful omission.

10.2 Limitation on the Service Provider's liability

Notwithstanding anything else in this Agreement to the contrary, the Service Provider shall not, in any circumstances, be liable for:

- (a) any losses, costs, damages, expenses or liabilities whatsoever arising directly or indirectly out of the relevant Services to be provided by the Service Provider under this Agreement, except for proven loss or damage and as provided for in clause 10.1 but subject to clause 10.2(b);
- (b) any loss of profits or, indirect or other consequential loss or damage (including any loss of business income or profits, loss of use of an asset, loss of production, contract or goodwill, loss or corruption of data and additional finance or interest costs); or
- (c) any claims, demands, actions or proceedings by third parties.

10.3 Indemnity

The Service Recipient shall not do anything that is in breach of the Service Provider's obligations under any Third Party Service Agreement and indemnifies the Service Provider against any loss, damage, cost or expense (including reasonable legal fees and disbursements) suffered or incurred by the Service Provider as a result of any such action of the Service Recipient. Following any such action the Service Provider shall also have the right to terminate the provision of the related Service to the Service Recipient on seven (7) days' prior written notice.

10.4 Relief from obligations

Neither party will be in breach of this Agreement to the extent its failure to perform an obligation under this Agreement is a result of a breach by the other party of its obligations under this Agreement.

10.5 Time limit on claims

No claim may be made by either party against the other party under this Agreement (other than in relation to the non-payment of amounts owing) after the expiry of the period of six months after the last date of the Term.

10.6 Maximum liability

To the extent permitted by law, if the Service Provider is liable under this Agreement in respect of a Service provided by that Service Provider, then the Service Provider's aggregate liability hereunder shall not in any circumstances exceed the aggregate amount of Service Charges actually received by the Service Provider for that Service up to the date of the relevant claim.

10.7 Each limitation separate

Each provision in this clause 10 is to be construed as a separate limitation applying and surviving even if any other provision of this clause 10 is held to be invalid or inapplicable in any circumstance.

10.8 Exclusions and limitations survive

The exclusions and limitations under this clause 10 shall survive the termination or expiry of this Agreement.

11. Termination**11.1 Termination of a Service**

- (a) The Service Recipient may terminate the provision of a Service by the Service Provider prior to the Service Termination Date for that Service by giving the Service Provider not less than one month's prior written notice. In the case of the Premises Access, such services may be terminated by either party giving not less than three months' prior written notice to the other party. The termination of any one Service in accordance with this clause 11.1 will not affect the Service Provider's obligation to continue to provide the remaining Services.
- (b) The Service Provider may terminate the provision of a Service provided by the Service Provider prior to the Service Termination Date for that Service by written notice (**Termination Notice**) to the Service Recipient if any Third Party Service Agreement is terminated such that the Service Provider is no longer able to supply the Service or to supply the Service in the manner contemplated by this Agreement. The Service Provider must provide the Termination Notice to the Service Recipient immediately upon receipt of notice of termination of the Third Party Service Agreement.

11.2 General rights of termination

A party may terminate this Agreement by written notice to the other if:

- (a) the other party breaches any material obligation of that party under this Agreement and:
 - (i) the breach is not capable of being remedied; or
 - (ii) the breach is capable of being remedied and the defaulting party fails to remedy the breach to the non-defaulting party's satisfaction (acting reasonably) within

20 business days after notice in writing has been given to the defaulting party requiring such breach to be remedied; or

- (b) an Insolvency Event occurs in respect of the other party.

11.3 Effect of termination

Termination of this Agreement will not:

- (a) affect any rights, obligations and claims arising prior to termination or relieve any party of any liability in respect of prior events; or
- (b) constitute a waiver of any remedy to which the party not in default may be entitled for breach of this Agreement.

12. Force Majeure

12.1 Obligations suspended

Where a party is unable, wholly or in part, by reason of a Force Majeure Event to carry out any obligation under this Agreement and that party:

- (a) gives the other party written notice as soon as reasonably practicable of the nature and expected duration of, and the obligation affected by, the Force Majeure Event; and
- (b) uses all reasonable endeavours to:
 - (i) mitigate the effects of the Force Majeure Event on that party's obligations under this Agreement; and
 - (ii) perform that party's obligations under this Agreement despite the Force Majeure Event,

that obligation is suspended so far as it is affected by the Force Majeure Event during its continuance.

12.2 Termination

If, by reason of a Force Majeure Event, the delay or non-performance of a party's obligations continues for more than 90 consecutive days, the party who is not relying on the Force Majeure Event may terminate this Agreement (or any Service affected by the Force Majeure Event) by written notice to the other.

13. Confidential Information

13.1 Confidentiality

Each party acknowledges that during the Term, it may acquire Confidential Information of the other party. If a party (**Recipient**) acquires any Confidential Information relating to the other party:

- (a) it will only be permitted to use the Confidential Information to the extent necessary to perform its obligations under this Agreement;

- (b) It will not disclose the Confidential Information to any third party except:
- (i) to its employees, directors, agents, advisors and any Third Party Provider (**Associate**), who has a need to know that Confidential Information for the purposes of performance of the Recipient's obligations under this Agreement;
 - (ii) with the consent in writing of the other party; or
 - (iii) as required by law or a court of competent jurisdiction.

13.2 Confidentiality obligations continue

The provisions of clause 13.1 continue to bind the parties notwithstanding the termination of this Agreement.

13.3 Return of Information

Subject to clause 13.4, following termination of this Agreement, each party will immediately on request destroy or return (as requested by the other party) or (in the case of Confidential Information stored on information technology systems) erase, all Confidential Information of the other party (including all copies or reproductions of the same and material referring to any Confidential Information) within that party's possession or control, and provide the other party with a certificate signed by a director of the relevant party confirming that the Confidential Information returned, destroyed or erased comprises all of the Confidential Information within that party's possession or control.

13.4 Retention of Information

Following termination of this Agreement, to the extent, and for the duration, required by Applicable Laws, each party may retain a copy of Confidential Information (other than information obtained in connection with the provision of the Client Banking Services) of the other party that is within that party's possession or control at the date of termination but must comply with the obligations set out in this clause 13.

14. Notices

14.1 Addresses and reference

Each notice or other communication under this Agreement is to be made in writing and sent by facsimile, personal delivery or by post or electronically to the addressee at the facsimile number or address, and marked for the attention of the person or office holder (if any), from time to time designated for the purpose by the addressee to the other parties. The initial facsimile number, address, email address and relevant person or office holder of each party is set out under its name at the end of this Agreement.

14.2 Receipt

Without limiting any other means by which a party may be able to prove that a notice has been received by another party, a notice will be deemed to be duly received:

- (a) if sent by hand when left at the address of the recipient; or
- (b) if sent by pre-paid post, two business days (if posted within New Zealand to an address in New Zealand) or seven business days (if posted by airmail from one country to another) after the date of posting; or

- (c) if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the whole facsimile was sent to the recipient's facsimile number,

but if a notice is served by hand, or is received by the recipient on a day which is not a business day, or after 4.00 pm on a business day, recipient's local time, the notice is deemed to be duly received by the recipient at 9.00 am on the first business day after that day.

15. General

15.1 Entire agreement

This Agreement constitutes the entire agreement of the parties in respect of the matters covered by it and supersedes all previous agreements, understandings and negotiations in respect of those matters.

15.2 No assignment

Except as provided in this Agreement, no party may assign or transfer any of its rights or obligations under this Agreement, except with the prior written consent of the other party (such consent not to be unreasonably withheld).

15.3 Remedies, waivers and amendments

(a) Exercise of rights and waivers

No failure to exercise, and no delay in exercising, a right of a party under this Agreement will operate as a waiver of that right, nor will a single or partial exercise of a right preclude another or further exercise of that right or the exercise of another right. No waiver by a party of its rights under this Agreement is effective unless it is in writing signed by that party.

(b) Remedies cumulative

The rights of the parties under this Agreement are cumulative and not exclusive of any rights provided by law.

(c) Amendments

No amendment to this Agreement is effective unless it is in writing signed by the parties.

15.4 Further assurances

Each party will make all applications, execute all documents and do or procure all other acts and things reasonably required to implement and to carry out its obligations under, and the intention of, this Agreement.

15.5 No partnership, agency or joint venture

This Agreement will not constitute or be construed as constituting either party as partner, agent or joint venture party of the other.

15.6 Invalidity

The illegality, invalidity or unenforceability of a provision of this Agreement under any law will not affect the legality, validity or enforceability of that provision under another law or the legality, validity or enforceability of another provision.

15.7 Governing law and jurisdiction

This Agreement is governed by, and is to be construed in accordance with, New Zealand law and each of the parties submits to the non-exclusive jurisdiction of the courts of New Zealand.

15.8 Counterparts

This Agreement may be executed in any number of counterparts (including facsimile copies) all of which, when taken together, will constitute one and the same instrument. A party may enter into this Agreement by executing any counterpart. This Agreement may be executed on the basis of an exchange of facsimile copies of signature pages and execution of this Agreement by such means is to be a valid and sufficient execution.

Execution

Executed as an agreement.

PGG Wrightson Limited by:

Director

Director

Print Name

Print Name

Address of PGG Wrightson Limited

Address

Facsimile


Attention

Telephone

Heartland Building Society by:



Director



Director

JEFF GREENSLADE

Print Name

GEOFF K. KETTS

Print Name

Address of Heartland Building Society

Address

Facsimile

Attention

Telephone

Schedule 1: PGW Services

PART A: IT Services

1.	Scope/description of Service (including whether service to be provided by a third party)	<p>i. PGW will assist Heartland to transfer any remaining aspects of the information technology components of the PWF Business not already transferred to Heartland, as soon as reasonably practical after the completion of the Sale and Purchase Agreement.</p> <p>ii. Until the information technology components of the PWF Business are fully transferred to Heartland, to ensure that the PWF Business is able to continue to be operated as it was operated prior to completion of the Sale and Purchase Agreement, PGW will provide Heartland with access to PGW's information technology servers, hardware and software support services and helpdesk support services as were provided to PWF during the three months immediately prior to the Commencement Date.</p> <p>iii. Any further IT Services as agreed between PGW and Heartland following the Commencement Date</p>
2.	PGW personnel / department providing service	<p>Roger Rennie, Acting Head of PGW IT</p> <p>Direct Dial</p> <p>Mobile</p> <p>Email roger.rennie@pggwrightson.co.nz</p> <p>PGW may subcontract the performance of any of the IT Services but will remain responsible for the performance of all Services which have been subcontracted</p>
3.	Heartland personnel / department receiving service	<p>Altmar Visser, CIO</p> <p>Direct Dial 09 927 9260</p> <p>Mobile 029 770 6114</p> <p>Email altmar.visser@heartland.co.nz</p>
4.	Service Commencement Date	The Commencement Date of this Agreement
5.	Service Termination Date	<p>Unless extended by agreement, the earliest of:</p> <p>(a) Twelve months after the Commencement Date, or</p> <p>(b) The date on which all IT Services are completed in full.</p>
6.	Service Charge	<p>i - Nil</p> <p>ii - Standard reasonable commercial charges for the time and costs incurred by PGW in performing the IT Services, plus any disbursements reasonably incurred in performing the IT Services</p> <p>iii - All attributable costs incurred by PGW in the provision of such</p>

		further IT Services
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PART B: HR Services

1.	Scope/description of Service (including whether service to be provided by a third party)	<p>i. PGW to provide Heartland with employee personnel files and personal information held by PGW with respect to the Transferring Employees, subject to the provisions of the Privacy Act 1993.</p> <p>ii. PGW to provide Heartland with the payroll processing services, provided to PWF during the three months immediately prior to the Commencement Date, for the Transferring Employees.</p> <p>iii. PGW to provide Heartland with all such general human resources services, advice or support as may reasonably be required by Heartland in respect of the Transferring Employees.</p>
2.	PGW personnel / department providing service	<p>Sue Horo, Head of HR Infrastructure</p> <p>Direct Dial 03 471 8693</p> <p>Mobile 0274 141407</p> <p>Email shoro@pgwrightson.co.nz</p>
3.	Heartland personnel / department receiving service	<p>Sarah Selwood, Head of HR</p> <p>Direct Dial 09 927 9212</p> <p>Mobile 0274 744 954</p> <p>Email sarah.selwood@heartland.co.nz</p>
4.	Service Commencement Date	The Commencement Date of this Agreement
5.	Service Termination Date	Two weeks after the Commencement Date
6.	Service Charge	i, ii and iii – Nil

PART C: General Services

1.	Scope/description of Service (including whether service to be provided by a third party)	<p>i. PGW will assist Heartland to transfer any remaining aspects of the PWF Business not already transferred to Heartland as soon as reasonably practical after the completion of the Sale and Purchase Agreement.</p> <p>ii. Until the PWF Business is fully transferred to Heartland, to ensure that the PWF Business is able to continue to be operated as it was operated prior to completion of the Sale and Purchase Agreement, PGW will provide Heartland with access to PGW's services as were provided to PWF during the three months immediately prior to the Commencement Date.</p> <p>iii. Any further General Services as agreed between PGW and Heartland following the Commencement Date</p>
2.	PGW personnel / department providing service	
3.	Heartland personnel / department receiving service	<p>Will Purvis, Head of Rural</p> <p>Direct Dial 09 927 9008</p> <p>Mobile 027 208 3911</p> <p>Email will.purvis@heartland.co.nz</p>
4.	Service Commencement Date	The Commencement Date of this Agreement
5.	Service Termination Date	<p>Unless extended by agreement, the earliest of:</p> <p>(a) Twelve months after the Commencement Date, or</p> <p>(b) The date on which all General Services are completed in full.</p>
6.	Service Charge	<p>i - Nil</p> <p>ii - Standard reasonable commercial charges for the time and costs incurred by PGW in performing the General Services, plus any disbursements reasonably incurred in performing the General Services</p> <p>iii - All attributable costs incurred by PGW in the provision of such further General Services</p>

PART D: Premises Access

1.	Scope/description of Premises Access (including whether service to be provided by a third party)	<p>PGW grants an exclusive right to PWF for its employees to access the Premises as follows:</p> <ul style="list-style-type: none"> • Office space – 15 desk spaces • Landline telephones • Carparks – as available <p>PGW grants a non-exclusive right to PWF for its employees to use the common areas of the PGW Premises as afforded to PWF during the period three months prior to the Commencement Date.</p>
2.	Heartland personnel / department occupying Premises	Up to 15 PWF employees
4.	Service Commencement Date	The Commencement Date of this Agreement
5.	Service Termination Date	Either party may terminate the Premises Access by giving not less than three months' prior written notice to the other party.
6.	Service Charge	\$9,376 plus GST per month

Schedule 2: Heartland Services

PART A: Client Banking Services

1.	Scope/description of Service (including whether service to be provided by a third party)	Heartland shall, and shall procure PWF to: (a) provide PGW with access to PWF's client banking facilities (including relevant transactional accounts and on-line banking services) and personnel for the purposes of, and to the extent necessary for, administering recovery of the Excluded Loans; and (b) provide current account banking services to PGW Banking Customers, in accordance with the terms of this Agreement.
2.	Heartland personnel / department providing service	Craig McGregor, Client Service Manager (PWF)
3.	PGW personnel / department receiving service	PGW Finance and Accounting Department
4.	Service Commencement Date	The Commencement Date of this Agreement
5.	Service Termination Date	The date on which each Excluded Loan is recovered or written down in full and/or do not requiring banking services.
6.	Service Charge	Transactional fees (being solely ordinary-course account charges billed to client accounts) attributable to the provision of the client banking services. See also clause 4.7.

PART B: Secondment Services

1.	Scope/description of Service (including whether service to be provided by a third party)	On request from PGW, Heartland shall, and shall procure PWF to, provide to PGW the services of up to three employees of Heartland or PWF (Seconded Employees), as secondees to PGW (the identity of such employees to be agreed by PGW and Heartland), for the purposes of assisting PGW with recovery of the Excluded Loans. The Seconded Employees will remain the employees of Heartland or PWF.
2.	Heartland personnel / department providing service	Mark Mountcastle, Chief Risk Officer Direct Dial 09 927 9191 Mobile 029 770 0007 Email mark.mountcastle@heartland.co.nz
3.	PGW personnel / department receiving service	PGW Finance and Accounting Department
4.	Service Commencement Date	The Commencement Date of this Agreement
5.	Service Termination Date	The date on which each Excluded Loan is recovered or written down in full.
6.	Service Charge	PGW shall be responsible for meeting the agreed direct costs of the Seconded Employees attributable to the provision of the Secondment Services.

Deed of Guarantee and Indemnity

Heartland Building Society

HBS

and

PGG Wrightson Limited

PGW

Date 31 August 2011

BELL GULLY

AUCKLAND VERO CENTRE, 48 SHORTLAND STREET
PO BOX 4199, AUCKLAND 1140, DX CP20509, NEW ZEALAND
TEL 64 9 916 8800 FAX 64 9 916 8801

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Schedule 1: Guaranteed Indebtedness15

This Deed of Guarantee and Indemnity is made on 31 August 2011

between (1) Heartland Building Society (HBS)
and (2) PGG Wrightson Limited (PGW)

Introduction

- A. Pursuant to an agreement dated as of 13 June 2011 (**Sale and Purchase Agreement**), PGW has agreed to sell to Heartland New Zealand Limited, or to HBS, a member of the Heartland New Zealand group, all of the outstanding ordinary shares of the Company (subject to satisfaction of certain conditions).
- B. In connection with that transaction, PGW has agreed to provide a guarantee and indemnity (on the terms and conditions set out in this Deed) to the HBS Group in respect of certain existing credit facilities provided by the Company. That guarantee may be extended, by mutual agreement, to other credit facilities sold by the PGW Group to the HBS Group in the future.

It is agreed

1. Interpretation

1.1 Definitions

In this Deed, unless the context otherwise requires:

Company means PGG Wrightson Finance Limited.

Debtor means each of the debtors set out in Schedule 1 to this Deed (as that Schedule 1 may be amended from time to time in accordance with clause 13.2).

Guaranteed Facility means, in relation to a Debtor, any credit facility provided to that Debtor and set out in Schedule 1 to this Deed (as that Schedule 1 may be amended from time to time in accordance with clause 13.2).

Guaranteed Indebtedness means, at any time, in relation to a Debtor, all indebtedness of that Debtor to the Company or any other member of the HBS Group (whether alone or with any other person and in any capacity) under or in connection with any Guaranteed Facility including, for the avoidance of doubt, any accrued but unpaid interest, at that time (and a reference to Guaranteed Indebtedness includes any part of it).

HBS Group means HBS and its subsidiaries (including the Company after acquisition by HBS).

Impaired means, in relation to a Guaranteed Facility, that:

- (a) the HBS Group, acting consistently with any applicable financial reporting standards, has determined that facility to be an individually impaired asset or restructured asset or has written off part or all of the indebtedness under that facility;

- (b) the HBS Group, acting consistently with any applicable financial reporting standards, has determined that the relevant borrower is in arrears by more than 30 days;
- (c) the HBS Group reasonably considers that there is a security shortfall, determined using commonly used valuation methodologies; or
- (d) the relevant borrower has breached or is operating outside the terms of the Guaranteed Facility or any other facility provided by the Company to that borrower,

provided that, for the purposes of making an assessment under paragraphs (a) and (b) of this definition, whether or not a Guaranteed Facility is "Impaired" shall be assessed from the date of this Deed and the effect of this Deed, including any payments received under clause 3.2 will not be taken into account.

Interim Period means the period between (i) the date on which any demand (including a Preliminary Notice) is issued by HBS, or the date on which PGW exercises its call rights pursuant to clause 4.2, as applicable and (ii) the date on which PGW fully settles the relevant obligation arising as a consequence in accordance with the terms of the applicable provision.

Preliminary Notice means a notice issued by HBS to PGW, which may be issued by HBS in relation to a Guaranteed Facility at any point after that borrower is in arrears or in circumstances where HBS considers that such Guaranteed Facility will become Impaired within a 40 day period thereafter;

Relevant Agreement means any credit facility agreement or other document entered into by any Debtor (or any guarantor of any Debtor, other than PGW) and which relates to Guaranteed Indebtedness (including any document under which Guaranteed Indebtedness arises, which secures Guaranteed Indebtedness or which evidences Guaranteed Indebtedness).

1.2 Interpretation

In this Deed, unless the context otherwise requires:

- (a) **business day** means a day (other than a Saturday or Sunday) on which registered banks are open for general banking business in Auckland and Christchurch;
- (b) **dissolution** includes:
 - (i) the bankruptcy or liquidation of any person;
 - (ii) the removal of a company from the register under the Companies Act 1993;
 - (iii) any amalgamation under the Companies Act 1993; and
 - (iv) any equivalent or analogous procedure under the law of any jurisdiction;
- (c) **indebtedness** includes any obligation (whether present or future, actual or contingent, secured or unsecured, joint or several, as principal, surety or otherwise) relating to the payment of money; and
- (d) a **person** includes an individual, body corporate, an association of persons (whether corporate or not), a trust, a state, an agency of a state and any other entity (in each case, whether or not having separate legal personality);
- (e) **tax** includes any present or future tax, levy, impost, duty, rate, charge, fee, deduction or withholding of any nature, imposed or levied by any governmental authority, together with any interest, penalty, charge, fee or other amount imposed or made on,

or in respect of, any of the foregoing, and taxes and taxation are to be construed accordingly.

1.3 Construction

In this Deed, unless the context otherwise requires:

- (a) the table of contents and headings are for ease of reference only and do not affect the interpretation of it;
- (b) the schedule forms part of this Deed;
- (c) words implying the singular include the plural and vice versa;
- (d) a reference to law includes a statute, regulation, statutory instrument or rule of common law or equity and any official directive and anything having substantially the same effect in any applicable jurisdiction;
- (e) a reference to a statute or a provision of a statute includes a modification or re-enactment of it, a provision substituted for it and a regulation or statutory instrument issued under it;
- (f) a reference to any monetary amount is to New Zealand currency;
- (g) reference to any thing includes the whole and each part of it. The word "including" when used to introduce an item does not limit the meaning of the words to which the item relates to items of a similar kind; and
- (h) reference to a document means the document as it may stand amended, varied or added to (whether in writing or otherwise) from time to time.

2. Agreement

In consideration for the payment of \$10 by HBS to PGW, PGW has agreed to provide certain guarantees, indemnities and other undertakings on the terms and conditions set out in this Deed.

3. Guarantee and indemnity

3.1 Guarantee and indemnity

- (a) In respect of each Debtor and the Guaranteed Indebtedness of that Debtor, PGW absolutely, unconditionally and irrevocably:
 - (i) guarantees to the HBS Group the due and punctual payment by that Debtor of all Guaranteed Indebtedness of that Debtor;
 - (ii) subject to clauses 3.1(b) and 3.1(c), undertakes that if that Debtor does not pay to the HBS Group any of that Guaranteed Indebtedness when due, PGW will (subject to and in accordance with clause 5.3) pay to HBS immediately on written demand:
 - (A) the Guaranteed Indebtedness concerned; plus

- (B) interest on such Guaranteed Indebtedness for the period from (A) the date such Guaranteed Indebtedness was first due from the Debtor concerned to (B) the date of actual receipt of payment by the relevant member of the HBS Group under this Deed (both before and after any judgment), to the extent not already included in amounts payable under clause 3.1(a)(ii)(A). This interest will, subject to clause 3.2 (c), be calculated on a daily basis at the rate per annum which is equal to the highest rate at which default interest accrues on the Guaranteed Indebtedness under the applicable Relevant Agreement; less
 - (C) any payments made by PGW pursuant to clause 3.2.
- (b) In relation to any Guaranteed Facility for which HBS intends to issue a notice under the terms of the Relevant Agreement giving notice that the Guaranteed Indebtedness will become repayable immediately upon demand as a result of the maturity of that Guaranteed Facility or HBS's decision not to extend the relevant Guaranteed Facility beyond a prescribed review or renewal/ rollover date, HBS must issue a Preliminary Notice not less than 30 days prior to making demand under clause 3.1(a)(ii).
 - (c) HBS cannot make a demand under the guarantee in clause 3.1(a) for any amounts which become payable under the terms of any Guaranteed Facility as a result of PWF exercising any rights to accelerate the payment obligations of the relevant Debtor as a consequence of a failure to pay any other amount then due. For the avoidance of doubt, this does not limit in any way HBS's rights under clause 4.3.

3.2 Interim Payments

- (a) If a demand is validly made of PGW in accordance with clause 3.1(a)(ii), 3.4 or 4.3 or PGW exercises its call rights under clause 4.2, then PGW will, during the Interim Period subject to clauses 3.2(b) and 3.2(c), pay to the HBS Group the standard non default interest payments due under the relevant Guaranteed Facilities relating to the Guaranteed Indebtedness as and when such payments fall due under the terms of the relevant Guaranteed Facilities.
- (b) The maximum amount payable by PGW to the HBS Group in any one calendar month under clauses 3.2(a) is \$500,000.
- (c) If PGW has paid to the HBS Group all standard non default interest payments due in relation to a Guaranteed Facility in accordance with clause 3.2(a) as modified where applicable by clause 3.2 (b), the interest payable under clause 3.1(b)(ii) shall be calculated at the standard non default interest rate and not at any higher default or other interest rate.

3.3 No Discharge of Debtor

Any payment made by PGW under clause 3.1 of this Deed shall not operate as a discharge of the Guaranteed Indebtedness concerned, or the obligations of the Debtor under the Relevant Agreement concerned, but such payment shall reduce the Guaranteed Indebtedness owing by that Debtor under the Relevant Agreement concerned from time to time.

3.4 Unenforceability of obligations

As a separate and continuing undertaking, PGW unconditionally and irrevocably undertakes to the HBS Group that, should any Guaranteed Indebtedness not be recoverable from a Debtor for any reason, including a provision of any Relevant Agreement or an obligation (or purported obligation) of a Debtor to pay any Guaranteed Indebtedness being or becoming void, voidable, unenforceable or otherwise invalid, whether or not that reason is or was known to any member of the HBS Group and whether or not that reason is:

- (a) a defect in or lack of powers of a Debtor or the irregular exercise of those powers; or
- (b) a defect in or lack of authority by a person purporting to act on behalf of a Debtor; or
- (c) a legal or other limitation (whether under the Limitation Act 2010 or otherwise), disability or incapacity of a Debtor; or
- (d) a dissolution, amalgamation, change in status, constitution or control, reconstruction or reorganisation of a Debtor (or the commencement of steps to effect the same),

it will, as a sole and independent obligation (subject to and in accordance with clause 5.4), pay to the HBS Group on written demand the amount that the HBS Group would otherwise have been able to recover (on a full indemnity basis). In this clause, the expression "Guaranteed Indebtedness" includes any indebtedness that would have been included in that expression but for anything referred to in this clause.

3.5 Acknowledgement by PGW

PGW acknowledges that, if any Guaranteed Facility is in arrears as at the date of this Deed, then:

- (a) this does not limit or negate the guarantee provided by PGW under this Deed in respect of that Guaranteed Facility (including the amount of the arrears); and
- (b) HBS may, at any time after the date of this Deed, seek to recover the amount of any such arrears (together with any other amount that has become in arrears after the date of this Deed) from PGW in accordance with the provisions of this Deed.

3.6 Pongaroa

Notwithstanding anything in this Deed to the contrary, PGW's aggregate liability for principal due in respect of the Pongaroa loan (being the Guaranteed Facility of that name set out in Schedule 1 to this Deed) pursuant to clauses 3.1(a)(ii) and 3.4 of this Deed, shall be limited to \$5,000,000 in aggregate.

4. Transfer

4.1 Transfer following full payment by PGW

If in respect of a Debtor (and the Guaranteed Indebtedness of that Debtor):

- (a) a member of the HBS Group has made demand on PGW under clause 3.1 or 3.4; and
- (b) PGW has fully and finally paid to the HBS Group all the Guaranteed Indebtedness of the Debtor (including any amount contingently due, or not yet due) and other amounts due by PGW to the HBS Group in relation to that Guaranteed Indebtedness; and
- (c) there is no further obligation on any member of the HBS Group to provide any further financial accommodation to that Debtor which if provided would constitute Guaranteed Indebtedness,

then as a settlement condition to PGW making such full and final payment, the HBS Group shall transfer to PGW (on a without warranty and without recourse basis) the Guaranteed Indebtedness of the Debtor. HBS will procure that the member of the HBS Group concerned (for the purposes of settlement of the relevant Guaranteed Indebtedness with PGW and on a without warranty and without recourse basis):

- (d) transfers to PGW (or such other party as PGW shall nominate):
 - (i) the Guaranteed Indebtedness concerned; and
 - (ii) all its interest in, under and to the Relevant Agreements (but excluding any such rights which arise under this Deed); and
- (e) signs all documents and does all things as are reasonably necessary to perfect that transfer (but only to the extent that PGW requests that these things be done).

4.2 Call of Impaired Guaranteed Facilities

In respect of a Debtor (and the Guaranteed Indebtedness of that Debtor), PGW may, provided the Guaranteed Indebtedness of that Debtor is Impaired, at any time request that the HBS Group transfer to PGW (on a without warranty and without recourse basis) all Guaranteed Indebtedness of that Debtor and all rights and obligations under all Guaranteed Facilities of that Debtor, as against payment to the relevant member of the HBS Group of:

- (a) the amount of the Guaranteed Indebtedness of that Debtor as at the transfer date (including any amount contingently due, or not yet due); and
- (b) all reasonable costs of the HBS Group in effecting that transfer,

(together the "Purchase Price"). Any such request must be by notice in writing to HBS. If HBS receives any such written request it will (within 10 business days of receiving that request) advise PGW of the proposed transfer date (to be not later than 10 business days later) and the Purchase Price as at that date. On the proposed transfer date:

- (c) PGW must:
 - (i) pay the Purchase Price to the relevant member of the HBS Group; and
 - (ii) sign all documents and do all things as are reasonably necessary to perfect the transfer to PGW of all obligations in, under and in connection with all Guaranteed Facilities of that Debtor (but only to the extent that HBS requests that these things be done).
- (d) as against that payment and performance, HBS must procure that the member of the HBS Group concerned:
 - (i) transfers to PGW (or such other party as PGW shall nominate):
 - (A) the Guaranteed Indebtedness concerned; and
 - (B) all its interest in, under and to the Relevant Agreements concerned (but excluding any such rights which arise under this Deed); and
 - (ii) signs all documents and does all things as are reasonably necessary to perfect that transfer (but only to the extent that PGW requests that these things be done).

4.3 Put of Impaired Guaranteed Facilities

In addition to HBS's rights under clause 3.1, if in respect of a Debtor any Guaranteed Facility of that Debtor is Impaired, HBS may request that PGW take a transfer (on a without warranty and without recourse basis) of all Guaranteed Indebtedness of that Debtor and all rights and obligations under all Guaranteed Facilities of that Debtor, as against payment to the relevant

member of the HBS Group of the amount of the Guaranteed Indebtedness of that Debtor as at the transfer date (including any amount contingently due, or not yet due) (the "Purchase Price"). Any such request (Request Notice) cannot be made in respect of a Guaranteed Facility unless HBS has at least 30 days prior to the date of such request issued to PGW a Preliminary Notice in respect of that Guaranteed Facility. Any such request must be by notice in writing to PGW, and will include notice of the proposed transfer date (to be the later of (i) the first anniversary of the date of this Deed's execution and (ii) the date that is two months after the date HBS gives a Request Notice pursuant to this clause 4.3)) and the Purchase Price as at that date. On the proposed transfer date:

- (a) PGW must:
 - (i) pay the Purchase Price to the relevant member of the HBS Group; and
 - (ii) sign all documents and do all things as are reasonably necessary to perfect the transfer to PGW of all obligations in, under and in connection with all Guaranteed Facilities of that Debtor (but only to the extent that HBS requests that these things be done);
- (b) as against that payment and performance, HBS must procure that the member of the HBS Group concerned:
 - (i) transfers to PGW (or such other party as PGW shall nominate):
 - (A) the Guaranteed Indebtedness concerned; and
 - (B) all its interest in, under and to the Relevant Agreements concerned (but excluding any such rights which arise under this Deed); and
 - (ii) signs all documents and does all things as are reasonably necessary to perfect that transfer (but only to the extent that PGW requests that these things be done).

5. Payment

5.1 Free and clear

All payments under this Deed must be made for value on the due date for payment in cleared funds immediately available for disbursement, and:

- (a) free and clear of any restriction or condition; and
- (b) (except to the extent required by law) in full, without any deduction or withholding on account of any tax or on any other account (whether by way of set-off, counterclaim or otherwise).

5.2 Notice of legal requirements

If either party is required to make a deduction, withholding or payment for or on account of tax or on another account, it is to notify the other party immediately.

5.3 Timing

Notwithstanding anything in this Deed to the contrary, the date upon which amounts payable by PGW to HBS pursuant to clauses 3.1(a)(ii) and 3.4 shall be payable shall be the date that is the later to occur of:

- (a) the first anniversary of the date of this Deed's execution;
- (b) in the case of clause 3.1(a)(ii), the date that is at least both two months after HBS has made demand in respect of that Guaranteed Facility pursuant to this Deed, and, other than in the case of a demand made pursuant to clause 3.1(a)(ii) where clause 3.1(b) does not apply, three months after the date on which HBS has issued a Preliminary Notice; and
- (c) in the case of clause 3.4, the date that is three months after HBS has made demand in respect of the Guaranteed Facility pursuant to this Deed.

6. Nature of guarantee and indemnity obligations

6.1 Liability as sole principal debtor

As between PGW and each member of the HBS Group (but without affecting the obligations of the Debtor) PGW is liable under this Deed in relation to the Guaranteed Indebtedness as a sole and principal debtor and not as a surety.

6.2 Liability Not Prejudiced

Subject to clauses 6.3 and 6.5, PGW is not to be discharged nor are its obligations to be affected (nor are any of the rights of any member of the HBS Group to be affected) by anything which, but for this clause, might operate to discharge or affect the obligations of, or otherwise provide a defence to, PGW (whether or not known to PGW or any member of the HBS Group), including:

- (a) any further credit, advance or accommodation made or given by any member of the HBS Group to, or at the request of, a Debtor;
- (b) any amendment to or variation of (however fundamental) any Relevant Agreement in respect of which PGW has consented in writing (such consent not to be unreasonably withheld or delayed) or any other agreement, guarantee or security, or any of the rights of any member of the HBS Group against a Debtor or any other person;
- (c) any time, credit, waiver, indulgence or other concession given to, or arrangement made with, a Debtor or any other person;
- (d) the non-existence, avoidance, invalidity or unenforceability of:
 - (i) any rights of any member of the HBS Group against a Debtor or any other person in respect of any Relevant Agreement;
 - (ii) any Relevant Agreement or any other agreement, guarantee or security in respect of any Guaranteed Indebtedness,
 or any failure by any person to execute or be bound by any Relevant Agreement or any other agreement, guarantee or security in respect of any Guaranteed Indebtedness;
- (e) any release or discharge (in whole or part) in respect of which PGW has consented in writing (such consent not to be unreasonably withheld or delayed) of:
 - (i) a Debtor or any other person, or the liability of a Debtor or any other person ceasing for any reason in respect of any Relevant Agreement; or

- (ii) any Relevant Agreement or any other agreement, guarantee or security in respect of any Guaranteed Indebtedness;
- (f) any enforcement of, delay in enforcing or failure to enforce:
 - (i) any rights of any member of the HBS Group against a Debtor or any other person in respect of any Relevant Agreement; or
 - (ii) any Relevant Agreement or any other agreement, guarantee or security in respect of any Guaranteed Indebtedness;
- (g) any moratorium (whether by statute, order of court or order of any authorised agency):
 - (i) In respect of the payment of any Guaranteed Indebtedness; or
 - (ii) which has the effect of staying or suspending all or any of the rights of any member of the HBS Group against a Debtor or any other person;
- (h) the insolvency, receivership, administration or dissolution of a Debtor, PGW or any other person, or the appointment of any liquidator, receiver, administrator, statutory manager or similar person, or the establishment of any compromise or other arrangement, in respect of a Debtor, PGW or any other person;
- (i) the amalgamation, change in constitution, status or control, or reconstruction or reorganisation of any member of the HBS Group, a Debtor or any other person;
- (j) anything done, or omitted or neglected to be done, by any member of the HBS Group, whether in exercise of its rights of the HBS Group under this Deed or any Relevant Agreement or any other agreement, guarantee or security, or otherwise; or
- (k) any other thing whatever, other than a release of the obligations of PGW under this document executed by HBS.

No member of the HBS Group will have any liability to PGW in respect of any of these matters, even if PGW's rights are prejudiced as a result.

6.3 Restricted Matters

HBS undertakes to ensure that no member of the HBS Group does any of the following, other than with the prior written consent of PGW (such consent not to be unreasonably withheld or delayed):

- (a) increases the amount of credit available under a Guaranteed Facility; or
- (b) increases the rate of interest payable under a Guaranteed Facility; or
- (c) amends or varies any Relevant Agreement or any other agreement, guarantee or security with a Debtor; or
- (d) gives any time, credit, waiver, indulgence or other concession given to, or under any arrangement made with, a Debtor.

6.4 Continuing Guarantee

This document is a continuing guarantee and operates (and remains in full force and effect) irrespective of any intervening payment, settlement of account or anything else.

6.5 HBS May Enforce

A member of the HBS Group may enforce this document against PGW without first taking any steps or proceedings, or exercising any right which that member of the HBS Group may have, against a Debtor or any other person.

6.6 Suspense Account

A member of the HBS Group may retain, carry to a suspense account (with a view to preserving its rights to prove as against the Debtor concerned or any other person for the whole of the Guaranteed Indebtedness of that Debtor), and appropriate at its discretion, any amount received by it under this document.

6.7 Other Recoveries

A member of the HBS Group, at its absolute discretion, may appropriate any amount received or recovered by it from a Debtor or any other person in or towards payment of other indebtedness of that Debtor or that other person to the HBS Group, in preference to applying that amount in reduction of the Guaranteed Indebtedness of the Debtor concerned (even if PGW is prejudiced as a result).

6.8 Subrogation

PGW waives all rights of subrogation, and any other right to exercise or benefit from the rights of the HBS Group as against a Debtor or any other person, until the earlier of the Guaranteed Indebtedness of that Debtor being fully paid or completion of a transfer of the Guaranteed Indebtedness pursuant to clause 4 of this Deed.

7. Access to Debtor Information

7.1 HBS will provide PGW with written notice:

- (a) where any Guaranteed Facility is in arrears for more than 60 days or has otherwise been classified by HBS as Impaired;
- (b) where it proposes to take any enforcement action in respect of a Debtor, together with details of the action HBS proposes to take; and
- (c) where any Guaranteed Facility is repaid in full.

Such notice shall include relevant particulars relating to the applicable Guaranteed Facility and Debtor.

7.2 HBS will provide PGW information concerning the status of any Guaranteed Facility on a quarterly basis.

8. No competition with HBS Group

Until the earlier of the Guaranteed Indebtedness of a Debtor being fully paid or completion of a transfer of the Guaranteed Indebtedness pursuant to clause 4 of this Deed, PGW will not, without the written consent of HBS:

- (a) take, accept or hold a security interest from that Debtor or, in relation to Guaranteed Indebtedness of that Debtor, from another person; or

- (b) take steps to recover (whether directly or by set-off, counterclaim or otherwise) or accept money or other property, or exercise or enforce rights in respect of, indebtedness of that Debtor to PGW or, in relation to Guaranteed Indebtedness of that Debtor, indebtedness of another person to PGW; or
- (c) in competition with any member of the HBS Group claim, prove or accept payment in composition by, or a liquidation of, that Debtor or, in relation to Guaranteed Indebtedness of that Debtor, another person,

If, notwithstanding this clause, PGW holds or receives any such security interest, money or property, PGW is to pay or transfer it to HBS immediately and, pending that payment or transfer, will hold it on trust for HBS.

9. Release and reinstatement

If any payment received or recovered, or amount applied, by a member of the HBS Group in respect of any Guaranteed Indebtedness is avoided by, or is required to be refunded or repaid under, or is required to be accounted for under, any applicable law (including any law relating to preferences or insolvency) then (even if the relevant member of the HBS has executed a release of this Deed):

- (a) that payment or application will be deemed not to have discharged or affected the liability or obligation in respect of which that payment or application was received or made; and
- (b) each member of the HBS Group and PGW will, to the maximum extent permitted by law, be deemed to be returned to the position in which each would have been, and will be entitled to exercise all the rights which each would have had, if that payment had not been received or recovered or that amount had not been applied.

10. Changes to the parties

10.1 Benefit and burden of this Deed

This Deed is binding upon and enures for the benefit of the parties and their respective successors and permitted assignees or transferees.

10.2 HBS Group

A member of the HBS Group may assign or transfer any of its rights and obligations under this Deed:

- (a) to any member of the HBS Group in conjunction with the transfer of rights under the relevant Guaranteed Facility, without the consent of PGW; or
- (b) to any other person with the prior written consent of PGW.

Each assignee or transferee is to have the same rights against PGW under this Deed as if named in this Deed as HBS.

10.3 PGW

PGW may not assign or transfer any of its rights or obligations under this Deed without the prior written consent of HBS, such consent not to be unreasonably withheld.

11. Communications

11.1 Addresses and references

Each notice or other communication under this Deed is to be made in writing and sent by facsimile, personal delivery or by post to the addressee at the facsimile number or address, and marked for the attention of the person or office holder (if any), from time to time designated for the purpose by the addressee to the other party. The initial facsimile number, address and relevant person or office holder:

- (a) of PGW is set out under its name under its name on the execution page of this Deed;
- (b) of each member of the HBS Group is the initial facsimile number, address and relevant person or office holder of HBS set out under the name of HBS on the execution page of this Deed.

11.2 Deemed delivery

No communication will be effective until received. A communication is, however, deemed to be received:

- (a) in the case of a letter, on the third business day after posting; and
- (b) in the case of a facsimile, on the business day on which it is despatched or, if despatched after 5.00 p.m. (in the place of receipt) on a business day or on a non-business day, on the next business day after the date of despatch.

12. Waivers, Remedies Cumulative

12.1 Exercise of rights and waivers

Time is of the essence in respect of all dates and times for compliance by PGW with PGW's obligations under this Deed. However, no failure to exercise, and no delay in exercising, a right of any member of the HBS Group under this Deed will operate as a waiver of that right, nor will a single or partial exercise of a right preclude another or further exercise of that right or the exercise of another right. No waiver by any member of the HBS Group of its rights under this Deed is effective unless it is in writing signed that person.

12.2 Remedies cumulative

The rights of each member of the HBS Group under this Deed are cumulative and not exclusive of any rights provided by law.

13. General

13.1 Expenses

PGW agrees to pay to HBS, on demand the amount of all reasonable expenses incurred by HBS in connection with the exercise of any rights against PGW where PGW has failed to comply with its obligations under this Deed.

13.2 Amendments

No amendment to this Deed is effective unless it is in writing signed by both PGW and HBS. Without limiting the foregoing, PGW and HBS may from time to time amend Schedule 1 to this Deed by an acknowledgement in writing which is signed by each of them, and has attached an amended form of Schedule 1. Without limitation, any such amendment may include the addition of new Debtors and Guaranteed Facilities.

13.3 Partial invalidity

The illegality, invalidity or unenforceability of a provision of this Deed under any law will not affect the legality, validity or enforceability of that provision under another law or the legality, validity or enforceability of another provision.

13.4 Certificates conclusive

A certificate by HBS of any amount payable under this Deed is conclusive evidence in the absence of manifest error for all purposes, including for any proceedings.

13.5 Contracts Privity

The obligations of PGW under this Deed are for the benefit of each member of the HBS Group, and may be enforced by each of them independently.

13.6 Counterparts

This Deed may be signed in any number of counterparts all of which, when taken together, will constitute one and the same instrument. A party may enter into this Deed by executing any counterpart (including by way of facsimile copy).

13.7 Governing law

This Deed is governed by and is to be construed in accordance with New Zealand law.

13.8 Termination

The rights and obligations of the parties under this Deed shall terminate in respect of each Guaranteed Facility on the date that is 60 days after the date of the third anniversary of the date of this Deed (the "Termination Date"), provided that if either party has validly exercised its rights pursuant to this Deed by notice under clause 3.1(a) (ii), 3.4, 4.3 or 4.2 (as applicable) in relation to a Guaranteed Facility prior to the Termination Date, both parties shall, to the extent they have not already done so by the Termination Date, be obliged to complete the performance of their respective obligations pursuant to this Deed in relation to a Guaranteed Facility arising from such exercise of rights prior to the Termination Date.

Schedule 1: Guaranteed Indebtedness

Client Group	Account Number	Account Type	Balance as at 31 May	Limit	Max Term being expiry or review date
Keown R J & D M	0000582369	CAF	\$ 224,661.00	\$ 300,000.00	31/07/2011
	0020100459	TL	\$ 600,000.00	\$ 600,000.00	22/12/2012
	0020119152	TL	\$ 600,000.00	\$ 600,000.00	22/05/2012
	0020100475	TL	\$ 300,000.00	\$ 300,000.00	22/12/2011
Pisgah Downs Ltd	0000183553	CAF	\$ 145,446.94	\$ 200,000.00	30/04/2012
	0020126033	TL	\$1,500,000.00	\$1,500,000.00	30/04/2012
P & F Rushton	0000231352	CAF	\$ 689,566.00	\$ -	expired
	M4838.1	RS	\$2,100,000.00	\$2,100,000.00	7/09/2012
	M4940	RS	\$ 480,000.00	\$ 480,000.00	7/09/2012
	M4941.1	RS	\$ 500,000.00	\$ 500,000.00	13/11/2012
Sharpin Bros	0000745431	CAF	\$ 692,929.00	\$ 565,000.00	expired
	0020112769	CAF	-\$ 5,663.00		
	0020157517	TL	\$1,471,226.91	\$1,454,000.00	expired
	0020157533	TL	\$ 128,872.72	\$ 330,000.00	expired
S&J Mulholland	0000062284	CAF	\$ 250,012.00	\$ 250,000.00	30/06/2011
	0020127759	TL	\$ 675,000.00	\$ 675,000.00	30/06/2011
Cotswold Hills	0000217285	CAF	\$ 139,127.00	\$ 150,000.00	31/07/2011
	0020104931	TL	\$ 291,666.00	\$ 291,666.00	31/07/2011
	0020104956	TL	\$ 291,666.00	\$ 291,666.00	16/04/2012
	0020124574	TL	\$ 291,668.00	\$ 291,668.00	31/07/2011
NZ Perriam Farm Group	0020140927	CAF	\$ 117,368.00	\$ 200,000.00	3/11/2010
	0020140992	TL	\$3,535,000.00	\$3,535,000.00	3/08/2011
	0000711126	CAF	-\$ 16,821.00		
Watherson RJS	762532	CAF	\$1,554,850.34	\$1,300,000	31/08/11
	5554448	TL	\$2,780,207.47	\$2,500,000	11/10/10
	20103479	TL	\$1,359,987.13	\$1,200,000	11/03/12
	20103487	TL	\$1,133,317.57	\$1,000,000	11/03/12
	20115432	TL	\$221,884.57	\$200,000	12/10/10
Mangahanea Farms Ltd (Burdett)	300932	CAF	\$937,681.00	\$730,000	31/08/11
	20119244	TL	\$1,180,600.20	\$1,150,000	23/12/10
	20135554	TL	\$1,179,419.76	\$1,150,000	23/12/10
Pongaroa	943268	CAF	\$2,111,978.86	\$1,500,000	31/08/11
	20123428	TL	\$3,125,405.64	\$2,842,000	30/06/10

AGREED FORM

**CHAPMAN
TRIPP** 

Distribution and Services Agreement

PGG Wrightson Limited (PGW)

Heartland Building Society (HBS)



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DISTRIBUTION AND SERVICES AGREEMENT

Date: 31 August 2011

PARTIES

PGG Wrightson Limited (PGW)

Heartland Building Society (HBS)

BACKGROUND

- A Pursuant to a sale and purchase agreement dated [10 June 2011], PGW has agreed to sell all of the outstanding ordinary shares of PGG Wrightson Finance Limited (*PWF*) to Heartland New Zealand Limited (*HNZL*), or HBS, a member of the HNZL group (*the PWF Sale*), subject to the satisfaction of certain conditions.
- B Subject to completion of the PWF sale, PGW and HBS, a wholly-owned subsidiary of HNZL, wish to enter into this agreement to provide for the distribution by PGW to its customers of certain HBS Group products and services, together with certain other related matters.

THE PARTIES AGREE as follows:

1 DEFINITIONS AND CONSTRUCTION

1.1 Defined terms

In this agreement, unless the context requires otherwise:

Affiliate means, when used with reference to a specified person, any person that directly or indirectly controls or is controlled by or is under common control with the specified person;

Application means a Credit Application or an Investment Application;

Approved Products and Services means those types and classes of Credit Facilities and Debt Securities specified in schedule 1, which may be amended by agreement in writing between the parties from time to time, which may be offered by the HBS Group to PGW Customers;

Brand Standards means, in relation to the Trade Marks, PGW's standards, guidelines and policies in respect of the Trade Marks provided to HBS, as updated and amended from time to time;

Business means the business of promoting and providing Credit Facilities and Debt Securities to PGW Customers in New Zealand pursuant to, and in accordance with, the terms of this agreement;

Business Day means a day on which registered banks are open for general banking business in Auckland and Christchurch;



Completion Date means the date the PWF Sale is completed;

Confidential Information means, in respect of one party (*Disclosing Party*), all information relating to its business, employees and customers which:

- (a) the Disclosing Party makes available to the other party (*Recipient*); or
- (b) comes or has come to the Recipient's knowledge, or which the Recipient develops or produces, in connection with or as a consequence of this agreement;

Consumer Protection Laws means all laws that affect the rights of customers in relation to the Credit Facilities and Debt Securities offered by HBS (including the Credit Contracts and Consumer Finance Act 2003, Consumer Guarantees Act 1993, Fair Trading Act 1986, Privacy Act 1993 and Securities Act 1978 and any regulations, orders in council or notices given under any of them);

Credit Application means an application for a Credit Facility;

Credit Facility means facilities for the provision of New Zealand dollar denominated credit to PGW Customers in New Zealand and for the avoidance of doubt, does not include Terms of Trade Dealings;

Customer Database means the customer database maintained by PGW with information generated from the sale by a PGW Company of goods and services to PGW Customers;

Debt Security means a deposit or other debt security (as that term is defined in the Securities Act 1978), other than bank deposits made by a PGW Customer in the ordinary course of business as part of a banker-customer relationship;

Effective Date means the Business Day immediately following the Completion Date;

Eligibility Guidelines has the meaning given to that term in clause 3.5;

Encumbrance means any mortgage, lien, charge, security interest or other encumbrance whether equitable or otherwise;

Existing Customer means a customer who has an outstanding Debt Security issued by and/or Credit Facility provided by PWF on the Effective Date;

Force Majeure Event means any event or circumstance beyond the reasonable control of the party claiming the benefit of clause 16, which that party is unable to prevent or overcome by the exercise of reasonable care and at a reasonable cost, and includes, but is not limited to, any:

- (a) act of God, fire, earthquake, storm, flood, landslide, lightning or other force of nature;
- (b) strike, lockout, work stoppage or other labour hindrance; and



(c) explosion, public mains electrical supply failure, or unavoidable accident;

but does not include:

(d) any event which the party affected could have prevented or overcome by exercising a standard of reasonable care at reasonable cost; or

(e) a lack of funds for any reason;

GST means goods and services tax chargeable in accordance with the Goods and Services Tax Act 1985;

HBS Group means HBS and its Subsidiaries;

Intellectual Property means:

(a) any patents, trademarks (whether or not registered), service marks, copyright, registered designs, trade names, symbols, logos and other intellectual property rights and interests; and

(b) the benefit of all applications and rights to use such assets;

Investment Application means an application to subscribe for a Debt Security;

Licensee Group means:

(a) HBS;

(b) any wholly-owned subsidiary of HBS; and

(c) any New Zealand company incorporated under the New Zealand Companies Act 1993 which is formed by an amalgamation of HBS with another person;

Management Committee means the management Committee established pursuant to clause 9;

PGW Company means PGW and each Subsidiary involved in the livestock and/or rural supplies and services businesses in New Zealand, and *PGW Group* means any and all of them;

PGW Customer means a purchaser (or, as the case may be, a prospective purchaser) of goods or services from a PGW Company;

PGW Exclusive Services means real estate services and Insurance products and services;

PGW Websites means websites with the domain name "pggwrightsonfinance.co.nz" or any domain name containing the term "pggwrightsonfinance" or similar;



Referred Customer means a PGW Customer which elects to subscribe for a Debt Security provided by the HBS Group and/or to take up a Credit Facility provided by the HBS Group as a result of:

- (a) being referred to the HBS Group by a member of the PGW Group in accordance with this agreement (including a referral directly resulting from the distribution of HBS Group marketing materials by the PGW Group pursuant to this agreement); or
- (b) that PGW Customer being referred to the HBS Group by a HBS staff member domiciled within a PGW Group business;

Restricted Business means the business of promoting and providing Credit Facilities and Debt Securities to PGW Customers in New Zealand;

Shared Resources means the resources specified in schedule 2, which may be amended by agreement in writing between the parties from time to time;

Specified Area means New Zealand;

Subsidiary has the meaning ascribed in section 5 of the Companies Act 1993;

Terms of Trade Dealings means any and all of the following:

- (a) the supply by PGW Group to PGW Customers of goods and services in accordance with PGW Group's usual terms of trade (which require payment by no later than (in the case of livestock) 14 days after date of supply and (otherwise) the end of the calendar month following the month of supply);
- (b) credit card facilities;
- (c) the supply by PGW Group to PGW Customers of goods and/or services on a non-interest bearing deferred payment basis, as a result of promotional or other concessionary terms offered by the original suppliers of those goods and/or services to PGW Group;
- (d) arrangements customarily offered to PGW Customers in accordance with past practice which are not funded by dedicated funding sources, including:
 - (i) the supply by PGW Group to PGW Customers of goods and/or services on a non-interest bearing deferred payment basis;
 - (ii) funding of inputs in connection with business procurement arrangements;
 - (iii) high volume wholesale livestock trading accounts, including paddock accounts;
- (e) any continuing indebtedness of a PGW Customer to PGW Group which was originally incurred (as to principal) as a result of a dealing in accordance with



any of (a) to (d) above, but which has become non-compliant with the original terms on which finance was provided by PGW Group (i.e. a default), and in respect of which PGW Group may charge such PGW Customer default interest as a consequence of such non-compliance in accordance with the terms on which the finance was provided; and

- (f) PGW Group holding, from time to time, trade account credit balances on a temporary basis as a consequence of its transactions arrangements with PGW Customers as contemplated by the Securities Act (Stock and Station Agents) Exemption Notice 2010 or any substituted exemption, enactment or regulation for stock and station businesses;

Trade Mark Licence means the Trade Mark licence granted pursuant to clause 8.2;

Trade Mark Licence Term has the meaning given to it in clause 1.1 of schedule 3; and

Trade Marks means the trade marks set out in schedule 4 and as updated, amended or varied by PWG from time to time pursuant to schedule 3.

1.2 Construction

In the construction of this agreement, unless the context requires otherwise:

Clauses and Schedules: a reference to a clause or a schedule is to a clause or schedule of this agreement, and a reference in a schedule to a clause is a reference to a clause in that schedule;

Control: a person shall be deemed to control another person for the purposes of this agreement, if the first such person possesses, directly or indirectly the power to appoint a majority of the directors of the second person, or to otherwise direct, or cause the direction of, the management or policies of the second person, whether through a casting vote on the board, the ownership (direct or indirect) of voting securities, by contract, or otherwise;

Currency: a reference to any monetary amount is to New Zealand currency;

Documents: a reference to any document, including this agreement, includes a reference to that document as amended or replaced from time to time;

Headings: headings appear as a matter of convenience and do not affect the construction of this agreement;

Include: specifying anything in this agreement after the words 'including', 'includes' or 'for example' or similar expressions does not limit what else is included unless there is express wording to the contrary;

Parties: a reference to a party to this agreement or any other document includes that party's personal representatives/successors and permitted assigns;



Person: a reference to a person includes a corporation sole and also a body of persons, whether corporate or unincorporate;

Schedules: the schedules form part of this agreement;

Singular, Plural and Gender: the singular includes the plural and vice versa, and words importing one gender include the other genders;

Statutes and Regulations: a reference to an enactment or any regulations is a reference to that enactment or those regulations as amended, or to any enactment or regulations substituted for that enactment or those regulations;

Time: a reference to time is to New Zealand time; and

Writing: a reference to "written" or "in writing" includes all modes of presenting or reproducing words, figures and symbols in a tangible and permanently visible form.

1.3 HBS Group

PGW acknowledges that:

- (a) other members of the HBS Group may provide Credit Facilities and/or Debt Securities to PGW Customers pursuant to this agreement; and
- (b) some of HBS's obligations under this agreement may be performed by other members of the HBS Group, provided that HBS shall remain liable to perform those obligations in the event they are not performed by members of the HBS Group and that HBS shall be liable for the actions and omissions of such HBS Group members.

HBS will ensure that each member of the HBS Group referred to above complies with the obligations and restrictions applicable to HBS under this agreement.

2 DISTRIBUTION OF APPROVED PRODUCTS AND SERVICES

PGW agrees that HBS is its preferred supplier of Credit Facilities and Debt Securities to PGW Customers, and HBS agrees to make available to PGW Customers Credit Facilities and Debt Securities within the category of Approved Products and Services, on the terms and conditions set out in this agreement.

3 HBS RIGHTS AND OBLIGATIONS

3.1 Obligation to offer Credit Facilities

HBS acknowledges that the provision of credit facilities to PGW Customers is important to PGW's business operations. In offering Approved Products and Services, HBS will (and will procure that each member of the HBS Group will):

- (a) use all reasonable endeavours to make available Approved Products and Services to all Referred Customers having regard to prevailing market conditions, applicable legal requirements, prudent lending guidelines of



general application within the HBS Group and the risk profile of the particular Referred Customer;

- (b) make available Credit Facilities to Referred Customers on terms and conditions no less favourable (and in comparing interest rates, the interest rate offered by the HBS Group to the Referred Customers shall be less any commissions payable by HBS to PGW on that Credit Facility in accordance with this agreement) than those offered by the HBS Group to any other customer of the HBS Group having substantially the same risk profile, in the same industry sector and seeking the same type of product;
- (c) maintain and allocate sufficient employee and other resources, and skill levels among its employees, to enable Credit Applications to be considered and Credit Facilities to be offered and provided to Referred Customers in a timely and efficient manner.

3.2 HBS obligations when offering Approved Products and Services

In offering and providing Approved Products and Services to Referred Customers, HBS must (and will procure that each member of the HBS Group will):

- (a) comply in all respects with all applicable Consumer Protection Laws;
- (b) operate to service levels at least equivalent to service levels provided by HBS to other customers to whom it provides services similar to the Approved Products and Services; and
- (c) not offer products and services to PGW Customers using the Trade Marks, except in accordance with the Trade Mark Licence or otherwise with PGW's prior written consent.

3.3 Promotion of PGW Exclusive Services

- (a) From the Effective Date until the first anniversary of the Effective Date, HBS undertakes to PGW that it will not (and will procure that each member of the HBS Group will not), notwithstanding anything in this agreement to the contrary, offer or directly market to any Existing Customer or Referred Customer (other than Existing Customers or Referred Customers who were customers of the HBS Group prior to completion of the PWF Sale) insurance products and services, other than insurance products and services merely incidental to a credit facility provided by a member of the HBS Group.
- (b) Subject to paragraphs (c) and (d) of this clause 3.3, HBS undertakes to PGW that it will (and will procure that each member of the HBS Group will):
 - (i) employ all reasonable endeavours to direct PGW Customers seeking PGW Exclusive Services to PGW Companies, and not directly offer or provide to PGW Customers PGW Exclusive Services which are available from PGW Companies, except where the relevant PGW Customer (without prompting and without any HBS staff member making any type of referral or suggestion) has expressed a preference to obtain



- PGW Exclusive Services from a member of the HBS Group or elsewhere;
- (ii) not directly market or promote to PGW Customers PGW Exclusive Services which are available from PGW Companies; and
 - (iii) not permit HBS Group staff members domiciled within a PGW Group business to offer, or make referrals regarding, any PGW Exclusive Services (whether or not available from PGW Companies).
- (c) Any member of the HBS Group may, notwithstanding clause 3.3(b), offer and provide insurance products and services to:
- (i) customers of the HBS Group (including Existing Customers, customers of the HBS Group who are PGW Customers, or Referred Customers once they have become customers of the HBS Group); or
 - (ii) to other persons who have become known to HBS, or whose details HBS has obtained, through channels other than:
 - (A) the Customer Database;
 - (B) through referrals from a member of the PGW Group pursuant to this agreement; or
 - (C) through referrals from HBS Group staff members domiciled within a PGW Group business.
- (d) Any HBS staff member may, notwithstanding clause 3.3(b), offer, or make referrals regarding, insurance products and services where:
- (i) that insurance product or service is merely incidental to a credit facility provided by a member of the HBS Group; or
 - (ii) the relevant customer, without prompting and without any HBS staff member making any type of referral or suggestion, has expressed a preference to obtain that insurance product or service from a member of the HBS Group or elsewhere.

Each undertaking contained in clause 3.3(b) must be read and construed independently of the other undertakings contained in clause 3.3(b) so that if one or more is held to be invalid or otherwise unenforceable as an unreasonable restraint of trade or for any other reason whatsoever, then the remaining undertakings are to be valid and will remain in full force and effect to the extent that they are not held to be so invalid or unenforceable.

If any undertaking contained in clause 3.3(b) is held to be invalid as an unreasonable restraint of trade or for any other reason, but would have been valid if part of its wording had been deleted or the period reduced or the range of activities



or area dealt with reduced in scope, that undertaking must apply with those modifications necessary to make it valid and effective.

HBS acknowledges that the undertakings contained in clause 3.3(b) are fair and reasonable in all the circumstances.

3.4 Resources

HBS will provide the PGW Companies with such:

- (a) supplies of materials describing offered terms for its Approved Products and Services and, where applicable, investment statements; and
- (b) instructions, training, information, resource materials and telephone support,

as are necessary to enable PGW to undertake its obligations under this agreement (including the promotion of the Approved Products and Services) in accordance with all applicable Consumer Protection Laws.

3.5 Eligibility Guidelines

HBS will ensure that current eligibility guidelines and a description of the application process (*Eligibility Guidelines*) are provided to PGW for distribution to PGW Group employees who need to know such information, and are kept up to date. HBS will provide reasonable notice (where practicable) to PGW of any changes to its Eligibility Guidelines that are likely to materially affect the eligibility of PGW Customers for a Credit Facility.

3.6 Enforcement Action

HBS will (and will procure that each member of the HBS Group will):

- (a) not take any enforcement action (except steps which HBS considers reasonably necessary in the circumstances and prior to expiry of the timeframes set out in clause 3.6(a)(i) and (ii), to protect its security interests in a Referred Customer's collateral and/or to protect the value of that collateral (which may include, for the avoidance of doubt, the appointment of a receiver, administrator or similar)) in respect of a Credit Facility provided by PWF to an Existing Customer or by the HBS Group after the date of this agreement to an Existing Customer or to a Referred Customer without:
 - (i) first notifying PGW of its intention to take enforcement action and allowing PGW 10 Business Days from the time of notification to attempt to resolve (if PGW wishes to do so, in its sole and unfettered discretion) the circumstances precipitating the taking of enforcement action; and
 - (ii) at the time of notification pursuant to clause 3.6(a)(i), offering PGW the opportunity to purchase the relevant Credit Facility for consideration equal to the outstanding amount (including all accrued interest) of the relevant Credit Facility and PGW has declined the opportunity (or not accepted it within 5 Business Days of being offered such opportunity); and



- (b) not assign or transfer any of its rights in respect of a Credit Facility, other than pursuant to a generally based securitisation program, unless the assignee or transferee has entered into a written undertaking (in form and substance satisfactory to PGW) to comply with the terms of this clause 3.6, and such undertaking has been delivered to PGW.

3.7 **Sole Responsibility**

HBS will assume sole risk and responsibility for all matters relating to a Credit Facility or Debt Security provided to a Referred Customer, including:

- (a) Appraising and verifying the financial condition and creditworthiness of the Referred Customer and all information provided by or about the Referred Customer;
- (b) providing financial and investment advice to the Referred Customer (provided that this does not constitute HBS as a Qualifying Financial Entity in relation to PGW or its employees under the Financial Advisers Act 2008);
- (c) documenting and administering the contract with the Referred Customer;
- (d) taking any enforcement action (subject to clause 3.6);
- (e) complying with all applicable laws and regulations; and
- (f) complying with any "know-your-customer" requirements,

except to the extent that PGW agrees in writing to perform any such responsibilities.

4 **PGW RIGHTS AND OBLIGATIONS**

4.1 **PGW's positive obligations**

During the term of this agreement, PGW will:

- (a) use all reasonable endeavours to, and incentivise its employees to, promote to PGW Customers the Approved Products and Services provided by HBS, refer PGW Customers to HBS in respect of Approved Products and Services and facilitate originations of Applications;
- (b) make known to staff members of the PGW Group the availability of the Approved Products and Services provided by HBS, and will ensure that staff members:
 - (i) understand the preferred supplier arrangement described in this agreement; and
 - (ii) direct all enquiries and complaints regarding the Approved Products and Services to HBS;



- (c) comply with all applicable laws and regulations in relation to the performance of its obligations under this agreement (provided that this will not derogate from HBS's obligation under clause 3.7(e)).

4.2 **Restrictions on PGW**

During the term of this agreement, PGW agrees that it will not (and will procure that no other PGW Company will):

- (a) refer PGW Customers to a competitor of HBS for products and services in competition with the Approved Products and Services or with other Credit Facilities or Debt Securities offered by HBS; or
- (b) facilitate the offer by a third party of products and services in competition with the Approved Products and Services to PGW Customers;

except, in each case, where:

- (i) HBS does not approve an Application for and thereafter provide an Approved Product or Service to the PGW Customer in a commercially reasonable timeframe;
 - (ii) the relevant product or service sought by a PGW Customer is not Included among the type of Credit Facilities or Debt Securities offered by the HBS Group (whether part of the Approved Products and Services or not), provided that the HBS Group is given the first opportunity, where practicable, to offer to provide such a product or service (provided that this clause 4.2 shall not require PGW to provide HBS Group the opportunity to provide a PGW Exclusive Service to a PGW Customer); or
 - (iii) the PGW Customer has, without prompting and prior to the PGW staff member making any type of referral or suggestion of credit provider to that PGW Customer, expressed a preference to obtain the relevant product or service from a third party;
- (c) promote to PGW Customers the products and services of a third party in competition with the Approved Products and Services.

4.3 **Restraint**

PGW agrees that it will not (and will procure that no other PGW Company or Affiliate of PGW will), without first obtaining the written consent of HBS, either directly or indirectly:

- (a) carry on, engage in, promote or be otherwise concerned with a Restricted Business within the Specified Area, whether on its own account or as a consultant or other contractor to or a partner, agent, employee, shareholder or director of, or equity participant with, any other person, except as permitted by this agreement;



- (b) provide financial or other assistance to any person carrying on, engaged in, competing with, or concerned with the Restricted Business within the Specified Area; or
- (c) induce or endeavour to induce any customer to cease doing business with or reduce its level of business with HBS Group.

Each undertaking contained in clause 4.3 must be read and construed independently of the other undertakings contained in clause 4.3 so that if one or more is held to be invalid or otherwise unenforceable as an unreasonable restraint of trade or for any other reason whatsoever, then the remaining undertakings are to be valid and will remain in full force and effect to the extent that they are not held to be so invalid or unenforceable.

If any undertaking contained in clause 4.3 is held to be invalid as an unreasonable restraint of trade or for any other reason, but would have been valid if part of its wording had been deleted or the period reduced or the range of activities or area dealt with reduced in scope, that undertaking must apply with those modifications necessary to make it valid and effective.

PGW acknowledges that the undertakings contained in clause 4.3 are fair and reasonable in all the circumstances.

4.4 **Terms of Trade Dealing and other Exclusions**

Notwithstanding anything in this agreement to the contrary:

- (a) nothing in this agreement prohibits the PGW Group from Terms of Trade Dealing, provided that the PGW Group shall not promote the use of any credit cards which may be offered by the PGW Group or which utilise the Trade Marks to PGW Customers for acquiring goods or services which would otherwise be acquired in the ordinary course of business using Approved Products and Services;
- (b) nothing in this agreement shall apply to restrict or otherwise affect the activities, as conducted in the ordinary course of business as of the date of this agreement, of:
 - (i) PGG Wrightson Real Estate Limited; and
 - (ii) any PGW Company in the course of conducting business relating to the PGW Group's wholesale "AgriTech" businesses, including forage, seed multiplication, agrifeed and grain products and services;
- (c) nothing in this agreement shall prevent PGW from taking a principal position in any transaction, including livestock finishing programs.

4.5 **No Responsibility for Referred Customer Performance**

No PGW Company will be responsible for:



- (a) the performance by any Referred Customer of the Referred Customer's obligations in respect of any Approved Products and Services, or any other products and services, provided by HBS; or
- (b) the accuracy or completeness of any information provided by, or concerning, Referred Customers.

4.6 **Historical Practises**

PGW acknowledges that it is its good faith commercial intention, during the term of this agreement, to reduce, to the extent commercially feasible, the provision or arrangement by PGW of financial products that would fall within the ambit of sub-clause (d) of the definition of "Terms of Trade Dealing", with the intention that any funding component inherent in dealings of this nature would instead be provided by the HBS Group pursuant to the terms of this agreement.

5 **RESTRICTIONS ON BOTH PARTIES**

5.1 **No Solicitation of Employees**

Each of the parties agrees not to, and to ensure that its Affiliates do not, solicit, entice away or attempt to entice away any employee or contractor of the other party either on its behalf or on behalf of any other person without first obtaining the prior written consent of the other party.

5.2 **Limitation on Authority**

Neither party has authority to:

- (a) bind the other party, or incur any indebtedness or obligation on behalf of the other party;
- (b) act as the agent of the other party; or
- (c) make any representation or warranty on the other party's behalf.

5.3 **Conduct of Parties**

In carrying out the arrangements contemplated by this agreement, neither party will do anything which may damage the reputation of the other party.

6 **COMMISSIONS**

- (a) HBS agrees to pay to PGW non-refundable commissions, on the terms and in the amounts specified in schedule 5, in consideration of the arranging services provided by PGW pursuant to this agreement.
- (b) The parties agree that they will, at the request in writing of either party, meet after the period of six months after the Effective Date to review schedule 5 and the level of commissions paid and payable by HBS. The parties may then agree to amend schedule 5 (including the level of commissions) by agreement in writing. If the parties are unable to agree on amendments to schedule 5 then schedule 5 shall remain in effect unamended.



7 CUSTOMER DATA AND DEALINGS

7.1 PGW to assist with marketing

- (a) PGW will, where reasonably requested by HBS, assist HBS to market the Approved Products and Services to PGW Customers following the Effective Date, including by, to the extent legally permissible, mailing (whether through regular mail or electronic mail) letters or other marketing information prepared by HBS for the purpose of promoting Approved Products and Services to PGW Customers. PGW agrees that it will, to the extent legally permissible, undertake a minimum of 6 mailings per year of HBS marketing materials to PGW Customers, if requested by HBS, provided that HBS complies with the requirements of paragraph (b) in relation to each mailing.
- (b) HBS acknowledges that the marketing material prepared by it will comply in all respects with the terms of the Trade Mark Licence. HBS will be responsible for providing all marketing materials and for any out-of-pocket expenses incurred in marketing its Approved Products and Services to PGW Customers.
- (c) HBS agrees that none of its marketing materials to be distributed pursuant to this agreement will promote any PGW Exclusive Services in any way, except as agreed to in writing by PGW.

7.2 Website

PGW will ensure that at all times while the PGW website is operational, there is an active link reasonably prominently displayed on the PGW website, which takes users of the website who wish to obtain information regarding Credit Facilities and/or Debt Securities (including the Approved Products and Services) to a website of the HBS Group as nominated in writing by HBS to PGW from time to time.

7.3 HBS marketing

PGW acknowledges that nothing in this agreement, other than the proviso to this clause 7.3, restricts the HBS Group from marketing products and services (including the Approved Products and Services, provided that such marketing complies with the terms of the Trade Mark Licence) to:

- (a) Referred Customers once they have become customers of the HBS Group;
- (b) PGW Customers who are also customers of the HBS Group;
- (c) other persons who have become known to HBS, or whose details HBS has obtained, through channels other than:
 - (i) the Customer Database; or
 - (ii) through referrals from a member of the PGW Group to HBS Group pursuant to this agreement; or
 - (iii) through referrals from HBS Group staff members domiciled within a PGW Group business,



provided that this clause 7.3 shall not apply in respect of HBS offering, providing or marketing PGW Exclusive Services, the offering, providing and marketing of which by HBS shall be governed by clause 3.3 of this agreement.

8 INTELLECTUAL PROPERTY

8.1 Use of Intellectual Property

Save as provided in this clause 8, neither party shall, by virtue of this agreement, acquire any interest in the Intellectual Property of the other party and accordingly shall not be entitled to use the Intellectual Property of the other party without the prior written consent of that other party.

8.2 Grant of Trade Mark Licence

Subject to the terms of this agreement, PGW grants to HBS an exclusive (with respect to the use of the Trade Marks in connection with the Business), revocable, non-transferable licence to use the Trade Marks, (including by permitting other members of the Licensee Group to use the Trade Marks):

- (a) on the terms set out in schedule 3;
- (b) in New Zealand; and
- (c) during the Trade Mark Licence Term.

8.3 Licensee Group

HBS will ensure, and at all times be responsible to PGW for, the compliance of all other members of the Licensee Group with the terms of this agreement as if each of those other members of the Licensee Group were the licensee.

9 MANAGEMENT COMMITTEE

The parties will establish a management committee to oversee the relationship between them, business opportunities relating to the Business and the day-to-day operation of the arrangements contemplated by this agreement. The management committee will comprise one representative of each party (or such other number as the parties may agree).

10 SHARED RESOURCES

10.1 Provision of Shared Resources

Subject to clauses 10.6 and 10.7, during the term of this agreement, PGW will make the Shared Resources available to HBS. In accessing and using the Shared Resources, HBS must:

- (a) not do or permit anything to be done that would place the Shared Resources at risk;
- (b) comply and ensure that every person for whom it is responsible complies, with all applicable laws and all security, safety and other operational protocols



and procedures from time to time prescribed by PGW for access and use of the Shared Resources.

10.2 Nature of Shared Resources

The parties agree that:

- (a) the Shared Resource Fee payable in respect of the Shared Resources specified in Schedule 2; and
- (b) except as set out in the transitional services agreement between PGW and HBS, no PGW Company will be responsible for providing or meeting costs relating to HBS staff, vehicles, mobile phones, landline toll calls, computer hardware or IT services.

10.3 No Liability

PGW will not, by reason of providing the Shared Resources be:

- (a) liable for any loss, damage, cost or expense suffered or incurred by HBS, unless directly caused by PGW's negligence or wilful default; or
- (b) responsible for the performance of any of HBS's legal, statutory or other obligations.

10.4 Shared Resources Fee

HBS will pay a fee (*Shared Resources Fee*) to PGW in respect of each Shared Resource for the period from the date of this agreement until this agreement is terminated (or such earlier date on which the Shared Resources arrangement is terminated pursuant to clause 10.6). The amount of the Shared Resources Fee for each Shared Resource will be equal to the amount specified in schedule 2, provided that:

- (a) the Shared Resource Fee for each Shared Resource will be varied to account for any change in the nature, scope, size or use of each Shared Resource, as agreed in writing between the parties from time to time; and
- (b) the Shared Resource Fee payable for each Shared Resource will be reviewed annually by the parties prior to each anniversary of the date of this agreement, provided that if the parties are unable to agree on the amount of the Shared Resource Fee for any Shared Resource, each such Shared Resource Fee shall increase, from the anniversary of the date of this agreement, by a percentage equal to the annualised rate of the consumer price index for the last preceding calendar quarter for which such rate is publicly available.

10.5 Payment of the Shared Resources Fee

Subject to any written agreement to the contrary between the parties:

- (a) within 5 Business Days of the end of each calendar month, PGW will provide HBS with an invoice setting out the Shared Resource Fees for the previous month; and



- (b) HBS will pay the monthly Shared Resources Fees plus GST (if any) to PGW by the 20th of the month in which it received the invoice from PGW (provided that it received the invoice by the date set out in paragraph (a)) without (and free and clear of any deduction for) set-off or counterclaim.

10.6 Termination of Shared Resources Arrangement

- (a) PGW may terminate this Shared Resources arrangement, as it applies to specific premises or certain assets, by giving not less than 20 Business Days prior written notice to HBS, in the event that it elects to vacate a particular premises (which it can elect to do, at its complete and unfettered discretion), termination of such arrangement to coincide with PGW's vacation of such premises.
- (b) HBS may terminate this Shared Resources arrangement, as it applies to specific premises or certain assets, by giving not less than 20 Business Days prior written notice to PGW, in the event that it elects to vacate a particular premises (which it can elect to do, at its complete and unfettered discretion), termination of such arrangement to coincide with HBS's vacation of such premises.
- (c) If any particular Shared Resources are terminated in accordance with paragraph (a) or paragraph (b), the Shared Resources Fee for that Shared Resource shall cease to be payable from the date the particular premises or assets cease to be a Shared Resource.
- (d) Subject to the foregoing, the arrangement relating to the Shared Resources as a whole will only terminate if and at the same time as, this agreement is terminated in accordance with clause 12. Any such termination shall be without prejudice to the rights, liabilities or obligations of either party which have accrued up to the date of termination.

10.7 Transitional Arrangements

During the period from the date on which a termination notice is given pursuant to clause 10.6 (or clause 12) to the date on which it becomes effective, the parties will work together in good faith in relation to disengaging HBS from the Shared Resources.

11 REPRESENTATIONS AND WARRANTIES

Each party represents and warrants to the other party that:

- (a) *Status:* it is a company duly incorporated and validly existing under the laws of New Zealand;
- (b) *Power and authority:* it has:
 - (i) the power to enter into, and exercise its rights and perform and comply with its obligations under this agreement; and



- (ii) taken all necessary action to authorise the entry into, and the performance of all its obligations under, this agreement;
- (c) *No conflicts:* neither the execution and delivery of this agreement nor the exercise of any right or the performance or observance of any obligation under this agreement or any transactions contemplated by it will:
 - (i) violate or contravene any law to which it is subject;
 - (ii) conflict with, or result in any breach of, any agreement, document, arrangement, obligation or duty to which it is a party or by which it or any of its assets may be bound; or
 - (iii) violate any of the documents constituting it or cause any limitation on any of its powers or on the right or ability of its directors to exercise those powers, to be exceeded;
- (d) *Authorisations:* all authorisations required by it or otherwise appropriate for it to obtain in connection with the entry into, execution and performance by it and the validity and enforceability of this agreement and the transactions contemplated by it have been obtained or effected and are in full force and effect and there are no qualifications or limitations affecting those authorisations which have not been notified to the other parties; and
- (e) *Enforceability:* its obligations under this agreement are legal, valid and binding and enforceable against it, in accordance with its terms, subject to applicable bankruptcy, re-organisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject also (as to enforceability) to equitable principles of general application regardless of whether enforcement is sought in a proceeding in equity or at law.

12 TERM AND TERMINATION

12.1 Term

This agreement shall commence on the Effective Date, and shall continue in effect until terminated. In the event the Effective Date does not occur by 31 December 2011, this agreement shall be void.

12.2 Termination by Notice

- (a) Subject to 12.2(b), this agreement may be terminated at any time, with or without cause, by either party giving not less than 3 months' written notice of termination to the other party, provided that notice of termination may not be given until at least 12 months have elapsed following the Effective Date.
- (b) Prior to notice of termination being given pursuant to clause 12.2(a), the Chief Executive Officer of the party contemplating giving such notice of termination (*the Terminating Party*) must give notice of their intention to terminate this agreement to the Chief Executive Officer of the other party.



12.3 Termination Events

A party (*the Terminating Party*) may immediately terminate this agreement upon written notice to the other party (*the Other Party*) if any of the following events occur:

- (a) the Other Party fails to remedy a material breach of its obligations under this agreement within 30 days of written notice of the breach being given by the Terminating Party;
- (b) there is a breach of any representation or warranty given by the Other Party under this agreement and the Other Party fails to remedy the circumstances giving rise to that breach of representation or warranty within 30 days of written notice of the breach being given by the Terminating Party;
- (c) an order is made, a resolution is passed, or proceedings are commenced for the dissolution, liquidation or administration of the Other Party, except where the Terminating Party has given its prior written consent;
- (d) the Other Party has a liquidator, administrator, receiver or receiver and manager appointed to it;
- (e) any step is taken, or recommendation made, to appoint a statutory manager under the Corporations (Investigation and Management) Act 1989 in respect of the Other Party, or the Other Party or an associated person (as that term is defined in that Act) of the Other Party is declared at risk under that Act;
- (f) by reason of actual or anticipated financial difficulties, the Other Party enters into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class of them;
- (g) the Other Party is unable to pay its debts as they fall due; or
- (h) there is a change in control of the Other Party, other than as a consequence of a transaction involving the sale of securities listed on the New Zealand Stock Exchange (excluding, for the avoidance of doubt, a takeover under the Takeovers Code).

12.4 Effect of Termination

In the event that this agreement is terminated by either party pursuant to this clause, the termination will not affect:

- (a) HBS's ongoing obligation to pay all fees and commissions payable to PGW under this agreement which accrued prior to the date of that termination;
- (b) any other rights or obligations of either party which accrued prior to or in connection with the termination of this agreement; or
- (c) the obligations of the parties under clauses 12, 13 and 14.



12.5 PWF Websites

- (a) On the Effective Date HBS shall deliver to PGW all documents necessary to transfer ownership of the PWF Websites from HBS to PGW, duly executed by HBS but undated (*Website Transfer Documents*), to be held in escrow by PGW pending termination of this agreement.
- (b) In the event that this agreement is terminated by either party pursuant to this clause 12:
 - (i) PGW shall be entitled to date the *Website Transfer Documents* as at the date of termination and shall be entitled to register the *Website Transfer Documents*, thus effecting the transfer of the PWF Websites from HBS to PGW or its nominee and HBS will no longer use the PWF Websites; and
 - (ii) for a period of 12 months from the date registered ownership of the PWF Websites is transferred to PGW or its nominee, PGW will amend the PWF Websites so that the PWF Websites allow customers to elect to either be transferred to a HBS Group website previously nominated by HBS in writing to PGW or to any website of a PGW Company and no other material marketing information of either the HBS Group or a PGW Company is contained on the PWF Website.

13 NOTICES

13.1 Notices to be in Writing

Any notice to be made under or in connection with this agreement shall be in writing and addressed to the party to whom it is to be given at the address or facsimile number from time to time designated by that party in writing to the other party. Until any other designation is given the address and facsimile number of each party is as set out beneath its name on the execution page at the end of this agreement.

13.2 Manner of Delivery

Delivery of notices may be effected by hand, by fastpost or airmail with postage prepaid, or by facsimile.

13.3 Deemed Delivery

Any notice given under this agreement shall be deemed to have been received:

- (a) at the time of delivery, if delivered by hand;
- (b) on the 2nd Business Day after the date of mailing, if sent by fastpost or airmail within New Zealand with postage prepaid;
- (c) on the day on which the transmission is sent, if sent by facsimile. However, if the date of transmission is not a Business Day or the transmission is sent after 4pm on a Business Day then the notice will be deemed to have been received on the next Business Day after the date of transmission. If there is any dispute or difference between the parties over the fact of transmission in any particular case, production by the sender of a confirmation of clear



transmission shall be conclusive evidence of transmission and shall bind the parties accordingly. Any deemed delivery by facsimile transmission must also be promptly followed up by delivery by hand or by mail.

14 CONFIDENTIALITY

14.1 Confidential Information

Each party must at all times keep the terms of this agreement and the other party's Confidential Information strictly private and confidential, and shall not disclose the same except:

- (a) to any regulatory agencies, financial institutions, legal advisors, accountants or consultants of the disclosing party;
- (b) to officers and employees to the extent necessary to enable the disclosing party to obtain the benefit of and perform its obligations under this agreement;
- (c) where disclosure is required by law or the listing rules of the New Zealand Stock Exchange;
- (d) for the purpose of giving effect to that party's rights or fulfilling that party's obligations under this agreement;
- (e) where the information is or becomes available in the public domain without breach by that party of its confidentiality obligations under this clause or at law; or
- (f) the other party agrees in writing to such disclosure.

14.2 Use of Confidential Information

Neither party may make any copies of or use the other party's Confidential Information except where essential so as to obtain the benefit of or perform an obligation under this agreement.

14.3 Return of Confidential Information

Following termination of this agreement, each party will immediately on request, return all of the other party's Confidential Information and in respect of which the other party has made such a request and destroy or permanently erase all copies of such Confidential Information made by the recipient.

14.4 Continuing Obligations

The obligations in this clause shall survive termination of this agreement.

15 NATURE OF RELATIONSHIP

In performing its obligations, and exercising its rights, under this agreement, neither party:

- (a) is a partner, agent or employee of the other party; or



- (b) may hold itself out as, or engage in conduct which would lead others to believe that it is, the provider of the other party's products or that it is the partner, agent or employee of the other party.

16 FORCE MAJEURE

16.1 Force Majeure

Notwithstanding any other provision of this agreement, non-performance by either of the parties of any of its obligations (other than to pay money) under this agreement will be excused, without liability for that non-performance, during the time and to the extent that performance of the obligation is prevented, wholly or substantially, by a Force Majeure Event.

16.2 Notification

The party claiming the benefit of this clause (*the Affected Party*) must promptly give written notice to the other party. The notice must:

- (a) specify the obligations it cannot perform;
- (b) fully describe the Force Majeure Event;
- (c) estimate the time during which the Force Majeure Event will continue; and
- (d) specify the measures proposed to be adopted to remedy or abate the Force Majeure Event.

16.3 Mitigation

The Affected Party must take all reasonable steps to remedy or abate the Force Majeure Event. However, this clause does not require the Affected Party to settle any strike, lockout or other industrial disturbances against its will.

16.4 Resumption of Performance

Performance of any obligation affected by a Force Majeure Event must be resumed as soon as reasonably possible after the termination or abatement of the Force Majeure Event.

17 MISCELLANEOUS

17.1 Personal Information

Recognising that the arrangements contemplated by this agreement may involve either party accessing personal information relating to the other party's customers and employees, each party will observe, to the extent relevant and required by law, the Information Privacy Principles specified in section 6 of the Privacy Act 1993.

17.2 Costs and Expenses

Each party is to meet its own legal, accounting and other professional and advisory expenses incurred in relation to the negotiation, preparation and execution of this agreement and any amendments to it.



17.3 Assignment

Other than as expressly provided in this agreement, no party shall transfer, assign, or create any Encumbrance over any rights or obligations in this agreement without first obtaining the written consent of the other party.

17.4 Entire Agreement

This agreement constitutes the entire agreement between the parties in relation to its subject matter. It supersedes and extinguishes all earlier negotiations, understandings and agreements, whether oral or written, between the parties in relation to its subject matter.

17.5 Partial Invalidity

If, at any time, any provision of this agreement is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or Impaired.

17.6 Waiver

No failure to exercise and no delay in exercising any right, power or remedy of a party will operate as a waiver. Nor will any single or partial exercise of any right, power or remedy preclude any other or further exercise of that or any other right, power or remedy.

17.7 Amendment

No amendment to this agreement shall be effective unless it is in writing and signed by both parties.

17.8 Governing Law

This agreement shall be governed by, and construed in accordance with, the laws of New Zealand.

17.9 Counterparts

This agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute the same instrument.

EXECUTION

PGG Wrightson Limited by:

Director

Director

Heartland Building Society by:

Director

Director



17.3 Assignment

Other than as expressly provided in this agreement, no party shall transfer, assign, or create any Encumbrance over any rights or obligations in this agreement without first obtaining the written consent of the other party.

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17.6 Waiver

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EXECUTION

PGG Wrightson Limited by:

Director

Director

Heartland Building Society by:



Director



Director



SCHEDULE 1

Approved Products and Services

Credit Facilities

All credit facilities for the purpose of financing:

- (a) Livestock Purchases
- (b) Working Capital
- (c) Farm Development
- (d) Plant and Machinery
- (e) Farmland purchasing

Debt Facilities

Call Deposits

Term Deposits

Savings Accounts

Transactional Banking



SCHEDULE 2

Shared Resources

Location	Shared Resources	Headcount at Location	Shared Resources Fee (plus GST)
cnr Dent and Findlayson Street, Whangarei	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 3.96% • Common areas and amenities¹ • Property Operational charges² • Landline telephones³ • Carparks# 	2	\$11,932.35
cnr Rostrevor and Vialou Street, Hamilton	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 6.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • Carparks# 	2	\$13,425.01
cnr White and Marguerita Street, Rotorua	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 8.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • Carparks# 	2	\$10,899.89



Location	Shared Resources	Headcount at Location	Shared Resources Fee (plus GST)
cnr Orchard & Maraekakaho Street, Hastings	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 1.4% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • Carparks# 	2	\$9,705.12
22-24 Hurlstone Drive, New Plymouth	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 4.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 1³ • Carparks# 	1	\$5,001.30
18 Manchester, Fielding	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 4.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • Carparks# 	2	\$8,061.52
38 Lincoln Road, Masterton*	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 3.96% • Common areas and amenities¹ • Property Operational charges² 	1*	\$6,820*



Location	Shared Resources	Headcount at Location	Shared Resources Fee (plus GST)
	<ul style="list-style-type: none"> • Landline telephones 1³ • Carparks# 		
46 Wynen Street, Blenheim	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 7.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • Carparks# 	2	\$18,047.41
401 Blenheim Road, Christchurch	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 4.63% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 6³ • Carparks# 	6	\$17,085.60
30-46 Tancred, Ashburton	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 6.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • Carparks# 	2	\$11,766.48
226 Evans Street, Timaru	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 6.0% 	3	\$7,158.98



Location	Shared Resources	Headcount at Location	Shared Resources Fee (plus GST)
	<ul style="list-style-type: none"> • Common areas and amenities¹ • Property Operational charges² • Landline telephones 3³ • Carparks# 		
230 Thames Street Oamaru	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 7.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 3³ • Carparks# 	3	\$15,960.65
149 Vogel Street, Dunedin	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 3.96% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • 0 carparks 	2	\$9,119.35
175 Vogel Street, Dunedin	<ul style="list-style-type: none"> • 1 Carpark 		\$1,196.00
85-87 Tarbet Street, Alexandra	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 5.25% • Common areas and amenities¹ • Property Operational charges² 	1	\$6,266.47



Location	Shared Resources	Headcount at Location	Shared Resources Fee (plus GST)
	<ul style="list-style-type: none"> • Landline telephones 1³ • Carparks# 		
45-46 Medway Street, Gore	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 3.21% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 2³ • 2 carparks 	2	\$5,880.63
232 Dee Street, Invercargill	<ul style="list-style-type: none"> • Office space as a percentage of occupancy = 6.0% • Common areas and amenities¹ • Property Operational charges² • Landline telephones 3³ • Carparks# 	3	\$18,035.46

* For the term of the secondment arrangements contained in the transitional services agreement between PGW and CBS, this cost shall be met by PGW as per Schedule 2 part B of the transitional services agreement.

All finance managers have access to current car parking arrangements at the location specified and access to car parking for other staff will not differ materially from the arrangements in place at the date of this agreement.

¹ Common areas and amenities – include, where available, meeting rooms, lunch room / kitchen and bathroom



² Property Operational Charges – where applicable, includes rent, power, rates, building insurance, repairs & maintenance, security, building compliance, cleaning, cafe and hygiene consumables and hygiene services

³ Landline telephones – 1 per headcount



SCHEDULE 3

Terms of Trade Mark Licence

1 TERM AND CONSIDERATION

1.1 Term

The Trade Mark Licence will commence on the Effective Date and continue in force until validly terminated in accordance with clause 7 of this schedule or at law.

1.2 Consideration

The consideration for the licence granted under this agreement is the sum of NZ\$1, receipt of which PGW hereby acknowledges.

2 QUALITY CONTROL AND USE OF TRADE MARKS

2.1 General use

HBS must:

- (a) use the Trade Marks only as permitted by this agreement and must not use the Trade Marks on or in relation to any products or services which are not part of the Business or for any purpose outside the purposes of the Business;
- (b) when reasonably requested by PGW in writing, use the Trade Marks in a manner that gives clear notice to HBS's customers and the public that the Trade Marks are licensed to HBS by PGW;
- (c) comply with all of the Brand Standards;
- (d) without limitation to HBS's obligations in clause 2.1(c) of this schedule, only use the Trade Marks in the form depicted in schedule 4, as amended from time to time in accordance with clause 2.5 of this schedule, and not in any other manner except as otherwise agreed; and
- (e) not use the Trade Marks in combination with any advertising materials promoting PGW Exclusive Services other than PGW Exclusive Services promoted by a PGW Company.

2.2 Quality standards

HBS must:

- (a) ensure that the Trade Marks are not used in a manner, or for or in connection with products and services that by their nature or quality or the manner in which they are provided or supplied, would materially lessen the level of



goodwill, reputation and standing which attached to the Trade Marks immediately prior to the date of this agreement;

- (b) not do or fail to do anything which may:
 - (i) in a material manner discredit the Trade Marks or endanger the value, validity or goodwill of the Trade Marks to a material degree or bring the Trade Marks or PGW into disrepute; and/or
 - (ii) in PGW's reasonable opinion damage or be likely to damage, PGW's brand and reputation; and
- (c) treat the Trade Marks with at least the same degree of care as HBS would if it were the owner of the Trade Marks.

2.3 Verification

HBS will provide PGW, upon PGW's request, with samples of how HBS (and/or members of the Licensee Group) uses the Trade Marks so as to permit PGW to verify HBS's compliance with the provisions of clauses 2.1 and 2.2.

2.4 Approved Products and Services

HBS is permitted to use the Trade Marks in connection with the Approved Products and Services (and such use shall not require further approval from PGW). PGW acknowledges that HBS is not required to use the Trade Marks in connection with the Approved Products, but may do so pursuant to and in accordance with the terms of the Trade Mark Licence.

2.5 Co-branding

HBS must not use the Trade Marks in conjunction with other trade marks (other than trade marks owned by the HBS Group) which do not form part of the Trade Marks (whether or not registered), except as otherwise permitted by PGW giving its prior written consent.

2.6 Change in Brand

PGW may from time to time by reasonable notice (having regard to the type and quantity of branded material reasonably held by HBS) in writing to HBS:

- (a) vary the form or style of the Trade Marks;
- (b) Include new trade marks in the licensed Trade Marks; and/or
- (c) remove trade marks from the licensed Trade Marks,

and schedule 4 shall be deemed to be amended accordingly upon the date of PGW's notice. HBS must commence using the Trade Marks or cease using any trade marks that are no longer Trade Marks as soon as reasonably practicable following receipt of



PGW's notice (having regard to the type and quantity of branded material reasonably held by HBS) and otherwise in accordance with the terms of this agreement.

3 OWNERSHIP

3.1 Right, Title and Interest

HBS acknowledges that:

- (a) all right, title and interest in and to the Trade Marks (including any modifications and improvements to the Trade Marks) is, and will remain, vested exclusively in PGW;
- (b) it does not have and will not acquire or claim any right, title or interest in or to the Trade Marks or the goodwill attaching to the Trade Marks except for the rights of use expressly licensed to HBS under this agreement; and
- (c) all goodwill in the Trade Marks arising from the use of the Trade Marks by HBS will enure for the benefit of PGW.

3.2 Licensee's Confirmations

HBS will not:

- (a) challenge, contest or oppose the validity of PGW's right, title and interest to the Trade Marks licensed under this agreement including PGW's ownership of any application for or registration of any of the Trade Marks;
- (b) do or omit to do any act or thing which will in any way impair or have a detrimental impact on PGW's rights in or to the Trade Marks; or
- (c) at any time without obtaining the prior written consent of PGW register, or apply to register, any trade mark which incorporates the Trade Marks (or any variation of them).

4 NO ENCUMBRANCES

Unless PGW has given its prior written consent, HBS must not create, or permit to subsist, any Encumbrance whatsoever over this agreement or over HBS's rights or interest in or to the Trade Marks, except any Encumbrance which is over all, or substantially all, of the business assets of HBS or which arises solely by operation of law or in the ordinary course of, and for the purposes of carrying on, HBS's ordinary business.



5 MAINTENANCE OF TRADE MARKS

5.1 Licensor's obligations

To the extent any Trade Marks are, or become, registered PGW will use reasonable endeavours during the term of this agreement to maintain and prosecute any applications or registrations in relation to the Trade Marks and pay all fees required to renew any registrations of the Trade Marks.

5.2 Licensee to provide assistance

HBS will (and will procure that any other member of Licensee Group will) promptly on request of PGW do all things reasonably required by PGW (at the reasonable expense of PGW) to register in New Zealand in the name of PGW (or its nominee) any applications for registration of the Trade Marks.

6 INFRINGEMENT

HBS must promptly notify PGW in writing if it becomes aware of:

- (a) any act, or suspected or threatened act, of infringement, passing off, unfair competition or breach of the Fair Trading Act 1986 in relation to the Trade Marks;
- (b) any actual, threatened or suspected infringement of, or challenge to, the Trade Marks

(together, an *Infringement*) as soon as that Infringement comes to HBS's notice. HBS will immediately (at PGW's expense) do everything that PGW reasonably requires to assist PGW in pursuing or defending any proceedings in relation to any Infringement.

7 TERMINATION

The Trade Mark Licence will automatically terminate upon termination of this agreement.

8 EFFECT OF TERMINATION

On and following termination of the Trade Mark Licence, all rights granted to HBS in respect of the Trade Marks will immediately cease and:

- (a) HBS must immediately cease to use, reproduce or exploit the Trade Marks (or any trade mark or representation identical to or confusingly similar to the Trade Marks) in any way;
- (b) HBS must not represent that it has any association with PGW or do anything (or omit to do anything) which is likely to lead any person to consider that HBS is permitted to use the Trade Marks, the trade mark PGG WRIGHTSON, or is in any way connected with PGW;



(c) HBS must, in accordance with, and at the times specified in, clause 12.5 of this agreement, execute all documents and do all things necessary to cancel, change or transfer to PGW, any domain name incorporating the words PGG WRIGHTSON,

and HBS will procure that any person controlled by HBS, or for which HBS is responsible, or that is a member of Licensee Group, also does so.



SCHEDULE 4

Trade Marks

PGG Wrightson

PGG WRIGHTSON



PGG WRIGHTSON



PGG WRIGHTSON FINANCE



SCHEDULE 5

Commissions

1. Definitions

In this schedule 5 capitalised terms shall have the meaning given to them by this agreement and:

Call Deposit Debt Security means a Debt Security, issued by a member of the HBS Group to an Existing Customer or Referred Customer, that is an indefinite deposit subject to withdrawal by the depositor on demand, including, without limitation, call deposit accounts, rural saver accounts, savings optimiser accounts and credit balance current accounts;

Call Deposit Rate means 0.15% per annum;

Credit Facility means facilities for the provision of New Zealand dollar denominated credit provided by a member of the HBS Group to an Existing Customer or Referred Customer in New Zealand and, for the avoidance of doubt, does not include Terms of Trade Dealings;

Credit Facility Rate means 1.00% per annum;

Referred Customer shall have the meaning given to that term in clause 1.1 of this agreement, provided that for the purposes of this schedule 5 *Referred Customer* shall not include any person who was a customer of the HBS Group or an Existing Customer, in each case on the Effective Date;

Term Deposit Debt Security means a Debt Security, issued by a member of the HBS Group to an Existing Customer or Referred Customer, which is a deposit for a fixed time period;

Term Deposit Rate means 0.3% per annum, provided that if the term of the relevant Term Deposit Debt Security is less than one year, this percentage shall be adjusted pro rata; and

Term Loan Rate means 0.15% per annum.

2. Commissions Payable

- (a) HBS agrees to pay commissions in consideration of the arranging services provided by PGW pursuant to this agreement, in accordance with clause 3 of this schedule 5:



- (i) on a monthly basis in an amount equal to the average daily ledger balance for that month of each Call Deposit Debt Security on issue at any time during that month multiplied by the Call Deposit Rate;
 - (ii) In an amount equal to the principal amount of each Term Deposit Debt Security issued during that month to Referred Customers (including any Term Deposit Debt Security issued to a Referred Customer by way of a rollover of an existing Term Deposit Debt Security) multiplied by the Term Deposit Rate;
 - (iii) In an amount equal to the principal amount of each Term Deposit Debt Security issued during that month to an Existing Customer multiplied by the Term Deposit Rate, provided that no commission shall be payable in respect of any Term Deposit Debt Security issued to an Existing Customer by way of a rollover of a Term Deposit Debt Security existing at the Effective Date;
 - (iv) on a monthly basis in an amount equal to the average daily ledger balance for that month of each Credit Facility (excluding term loans) outstanding at any time during that month multiplied by the Credit Facility Rate, provided that seasonal and/or transactional Credit Facilities provided to Existing Customers shall be excluded from the calculation contemplated by this clause 2(a)(iv); and
 - (v) on a monthly basis in an amount equal to the average daily ledger balance for that month of each Credit Facility that is a term loan to a Referred Customer outstanding at any time during that month multiplied by the Term Loan Rate.
- (b) Notwithstanding clause 2(a) of this schedule 5, no commissions shall be payable in respect of a Call Deposit Debt Security and/or Term Deposit Debt Security if the relevant security was issued as a result of the referral of the relevant customer by a securities broker or financial adviser to a HBS Group member.

3. Payment of Commissions

Subject to any written agreement to the contrary between the parties, within 15 Business Days of the end of each calendar month, HBS will:

- (a) provide PGW with a report (*Monthly Report*) setting out the daily ledger balances of each Call Deposit Debt Security and each Credit Facility during that month and the principal amount of each Term Deposit Debt Security on issue during that month (supported by such evidence to support such calculations as PGW might reasonably request) together with an invoice for the commissions payable for that month in respect of such Credit Facilities and Debt Securities (*Amount Payable*); and
- (b) pay the Amount Payable for that month to PGW without (and free and clear of any deduction for) set-off or counterclaim except in accordance with clause 4 of this schedule 5.



4. **Adjustment for early redemption**

If any Term Deposit Debt Security is repaid by the HBS Group before the end of the scheduled term of that Term Deposit Debt Security at the instruction or request of the customer, PGW will repay a pro rata proportion of the commission paid in respect of such Term Deposit Debt Security. The parties agree that HBS may set off from amounts owed by HBS to PGW in accordance with this schedule 5 any amount owed by PGW to HBS pursuant to this clause 4 of schedule 5.

5. **GST**

The parties agree that the commissions payable under this agreement are inclusive of GST, if any.

6. **Audit**

If so requested by PGW (which request may not be made more than once in any 12 month period):

- (a) an independent expert appointed by PGW will audit HBS's compliance with this schedule 5; and
- (b) HBS will provide PGW with such information as PGW may reasonably request in order to audit the Monthly Reports provided by HBS and the calculations of fees and commissions payable by HBS pursuant to this schedule 5.

PGW will be responsible for all costs and expenses of the independent expert under this clause 6 of schedule 5, except where the independent expert identifies material mistakes or miscalculations or misreporting in the Monthly Reports and/or the calculations of fees and commissions payable by HBS pursuant to this schedule 5, in which event HBS shall be responsible for all costs and expenses of the Independent expert under this clause 6 of schedule 5.

**Supplemental Deed to the Crown
Bank Guarantee
(Non-Bank Deposit Taker)**

Her Majesty the Queen in right of New Zealand

and

PGG Wrightson Finance Limited

Date: 17 June 2010

2010

PARTIES

Her Majesty the Queen in right of New Zealand acting by and through the Minister of Finance (*Crown*)

PGG Wrightson Finance Limited (*Principal Debtor*)

BACKGROUND

- A This Deed is supplemental to and amends a deed dated 1 April 2010 made between the Crown, acting by and through the Minister of Finance, and the Principal Debtor, under which the Crown agreed to guarantee certain obligations of the Principal Debtor (the *Deed of Guarantee*).
- B The Crown and the Principal Debtor are now desirous of making certain amendments to the Deed of Guarantee to reflect the intentions of the parties at the time they executed the Deed of Guarantee.

THE PARTIES AGREE as follows:

1 INTERPRETATION

1.1 Definitions

In this Deed (including the Background), unless the context otherwise requires, words which are defined in the Deed of Guarantee have the same meaning in this Deed.

1.2 Construction

In this Deed, unless the context requires otherwise, words shall be construed in the same manner as under clause 1.2 of the Deed of Guarantee.

2 AMENDMENTS TO THE DEED OF GUARANTEE

The Deed of Guarantee is hereby amended, and shall be deemed to have been amended with effect from the Execution Date, by deleting the definition of "Excluded Security" in clause 1.1 and replacing it with the following definition:

"*Excluded Debt Security* means:

- (a) a Debt Security which:
 - (i) is or was issued prior to the Guarantee Period pursuant to the terms of a registered prospectus or an investment statement under the Securities Act 1978 which states or stated that the

Debt Security is an "Excluded Security" or "Excluded Debt Security" for the purposes of the deed of guarantee between the Crown and the Principal Debtor dated 8 December 2009 ("Previous Deed") and that accordingly none of the obligations of the Principal Debtor in respect of that Excluded Debt Security have the benefit of the "Crown Guarantee" under the Previous Deed; or

(ii) Is issued during the Guarantee Period pursuant to the terms of a registered prospectus or an investment statement under the Securities Act 1978 which states that the Debt Security is an "Excluded Debt Security" for the purposes of this Deed and that accordingly none of the obligations of the Principal Debtor in respect of that Excluded Debt Security have the benefit of the Crown Guarantee; and

(b) any other Debt Security which the Crown, in its sole discretion (and on such conditions, if any, as it may specify) agrees or has agreed with the Principal Debtor, prior to that Debt Security being offered to any Person by or on behalf of the Principal Debtor, will be an Excluded Debt Security for the purposes of this Deed (and/or an "Excluded Security" or "Excluded Debt Security" for the purposes of the Previous Deed), and that accordingly none of the obligations of the Principal Debtor in respect of that Excluded Debt Security have the benefit of the Crown Guarantee (and/or the "Crown Guarantee" under the Previous Deed)."

3 CONFIRMATION

The Deed of Guarantee shall continue in full force and effect, and the Crown and the Principal Debtor confirm their respective obligations, covenants, rights and powers under the Deed of Guarantee, as the same may be modified, altered or varied by this Deed.

EXECUTED AND DELIVERED as a Deed by

Her Majesty the Queen in right of)
New Zealand acting by and through)
Dr Brian McCulloch for and on behalf of the)
Minister of Finance in the presence of:)



Dr Brian McCulloch

Witness' signature: )

Witness' occupation: Solicitor)

Witness' address: Wellington)

PGG Wrightson Finance Limited by:

Michael Thomas

Signature of Director

MICHAEL THOMAS

Name of Director

J.M. Miles

Signature of Director

J.M. MILES

Name of Director