



Pyne Gould Corporation

**PYNE GOULD CORPORATION LIMITED**

# NOTICE OF MEETING AND INFORMATION MEMORANDUM

**RELATING TO THE PROPOSED DISTRIBUTION OF SHARES  
IN BUILDING SOCIETY HOLDINGS LIMITED**

29 APRIL 2011



THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

YOU SHOULD READ THE WHOLE DOCUMENT BEFORE DECIDING WHETHER AND HOW TO VOTE ON THE SPECIAL RESOLUTION TO APPROVE THE DISTRIBUTION.  
IF YOU ARE IN ANY DOUBT AS TO ANY ASPECT OF THE DISTRIBUTION, YOU SHOULD CONSULT YOUR FINANCIAL, INVESTMENT AND/OR LEGAL ADVISOR.



## IMPORTANT INFORMATION

*(The information in this section is required under the Securities Act 1978.)*

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

### CHOOSING AN INVESTMENT

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

*What sort of investment is this? (pages 24 to 25)*

*Who is involved in providing it for me? (page 25)*

*How much do I pay? (page 25)*

*What are the charges? (page 25)*

*What returns will I get? (pages 25 to 27)*

*What are my risks? (pages 27 to 32)*

*Can the investment be altered? (page 32)*

*How do I cash in my investment? (page 32)*

*Who do I contact with inquiries about my investment?  
(page 32)*

*Is there anyone to whom I can complain if I have problems with  
the investment? (page 32)*

*What other information can I obtain about this investment?  
(pages 32 to 33)*

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

### ENGAGING AN INVESTMENT ADVISER

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

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

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

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and

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

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

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

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

This is an investment statement for the purposes of the Securities Act, prepared as at 29 April 2011.

### WHY HAVE I BEEN SENT THIS INFORMATION MEMORANDUM?

This Information Memorandum has been sent to you because, as a PGC Shareholder, you are entitled to vote whether to approve the distribution by PGC of shares in BSH.

A special resolution to approve the Distribution will be sought from PGC Shareholders at the Special Meeting to be held at 2:00pm on 18 May 2011.

You are encouraged to read all of the materials provided to you and to vote at the Special Meeting by attending in person or by sending your Voting/Proxy Form to the Share Registrar.

If you are not attending the Special Meeting but wish to vote, your Voting/Proxy Form must be returned to the Share Registrar by 2:00pm on 16 May 2011.

### DEFINITIONS

Capitalised terms used in this Information Memorandum have the specific meaning given to them in the Glossary.



Pyne Gould Corporation

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# SECTION 1: NOTICE OF MEETING AND EXPLANATORY NOTES

## NOTICE OF MEETING OF THE SHAREHOLDERS OF PYNE GOULD CORPORATION LIMITED

### To approve the proposed distribution of shares in Building Society Holdings Limited pursuant to a Court approved scheme of arrangement

NOTICE IS GIVEN that a special meeting of PGC Shareholders will be held at the Show Gate Lounge, Riccarton Park, 165 Racecourse Road, Christchurch on 18 May 2011 commencing at 2:00pm, to consider and, if thought fit, pass the special resolution set out below.

### RESOLUTION: APPROVAL OF DISTRIBUTION OF BUILDING SOCIETY HOLDINGS LIMITED SHARES

It is hereby resolved, by way of a single special resolution, to:

1. Approve, for all purposes, the scheme plan enclosed in the Notice of Meeting and Information Memorandum dated 29 April 2011 (*Scheme Plan*) and all of the transactions contemplated by the Scheme Plan, including in particular the in specie distribution of shares in Building Society Holdings Limited in consideration for the cancellation of shares in Pyne Gould Corporation Limited pursuant to a scheme of arrangement under Part 15 of the Companies Act 1993.
2. Authorise the Directors to take all action, execute all documents and agreements and do all other acts, matters and things necessary, or considered by the directors to be desirable, to give effect to this special resolution and to the transactions contemplated by, or necessary to give effect to, the Scheme Plan.

By order of the Board

**Bruce Irvine**  
Chairman



## EXPLANATORY NOTES

### Resolution

The resolution being put to PGC Shareholders seeks approval of the Scheme Plan, which is included in this Information Memorandum, and all of the transactions contemplated by the Scheme Plan, including in particular the Distribution pursuant to which PGC Shareholders will receive the Distribution Shares in consideration for the cancellation of PGC Shares.

### **The special resolution, if passed, will be binding on all PGC Shareholders**

Further detail in respect of the timing, process and terms of the Distribution is included in this Information Memorandum.

As required by the initial Court orders granted in respect of the Scheme, the resolution will be put as a special resolution and, if passed, will be binding on all PGC Shareholders. A special resolution of PGC means a resolution approved by at least 75% of the votes of those PGC Shareholders entitled to vote and voting on the resolution.

Approval of the Distribution is also required under Listing Rule 9.1 because the gross value of the Distribution is likely to be in excess of 50% of the average market capitalisation of PGC. In addition, the Distribution will result in a change in the essential nature of the business of the PGC Group taken as a whole as PGC will cease to have a controlling interest in a subsidiary that provides financial services of the kind provided by the BSH Group. For Listing Rule purposes, such approval can be given by a resolution approved by a simple majority of the votes of those PGC Shareholders entitled to vote and voting on the resolution. This requirement will be satisfied if the special resolution is approved by the requisite majority.

### Entitlement to Vote

The persons entitled to vote at the Special Meeting are those persons registered as PGC Shareholders as at 5:00pm on 17 May 2011.

### Quorum

The quorum for the meeting is twelve PGC Shareholders having the right to vote at the Special Meeting, present in person or by representative. If within 30 minutes after the time appointed for the Special Meeting a quorum is not present, the Special Meeting shall be adjourned to the same day in the following week at the same time and place (or to such other date, time and place as the Board may appoint) and, if at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting, the PGC Shareholders or their representatives present will constitute a quorum.

### Voting

Voting at the meeting shall be decided by a poll of PGC Shareholders qualified to vote.

Every PGC Shareholder entitled to vote who is present at the Special Meeting in person or by proxy, attorney or representative shall have one vote in respect of every fully paid PGC Share held by that PGC Shareholder as at 5:00pm on 17 May 2011.

PGC Shareholders are not permitted to exercise their right to vote at the Special Meeting by casting a postal vote. PGC Shareholders who are unable to attend the Special Meeting can appoint a proxy to vote on their behalf at the Special Meeting, and direct that proxy how to vote, by returning a Voting/Proxy Form completed in accordance with its instructions.

A PGC Shareholder who is an individual may vote personally or by his/her representative (being a person appointed by an instrument by way of proxy or by power of attorney). A PGC Shareholder that is a company may vote by its representative (being a person appointed by an instrument by way of proxy or power of attorney or a person authorised by the directors of that shareholder company). A representative need not be a PGC Shareholder and shall have the right to speak at the Special Meeting.

Where two or more persons are registered as the holder of a PGC Share, the votes of the person named first in the share register and voting on the matter must be accepted to the exclusion of the votes of the other joint holders.

A Voting/Proxy Form for use at the Special Meeting is enclosed with this Information Memorandum. See the instructions on the Voting/Proxy Form for an explanation of how to use the Voting/Proxy Form. You should bring the Voting/Proxy Form to the meeting as it also constitutes your voting paper.

If the Special Meeting is adjourned, a Voting/Proxy Form received from a PGC Shareholder for the Special Meeting will stand, unless a further Voting/Proxy Form is received from that PGC Shareholder which directs their proxy to vote in a different manner at the adjourned meeting.

If you have decided how you will vote on the resolution and do not intend to attend the Special Meeting, you should complete and sign the Voting/Proxy Form and deposit it with PGC in accordance with the instructions on the Voting/Proxy Form so as to be received by no later than 2:00pm on **16 May 2011**.



**Objection Rights Relating to the Scheme**

PGC Shareholders have the right to appear and be heard at the hearing for the Final Court Orders in respect of the Scheme. The Court makes the final decision of whether or not to implement the Scheme and can decide not to grant the Final Court Orders. If the Scheme is approved by PGC Shareholders, then the application for Final Court Orders will be made on or about 20 May 2011.

Any PGC Shareholder who wishes to appear and be heard on the application for Final Court Orders must file a notice of appearance or a notice of opposition (both containing an address for service) and, if they oppose the application for Final Court Orders, any affidavits and a memorandum of submissions on which they intend to rely by 5:00pm on 16 May 2011 and on the same day serve a copy on each of PGC and MFSL at their address for service. PGC and MFSL will serve upon that PGC Shareholder, at their address for service, a copy of the affidavits in support of the application for Final Court Orders by 5:00pm on 18 May 2011 and any affidavits in support that are sworn after that date will be provided promptly to the same address for service. If the application is opposed, it will proceed for hearing at a date to be fixed by the Court.

## SECTION 2: HIGHLIGHTS

Pursuant to a Court approved scheme of arrangement, PGC is seeking to:

- distribute 216,630,283 NZSX listed BSH Shares<sup>1</sup> to PGC Shareholders (being all of the BSH Shares acquired by the PGC Group under the Merger); and
- in consideration for the Distribution, cancel 73.2% of the PGC Shares held by each PGC Shareholder at 5:00pm on the Record Date (rounded to the nearest whole number), being approximately 591,689,926 PGC Shares in aggregate.

### HOW DID YOU DETERMINE HOW MANY BSH SHARES I WILL GET?

On a pro rata basis. There are 216,630,283 Distribution Shares and 808,319,571 PGC Shares. Pro rata distribution means PGC Shareholders will receive approximately 268 BSH Shares for every 1000 PGC Shares.

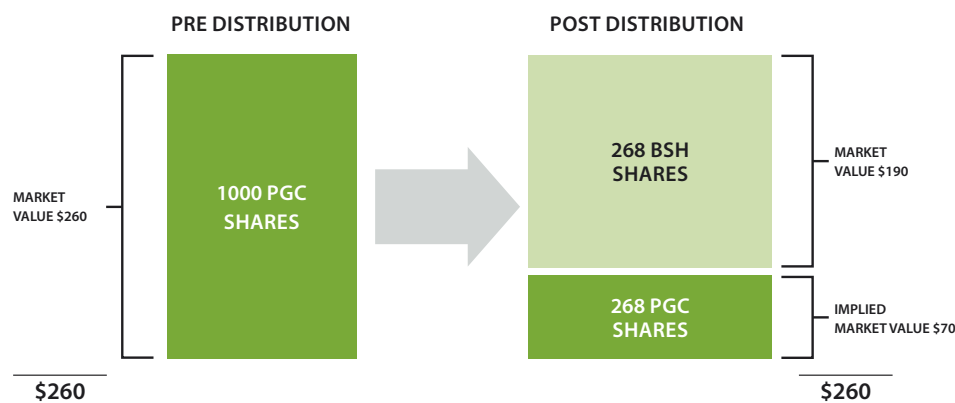
### HOW DID YOU DETERMINE THE PROPORTION OF PGC SHARES TO CANCEL?

On a value neutral basis. That is, the proportion of PGC Shares to be cancelled was set so that the market value of the PGC Shares to be cancelled approximated the market value of the BSH Shares to be distributed, determined by reference to the quoted price of PGC Shares and the quoted price of BSH Shares at the Determination Time. See the diagram below for further illustration.

### HOW MANY SHARES WILL I HOLD AFTER THE DISTRIBUTION?

Following the Distribution, on the Distribution Date, for every 1000 PGC Shares held by a PGC Shareholder at 5:00pm on the Record Date that PGC Shareholder will hold approximately 268 BSH Shares and 268 PGC Shares.

The diagram below illustrates the number of PGC Shares and Distribution Shares you will hold following the Distribution on the Distribution Date, and the value of those shares if the Distribution had occurred at the Determination Time (being 5:00pm on 8 April 2011).<sup>2</sup>



### IS MY PROPORTIONATE VOTING INTEREST IN PGC MAINTAINED?

Yes. The Distribution will have no effect on your proportionate voting interest in PGC.<sup>3</sup>

<sup>1</sup> BSH Shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Information Memorandum. NZX is a registered exchange regulated under the Securities Markets Act 1988.

<sup>2</sup> The market values and implied market value set out in the diagram are based on a BSH share price of \$0.71 per share, and a PGC share price of \$0.26 per share, at the Determination Time. Note that these were the respective share prices of PGC Shares and BSH Shares at the Determination Time, but are likely to change between the Determination Time and the Distribution Date and also once those securities trade following the Distribution. The market value of PGC Shares following the Distribution will change to reflect the value of the Distribution Shares distributed to PGC Shareholders.

<sup>3</sup> Subject to rounding in accordance with the Scheme Plan.

### WHAT WILL BE THE EFFECT OF THE DISTRIBUTION ON PGC'S FINANCIAL POSITION?

After the Distribution, PGC will have net assets of approximately \$195 million.<sup>4</sup> Further details in respect of the PGC Group as it will operate following the Distribution are set out in the *Profile of the PGC Group* section of this Information Memorandum.

### WHY SHOULD I VOTE IN FAVOUR OF THE DISTRIBUTION?

The Distribution is an important step in giving effect to PGC's strategy to return value to its shareholders. It will benefit PGC Shareholders by:

- resulting in the expected inclusion of BSH in the NZX50 index, as a result of BSH Shares being held by a broader range of investors than would otherwise be the case had PGC remained as a dominant shareholder (PGC's shareholding is currently disregarded by NZX for indexation purposes);<sup>5</sup>
- encouraging broader institutional investor interest in BSH Shares, and therefore improving institutional representation on the BSH share register, as a result of gaining entry into the NZX50 index;
- increasing the frequency and volume of trading in BSH Shares, due to BSH having a more diverse shareholder base, which should promote price discovery and help reduce pricing anomalies which can occur in less liquid stocks; and
- assisting PGC Shareholders and other prospective investors to better understand the remaining business operations of PGC after the Distribution as it continues to develop into an asset and wealth management business.

### KEY DATES<sup>6</sup>

Voting/Proxy Forms due to be returned by PGC Shareholders	2:00pm on 16 May 2011
Last day for notices of opposition or notices of appearance to Court in respect of the Scheme	16 May 2011
Special Meeting	2:00pm on 18 May 2011
Application for Final Court Orders made	20 May 2011
Trading halt on PGC Shares	From after market close on 23 May 2011 and ending at 5:00pm on 27 May 2011
Record Date for determining entitlements under the Distribution	27 May 2011
<b>Distribution Date</b> (Distribution Shares distributed and PGC Shares cancelled)	<b>30 May 2011</b>
Holding statements mailed to PGC Shareholders	No later than 7 June 2011

4 Based on the pro forma Statement of Financial Position for PGC as at 31 December 2010, included in this Information Memorandum.

5 As a result of the Distribution, PGC is expected to be removed from the NZX50 because it will not meet the free float capitalisation threshold for inclusion in the NZX50 index.

6 Dates are indicative only and may change and are subject to Court approval of the Scheme.



# SECTION 3: THE PROPOSED DISTRIBUTION

## BACKGROUND TO THE DISTRIBUTION

The Merger of the financial services businesses of MARAC, Southern Cross Building Society and Canterbury Building Society was successfully completed on 7 January 2011 and BSH (the parent of the new Heartland financial services group) was listed on the NZSX on 1 February 2011. Following completion of the Merger, PGC, through its wholly owned subsidiary MFSL, holds a 72.21% stake in BSH.

In addition to completing the Merger, and the continued transformation of MARAC as part of the Heartland strategy, PGC has put the building blocks in place to develop an asset and wealth management business, which comprises the primary business units of the Perpetual Group, the Torchlight Investment Group and the Property Group. More information regarding the PGC Group's business operations is contained in the *Profile of the PGC Group* section of this Information Memorandum.

In anticipation of the Merger, PGC undertook a strategic review of its operations to:

- determine the appropriate means to separate its assets involved in the Merger (MARAC and its 50% interest in MARAC JV Holdings, which owns MARAC Insurance) from its assets aligned with PGC's wealth management and trustee services businesses; and
- determine the appropriate mechanism to unlock shareholder value in PGC following the completion of the Merger and the listing of BSH on the NZSX.

As part of this review PGC announced its intention to distribute the 72.21% shareholding in BSH acquired by the PGC Group under the Merger to PGC Shareholders.

Subject to the approval of PGC Shareholders and the sanction of the Court, PGC will implement the Distribution on the Distribution Date.

Notwithstanding the proposed Distribution of all of the PGC Group's current 72.21% holding in BSH, it is possible that the PGC Group may acquire or be issued BSH Shares in the future.

## WHAT HAPPENS UNDER THE DISTRIBUTION?

PGC is seeking to distribute 216,630,283 BSH Shares (being all of the BSH Shares acquired by the PGC Group under the Merger) to PGC Shareholders in consideration for the cancellation of approximately 73.2% of PGC Shares on issue pursuant to a Court approved Scheme.

The Distribution Shares will be distributed pro rata to PGC Shareholders on the register at 5:00pm on the Record Date.<sup>7</sup>

## WHAT WILL YOU GET?

**At 8:00am on the Distribution Date, PGC Shareholders will receive approximately 268 Distribution Shares for every 1000 PGC Shares held at 5:00pm on the Record Date**

Statements recording your holdings in BSH and PGC following the Distribution are expected to be issued and mailed no later than 7 June 2011.

PGC Shareholders will receive an aggregate of 216,630,283 Distribution Shares. Based on there being 808,319,571 PGC Shares on issue on the Record Date, this reflects an entitlement of approximately 268 Distribution Shares for every 1000 PGC Shares.

PGC Shareholders on the register as at 5:00pm on the Record Date will be distributed Distribution Shares on the Distribution Date (currently anticipated to be 30 May 2011). In order to facilitate this, a trading halt will be applied to PGC Shares for 4 trading days prior to, and ending at, 5:00pm on the Record Date. The trading halt on PGC Shares will be lifted before the NZSX opens for trading on the Distribution Date.

<sup>7</sup> Fractional entitlements to Distribution Shares will be rounded down to the nearest whole number. If, following rounding, some of the Distribution Shares to be distributed to PGC Shareholders would not be distributed, those PGC Shareholders whose entitlements prior to rounding were closest to the nearest whole share will be transferred one additional Distribution Share until all of the Distribution Shares have been distributed.



**Cancellation of PGC Shares in Consideration for the Distribution**

In consideration for the Distribution, on the Distribution Date PGC will cancel 73.2% of the number of PGC Shares held by each PGC Shareholder at 5:00pm on the Record Date (rounded to the nearest whole share) in accordance with the Scheme Plan included in this Information Memorandum. This means that while the number of PGC Shares you hold will decrease, your percentage stake in PGC will not be affected by the Distribution, subject to rounding.

The percentage of PGC Shares to be cancelled on the Distribution Date was determined by reference to the quoted share prices at the Determination Time (being 5:00pm on 8 April 2011) as follows:<sup>8</sup>

- The aggregate market value (*BSH Value*) of the Distribution Shares (\$153,807,501) was calculated based on BSH’s quoted share price at the Determination Time (\$0.71).
- The aggregate market value (*PGC Value*) of all PGC Shares outstanding (\$210,163,088) was calculated based on PGC’s quoted share price at the Determination Time (\$0.26).
- The BSH Value was divided by the PGC Value, with the resultant quotient being equal to 73.2% (rounded to one decimal place).

As a result, in aggregate, approximately 591,689,926 PGC Shares will be cancelled (based on there being 808,319,571 PGC Shares on issue at that time).

Based on quoted share prices as at the Determination Time, 1000 PGC Shares had a market value of \$260. On a look through basis, had the Distribution occurred at the Determination Time, then immediately following the Distribution and cancellation of PGC Shares, those 1000 PGC Shares would have become:

- 268 BSH Shares with a market value of \$190
  - 268 PGC Shares with an implied market value of \$70
- |       |
|-------|
| \$260 |
|-------|

**WHAT DO YOUR DIRECTORS RECOMMEND?**

The Directors of PGC believe that the Distribution is in the best interests of PGC Shareholders. The Board unanimously recommends that PGC Shareholders vote to approve the Distribution.

**VOTES, DECISIONS AND CHOICES FOR SHAREHOLDERS**

**Who votes to approve the Distribution?**

The Distribution must be approved by special resolution of PGC Shareholders.

**What do I need to do?**

You should consider the materials circulated to you, decide whether you wish to approve the Distribution and vote at the Special Meeting accordingly.

**Do I have to vote?**

You do not have to vote, but you have a right to do so. Your Directors encourage you to read all of the documents carefully, to make a decision and to vote, either by proxy or by attending the Special Meeting.

The Special Meeting is to be held at 2:00pm, on 18 May 2011 at the Show Gate Lounge, Riccarton Park, 165 Racecourse Road, Christchurch.

**Who gets to vote?**

The persons entitled to vote at the Special Meeting are registered PGC Shareholders as at 5:00pm on 17 May 2011.

**How do I vote?**

Accompanying this Information Memorandum is a Voting/Proxy Form that you can use to vote on the resolution to approve the Distribution either by:

- attending the Special Meeting; or
- appointing someone to vote for you at the Special Meeting.

If you are not attending the Special Meeting but wish to vote, your Voting/Proxy Form must be returned to the Share Registrar by 2:00pm on 16 May 2011.

<sup>8</sup> Note that the respective share prices of PGC Shares and BSH Shares are likely to change between the Determination Time and the Distribution Date and also once those securities trade following the Distribution. The market value of PGC Shares following the Distribution will change to reflect the value of the Distribution Shares distributed to PGC Shareholders.

## TAXATION IMPLICATIONS RELATING TO THE DISTRIBUTION

A brief summary of the New Zealand taxation implications relating to the Distribution and the cancellation of PGC Shares is summarised below. PGC Shareholders should consult their own tax or financial advisor concerning the taxation implications in their particular circumstances of acquiring, holding and/or disposing of the Distribution Shares or PGC Shares.

As the Distribution to PGC Shareholders does not exceed PGC's available subscribed capital, and the cancellation of PGC Shares should satisfy certain "bright line tests" in the Tax Act, the Distribution should be treated as a return of capital and not as a taxable dividend for New Zealand income tax purposes.

PGC has obtained from the Commissioner of Inland Revenue notice that no part of the Distribution made on the cancellation of PGC Shares is in lieu of the payment of dividends, under section CD 22(8) of the Tax Act.

Notwithstanding this, the Distribution may still be taxable if the shares are held on "revenue account", which could arise in the following circumstances:

- where gains arise to a PGC Shareholder and that shareholder is a share dealer or trader;
- where gains arise to a PGC Shareholder and that shareholder carries on a business of buying and selling shares or those gains were derived from a profit making undertaking or scheme; or
- where gains arise to a PGC Shareholder and the shares were acquired for the purposes of resale,

in which case that shareholder will derive assessable income (or incur a deductible loss) equal to the market value of the Distribution Shares less the amount the shareholder paid for the PGC Shares that are cancelled under the Scheme.

No stamp duty is payable in New Zealand on share transfers and no notice of such transfers is required to be given by a shareholder to the Inland Revenue.

Under New Zealand tax law there is a change of shareholding of BSH upon distribution of the Distribution Shares and accordingly the prima facie position is that any tax losses and imputation credits will not be carried forward by BSH after the Distribution.

A summary of the taxation implications relating to the returns on Distribution Shares is set out in the *Answers to Important Questions* section of this Information Memorandum under the heading "What returns will I get?". Similar considerations will apply in respect of the PGC Shares that PGC Shareholders will retain following the Distribution.

## RISKS

There are a number of factors, both specific to BSH and/or PGC, and of a general nature, which PGC Shareholders should take into account when considering whether to approve the Scheme and the transactions contemplated by it.

### Direct Exposure

If the Distribution is approved, PGC Shareholders will hold separate direct investments in each of PGC and BSH.

This means that PGC Shareholders will enjoy the benefits, and incur the risks, of each entity's performance directly. If an entity were to underperform, it would not have the support of the other entity.

Specific business risks associated with holding BSH Shares are set out in the *Answers to Important Questions* section of this Information Memorandum. Specific business risks associated with holding PGC Shares can be found in documentation published by PGC, in particular, in its most recent prospectus.

### Portfolio Rebalancing and Initial Trading Activity

During the period immediately following the Distribution, there may be increased levels of share trading activity in BSH and PGC as PGC Shareholders rebalance their investment portfolios to reflect their desired investment exposures. Some PGC Shareholders may not wish to retain their BSH Shares or PGC Shares following the Distribution. If PGC Shareholders disposed of a significant number of BSH Shares or PGC Shares in the period immediately following the Distribution, the shares of each company could experience selling pressure which could have an adverse effect on the market price of those shares.

As a result of the Distribution, PGC is expected to be removed from the NZX50 index because it will not meet the free float capitalisation threshold for inclusion in the NZX50 index. This may affect the decision of some shareholders to hold PGC Shares.

### Share Price Volatility

The market prices for securities of each of PGC and BSH on a standalone basis following the Distribution may be more or less volatile than the market prices of PGC Shares while it retains a shareholding in BSH.

### **Separate Groups**

As a result of the Distribution, BSH will not be a subsidiary of the PGC Group and accordingly:

- BSH can no longer rely on the PGC Group as a source of capital;
- the PGC Group will no longer receive distributions in respect of the Distribution Shares from BSH;
- any synergies that the operations and management of the two companies have will no longer apply (including as a result of changes to be made to the board composition of BSH and PGC, as detailed under the heading “Management and Corporate Governance” in the *Profile of the PGC Group* section of this Information Memorandum); and
- the PGC Group’s existing 72.21% shareholding in BSH gives PGC effective control of BSH and may carry with it a “control premium” which may be reflected in PGC’s share price. As a result of the Distribution, the PGC Group will no longer hold 72.21% of BSH and may forgo any “control premium” associated with that shareholding.

### **OTHER INFORMATION**

#### **What Happens if the Distribution does not Proceed?**

If the Distribution is not approved, Final Court Orders are not granted or any other condition to the Distribution is not satisfied, then the Distribution, in the form contemplated in this Information Memorandum, will not be implemented.

In such event, the PGC Group will continue to look for alternative measures to return the value of its holding in BSH to PGC Shareholders.

#### **Overseas PGC Shareholders**

The Distribution will only be made to PGC Shareholders who are registered as PGC Shareholders at 5:00pm on the Record Date and whose address recorded in the PGC share register is in New Zealand. Those PGC Shareholders whose address recorded in the PGC share register is outside New Zealand will not be able to directly receive their entitlement to Distribution Shares under the Distribution, although such PGC Shareholders are entitled to vote on the resolution to approve the Distribution at the Special Meeting.

PGC and BSH consider it unreasonable to make the Distribution to PGC Shareholders outside New Zealand, having regard to the low number of such PGC Shareholders and the cost and complexity of complying with the legal requirements to enable the Distribution to be made to such PGC Shareholders.

The Distribution Shares which PGC Shareholders whose address recorded in the PGC share register is outside New Zealand would have otherwise received under the Distribution will instead be transferred to a nominee, who will endeavour to sell those Distribution Shares on the NZSX on their behalf, hold the proceeds on trust and account to such PGC Shareholders on a pro rata basis for the proceeds of sale of those Distribution Shares (net of brokerage costs).

#### **Brokerage Fees**

No PGC Shareholder will pay brokerage on the distribution of Distribution Shares, or on the cancellation of PGC Shares.

If you sell or purchase PGC Shares or BSH Shares, you may be liable for normal brokerage fees.

#### **No Guarantee**

Nothing contained in this Information Memorandum should be construed as a promise of profitability or of investment returns in respect of PGC or BSH, and no person named in this Information Memorandum (including PGC and BSH, nor any of their respective directors, officers or employees) or any other person gives any guarantee or promise as to the future performance of PGC or BSH or the future value or share price of PGC Shares or BSH Shares or the return of capital or payment of any distributions in relation to BSH Shares or PGC Shares.

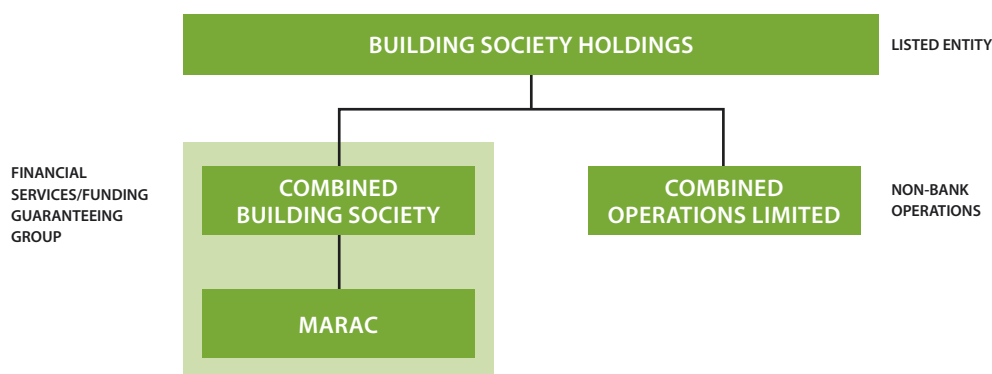
# SECTION 4: PROFILE OF THE BSH GROUP

## BUILDING SOCIETY HOLDINGS LIMITED

BSH is the holding company of the merged financial services businesses of MARAC, Canterbury Building Society and Southern Cross Building Society. A key objective of BSH is to become the only New Zealand controlled banking group listed on the NZSX.<sup>9</sup>

BSH Shares were listed on the NZSX on 1 February 2011 (Ticker: BSH).

## BSH GROUP STRUCTURE<sup>10</sup>



The business operations of the BSH Group are carried on by BSH's wholly-owned subsidiaries, including Combined Building Society and Combined Operations Limited.

## COMBINED BUILDING SOCIETY

Combined Building Society is a building society established under the Building Societies Act. Combined Building Society is the primary operating subsidiary of BSH and comprises the former businesses of Canterbury Building Society and Southern Cross Building Society, and a 100% shareholding in MARAC. The BSH Group provides Heartland financial services through Combined Building Society.

It is intended that the former businesses of each of Canterbury Building Society, Southern Cross Building Society and MARAC will be integrated over a period of 6 to 12 months from the Merger. As part of the staged integration process, Combined Building Society will have a divisional structure comprising a "Retail/Consumer" unit, a "Business" unit and a "Rural" unit. This structure more appropriately reflects the product offering and customer base of Combined Building Society following the Merger.

The products and services offered by Combined Building Society include:

- consumer and commercial lending products across a broad range of sectors;
- term investments and savings accounts;
- home loans;
- finance solutions for small-to-medium size New Zealand businesses, including working capital financing;
- finance solutions for the rural sector, including seasonal and working capital financing;
- a select range of insurance products; and
- a range of transactional banking-type services (including cheque account facilities, cash cards, internet-banking, telephone banking and foreign exchange services).

<sup>9</sup> None of Combined Building Society, Building Society Holdings Limited or MARAC Finance Limited is a registered bank under the Reserve Bank Act. Combined Building Society intends to apply for registration as a bank. The bank registration process after application is of indeterminate length and registration is subject to satisfaction of the Reserve Bank's requirements.

<sup>10</sup> This structure diagram has been abbreviated for simplicity.



**COMBINED OPERATIONS LIMITED**

Combined Operations Limited is also a wholly-owned subsidiary of BSH which holds and operates certain non-banking activities of BSH. These include a 50% shareholding in MARAC JV Holdings, which owns all of the shares in MARAC Insurance, and other non-banking businesses that may be undertaken by the BSH Group.

**BUSINESS OBJECTIVES**

One of the key objectives of the BSH Group is ultimately to create a New Zealand controlled, NZSX listed banking group that serves the needs of middle New Zealanders by providing Heartland financial services. The Heartland vision encompasses:

- the provision of a lasting and positive contribution to New Zealand communities by New Zealanders for New Zealanders;
- the provision of a customer-focused offering that values client relationships over the long term; and
- the provision of credit for middle New Zealand focusing particularly on New Zealand families, small-to-medium enterprises and the rural sector.

**LENDING STRATEGY OF THE BSH GROUP**

The BSH Group aims to differentiate itself from its competitors by focusing on customer needs in sectors that are considered to be under-serviced by the market or where alternative financial services products do not exist (for example, rural finance and commercial working capital).

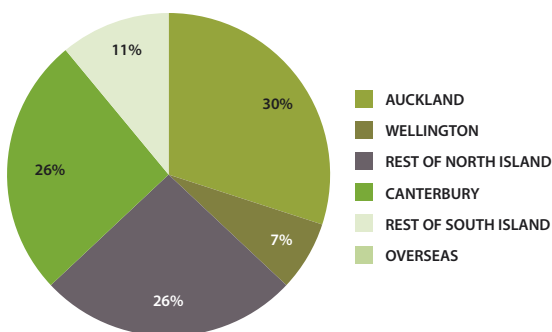
Key aspects of the BSH Group's lending strategy involve:

- adopting a "customer first" (rather than product focused) lending approach;
- leveraging relationships with customers in core target markets – Auckland, Waikato, Bay of Plenty, Wellington and greater Canterbury – to strengthen and consolidate market share in those regions and ultimately develop a nationwide profile;
- targeting strategic market positions in the small-to-medium sized business sector and in the rural sector; and
- utilising its branch and agency networks and formation of alliances such as MARAC JV Holdings' strategic alliance with the New Zealand Automobile Association.

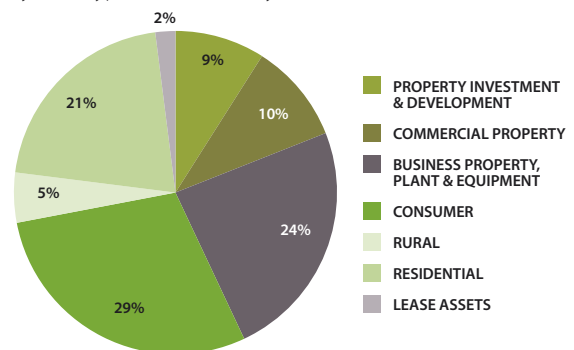
**BUSINESS SNAPSHOT**

Combined Building Society has a diversified asset portfolio, a widespread depositor base and a balanced geographic footprint. The figures and charts below provide information in respect of the BSH Group as at 7 January 2011, being the date on which the Merger was completed.

*Net Receivables of Combined Building Society by Geography (as at 7 January 2011)*



*Net Receivables of Combined Building Society by Loan Type (as at 7 January 2011)*



*BSH Group Staff, Branches and Agencies (as at 7 January 2011)*

Staff	299
Branches	20
Agencies	38

## SUMMARY FINANCIAL POSITION

The table below sets out a summary of the financial position of the BSH Group as at 7 January 2011, extracted from the audited financial statements of the BSH Group, which are set out in the Prospectus.<sup>11</sup>

*BSH Group Financial Position as at 7 January 2011*

	<b>NZ\$ million</b>
Net Loans & Advances <sup>(1)</sup>	1,795
Total Assets	<b>2,185</b>
Retail Deposits (including NZDX Listed Bonds)	1,677
Total Liabilities	<b>1,891</b>
Equity	294

Note (1): Includes net operating lease assets of approximately \$38 million and net securitised advances of \$194 million.

## SOURCES OF FUNDING

The table below sets out a summary of the sources of funding of the BSH Group as at 7 January 2011, extracted from the audited financial statements of the BSH Group, which are set out in the Prospectus and also from information provided by the BSH Group.

*BSH Group Sources of Funding as at 7 January 2011*

	<b>('000)</b>
Deposits (including NZDX bonds)	1,676,713
Undrawn bank	200,000
Securitisation – drawn	169,278
Securitisation – undrawn	105,000
Total Liabilities (Drawn)	<b>1,845,991</b>
Total Liabilities (Available)	<b>2,150,991</b>

## BUSINESS STRATEGY LOOKING AHEAD

### Combined Building Society

A key focus for the BSH Group in 2011 is its intention to commence an application for bank registration for Combined Building Society, resulting in the creation of New Zealand's only New Zealand-controlled banking group, listed on the NZSX.

The granting of an investment grade credit rating in January 2011 was a key milestone and a pre-requisite for bank registration. A formal application by Combined Building Society for bank registration is intended to be commenced in the second half of 2011. The bank registration process after application is of indeterminate length and bank registration is subject to satisfaction of the Reserve Bank's requirements.

The strategy of Combined Building Society will be to continue to drive organic growth in accordance with its lending strategy. Where appropriate, Combined Building Society will also consider further acquisitions that are consistent with its strategy and which are complementary to its existing operations. These strategies may require Combined Building Society to raise additional capital, which in turn may require BSH to itself raise capital (for example, by way of a rights issue or placement) or other funding.

### Combined Operations Limited

Combined Operations Limited does not form part of the BSH Group that will seek to apply for bank registration. Notwithstanding this, the business of Combined Operations Limited is important to Combined Building Society since the insurance products and services provided by MARAC Insurance are distributed to customers of Combined Building Society.

The strategy of Combined Operations Limited will be to both widen the range of insurance products available to Combined Building Society customers and to the customers of the New Zealand Automobile Association, and to grow the level of insurance business undertaken.

<sup>11</sup> Combined Building Society consolidates two securitisation trusts – MARAC ABCP Trust 1 and CBS Warehouse A Trust (the *Trusts*). The assets securitised into the Trusts continue to be recognised in Combined Building Society's financial statements, however these assets are set aside for the benefit of the investors in the Trusts and no longer form part of Combined Building Society's assets which are available to repay depositors.



### **IMPACT OF THE CANTERBURY EARTHQUAKE**

On 22 February 2011, an earthquake with a magnitude of 6.3 on the Richter scale struck the wider Canterbury region and in particular, the city of Christchurch.

The BSH Group's infrastructure in Christchurch was assessed immediately following the earthquake and was determined to be intact and operational. Regrettably some of the BSH Group's staff were located in premises on Cambridge Terrace in Christchurch which suffered extensive damage.

The business continuity plans and disaster recovery procedures in place ensured that any system disruption was limited and the main focus was on accounting for, and ensuring the welfare of, staff. The BSH Group's main branch operations in Riccarton were also undamaged and the operations of the BSH Group's Sydenham branch were temporarily relocated to the Riccarton branch. The BSH Group's central management, based in Auckland, was also unaffected.

An initial impact assessment has been undertaken to determine the extent of damage to the affected properties securing loan advances of Combined Building Society to customers in the Canterbury region. The total receivables book of Combined Building Society in the Christchurch area is approximately \$290 million (equivalent to approximately 13% of total assets of Combined Building Society as at 7 January 2011). A customer call programme was undertaken involving telephone communications with all affected customers to ascertain level of earthquake damage, if any. In almost all cases, the underlying security (largely property and vehicles) supporting the receivables portfolio is covered by insurance. Following the initial impact assessment undertaken, the management and directors of BSH consider the current level of provisioning to be adequate to cover any losses that might arise in relation to the earthquake.

### **FURTHER INFORMATION**

The information about the BSH Group set out in this section of the Information Memorandum has been prepared and provided by BSH. Further information about the BSH Group can be found on its website at [www.heartland.co.nz](http://www.heartland.co.nz).

# SECTION 5: PROFILE OF THE PGC GROUP

This section provides a description of the PGC Group as it is intended to operate following the Distribution.

## INTRODUCTION

Over the past 18 months, the business strategy of the PGC Group has evolved and the 2010 calendar year was one of transformation for PGC. Throughout 2010, the PGC Group implemented a core strategy focused on the provision of financial and asset management services to middle New Zealanders.

## Strategic Evolution

In anticipation of the Merger, PGC undertook a strategic review of its operations to:

- determine the appropriate means to separate its assets involved in the Merger (MARAC and its 50% interest in MARAC JV Holdings, which owns MARAC Insurance) from its assets aligned with PGC’s wealth management and trustee services businesses; and
- determine the appropriate mechanism to unlock shareholder value in PGC following the completion of the Merger and the listing of BSH on the NZSX.

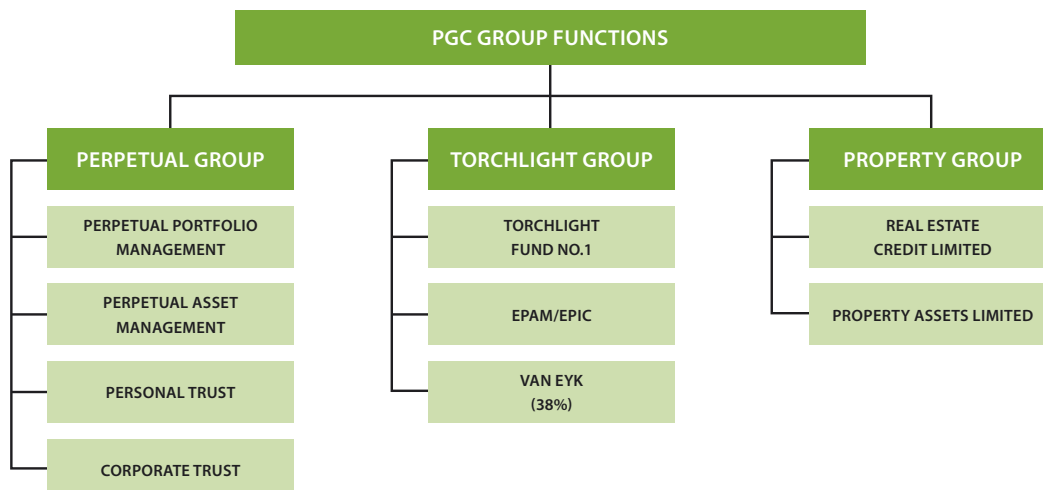
Subject to the approval of PGC Shareholders and the sanction of the Court, PGC will implement the Distribution on the Distribution Date. Distribution Shares will be distributed as consideration for the cancellation of PGC Shares on the Distribution Date.

## PGC – THE NEW GROUP

Following the Distribution, PGC’s future focus will be to maximise shareholder value through the continued development and expansion of an asset and wealth management business, which today comprises three primary business units, the Perpetual Group, the Torchlight Investment Group (TIG) and the Property Group:

- **Perpetual Group** – provides a full range of wealth management services including financial advice, investment management and trustee services to mainstream clients across the New Zealand market. The Perpetual Group encompasses Perpetual Portfolio Management (PPM), Perpetual Asset Management (PAM) and Perpetual Trust Limited (*Perpetual Trust*);
- **TIG** – manages and co-invests in proprietary funds focused on non-traditional investment opportunities. The funds are aimed at high net worth investors and institutions across Australasia. TIG’s two specialist funds are Equity Partners Infrastructure Company No.1 Limited (*EPIC*) and the Torchlight Fund No.1 LP (*Torchlight Fund No.1*); and
- **Property Group** – responsible for managing the PGC Group’s property assets. The Property Group comprises Real Estate Credit Limited (*RECL*) and Property Assets Limited (*PAL*).

The diagram below shows the operational structure of the new PGC Group.

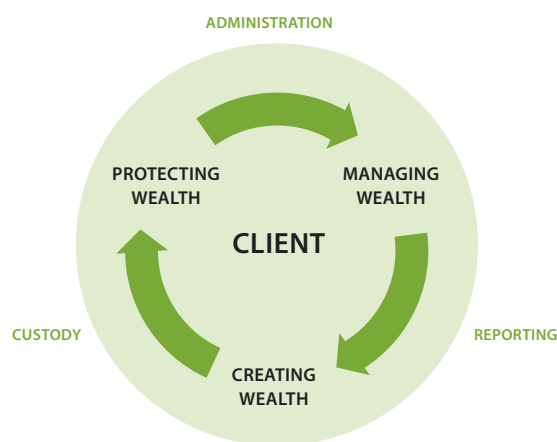


In addition to these three primary business units, PGC has 138,827,080 shares in PGW (representing a 18.3% shareholding in PGW). Following the completion of the Agria partial takeover offer for PGW shares, Agria is obliged to (on or about 2 May 2011) acquire approximately 72,756,293 of these shares (based on its most recent substantial security holder notice filed with NZX on 28 April 2011 under which Agria disclosed its percentage shareholding in PGW at 78.16%), leaving PGC with 66,070,706 PGW shares, representing an 8.7% shareholding in PGW. Further information regarding PGC's shareholding in PGW is set out under the heading "PGC Investment in PGW" below.

### PERPETUAL GROUP

The Perpetual Group of companies which began business in New Zealand over 125 years ago is today providing wealth management services to an inter-generational client base. Services include financial advisory, investment management, personal trust and estate services and corporate/institutional trust services.

The chart below illustrates the Perpetual Group's full service wealth management business model.



The Perpetual Group business today has a substantial and growing client base, with approximately \$587 million in funds under advice and management.<sup>12</sup>

#### Perpetual Portfolio Management – Managing Wealth

PPM is a specialist financial advisory and wealth management business that has grown out of Perpetual Trust (see below). PPM's principal focus is the provision and support of a wealth management advisory network.

PPM's wealth management network is based around contracting financial advisers to provide advisory services to PPM's clients. PPM provides adviser support services such as compliance and regulatory support, brand development, investment research, client administration and reporting and also lead generation.

Advisers are required to operate within certain guidelines that ensure advisers satisfy compliance and regulatory requirements, clients receive sound and transparent investment advice and that the Perpetual Group's best practice standards are met.

The PPM adviser network is founded on the existing investor base of Perpetual Trust and is being expanded through various adviser business acquisitions across New Zealand.

PPM aims to become a scale player in the newly regulated financial advisory environment.

#### Perpetual Asset Management – Creating Wealth

PAM's principal business is to establish and manage a range of specialised "best of breed" funds in traditional investment sectors such as cash, bonds and equities.

PAM took over the operation of Perpetual Trust's mortgage and cash funds in 2009, and has since launched nine funds. The largest of these is the Global Bond Fund which currently has \$66 million of funds under management, \$55 million of which is sourced externally. It is expected that PPM advisors will utilise PAM funds for some of their asset allocation and investment decisions.

Research is at the heart of PAM's investment process and PAM draws on both domestic and global expertise. PAM has a strong relationship with one of Australia's most influential providers of investment research, Van Eyk Research (described further below). This relationship provides PAM with access to and commentary on trends in asset allocation and manager performance research from both a global and domestic perspective.

<sup>12</sup> As at 31 December 2010.



## **Perpetual Trust – Protecting Wealth**

Perpetual Trust, with origins back to 1884, offers wealth management services for individuals and professional trustee services for personal and corporate customers.

The main business divisions of Perpetual Trust are personal client services and corporate trust services. Perpetual Trust employs approximately 100 people in seven branches and has approximately 15,000 active customers.

Depending on the client's stage in life and needs, PPM, PAM and Perpetual Trust services can be highly complementary and there will be a focus on providing a suite of services to clients where appropriate.

### **Personal Client Services**

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

- establishment and management of over 2,000 trusts, including over 250 charitable trusts which Perpetual Trust currently manages;
- asset and estate planning;
- estate administration;
- asset management services, including cash management, property management, investment management and non-resident asset management;
- conveyancing services; and
- a range of accounting and taxation services.

The personal client services division of Perpetual Trust generates income from three main sources:

- asset based revenue, such as commissions from trust and estate administration services, which is based on a percentage of funds administered;
- income based revenue, such as commission from trust and estate administration services, which is based on a percentage of the income generated from the funds administered; and
- time and cost revenue, such as fees from work done based on time and cost. These include accounting, agency, legal, and investor advisory services.

The personal client services division has a loyal and growing customer base. A majority of these come from the South Island, including strong, well established and profitable farming communities.

### **Corporate Trust Services (Institutional Services)**

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

The corporate trust services division of Perpetual Trust generates revenue from three main sources:<sup>13</sup>

- **Renewal fees** – received as a fixed ongoing fee (approximately 75% of revenue). As trustee appointments are generally long term appointments and do not in the ordinary course of events come up for review, renewal revenues are considered to be relatively stable.
- **Special fees** – received for work done outside the scope of work under client trust deeds. Special fees have grown in recent years since 2008 due to issuers of securities requiring higher review and maintenance requirements than usual (approximately 23% of revenue).
- **Implementation fees** – received for work done in new issues of securities (approximately 2% of revenue).

### **Potential Litigation**

Perpetual Trust has had a claim made against it by a small group of investors in Capital + Merchant Finance Limited for a total of \$1.4 million (which represents the investors' principal invested in Capital + Merchant) plus interest. This claim is known as the Patel claim.

Perpetual Trust has no present obligation to any of the investors involved in the Patel claim. In addition, the advice given in respect of the Patel claim indicates that there is a low likelihood of the claim succeeding and any possible future obligation materialising. Consequently, no provision has been made in Perpetual Trust's accounts. The Patel claim relates to an alleged failure by Perpetual Trust to monitor compliance by Capital + Merchant Finance Limited (a finance company which was placed

<sup>13</sup> Financial year ended 30 June 2010.

in receivership and was eventually liquidated) with the terms of its trust deed and offer to investors. Claims of this nature against trustees may increase in the wake of various finance company failures.

### **TORCHLIGHT INVESTMENT GROUP**

TIG manages and co-invests in proprietary funds focused on non-traditional investment opportunities. The funds are aimed at high net worth investors and institutions across Australasia. TIG's two specialist funds are EPIC and the Torchlight Fund No.1.

TIG's primary source of revenue is from fees associated with managing the above funds, with other revenue coming from fund dividends and performance fees.

### **EPAM/EPIC**

Equity Partners Asset Management Limited (*EPAM*) is an established New Zealand based asset management firm. EPAM (through its subsidiary Equity Partners Infrastructure Management Limited) currently manages EPIC, an infrastructure asset investment fund.

EPIC, an unlisted public company, was established in June 2007 to offer New Zealand investors access to an investment in Thames Water Limited. EPIC's investment strategy is to identify and acquire interests in high quality infrastructure assets. Consistent with that strategy, EPIC currently has two principal investments, being:

- a 1.24% indirect investment in Thames Water Limited; and
- a 17.50% indirect investment in Moto International Holdings Limited.

EPAM holds the management contract for EPIC and is entitled to a monthly management fee. In addition, EPAM is entitled to performance fees should prescribed milestones be met.

Consistent with TIG's strategy of taking a significant cornerstone investment in each of the funds it manages, EPAM owns a cornerstone investment in EPIC of approximately 11.75%.

### **Torchlight Fund No.1**

Torchlight Fund No.1 was established in July 2010 to target returns for investors by acquiring, refinancing or originating and managing selected investment opportunities across selected sectors within Australasia.

The fund's investment mandate enables it to invest in counter-cyclical, sometimes distressed, opportunities that exist at a time of low liquidity in the banking and investment sectors, when businesses might otherwise find it difficult to access capital.

The Torchlight Fund No.1 has committed capital of \$150 million from a range of domestic and international investors and investment companies, including leading specialists in credit and real estate private equity. The range of investors provides TIG with access not only to funds under its own direct management but potentially access to substantial further funds from co-investors for whom TIG lead manages and arranges larger deals.

TIG is both the manager (general partner) and an investor (limited partner), with a 10%, or \$15 million, stake in the Torchlight Fund No.1.

As general partner, TIG manages the fund for which it receives a monthly management fee and occasional transaction fees associated with fund investments. In addition, TIG is entitled to performance fees should the fund achieve prescribed investment returns.

### **Van Eyk Research**

Van Eyk Research Pty Limited (*Van Eyk*) is an unlisted public company in Australia and is one of Australia's leading investment research providers, with consulting arrangements to institutions with over AUD\$50 billion under advice. Key clients include AMP and Macquarie Bank.

TIG acquired a 38% shareholding in Van Eyk in 2010.

### **THE PROPERTY GROUP**

The Property Group owns certain property-related assets through RECL and PAL as follows:

- RECL holds certain property-related assets, which are subject to security in favour of MARAC to secure obligations under the RECL management agreement (as described below); and
- PAL contains the remaining property-related assets of the PGC Group, with an approximate value of \$51 million.

RECL also manages certain MARAC property loans under the RECL management agreement.

It is likely that assets will be realised progressively over the next five years, providing a key source of funds to reinvest in PGC's wealth management operations or to return to shareholders.

### **Real Estate Credit Limited**

On 5 January 2011, RECL entered into a management agreement under which it agreed to manage certain MARAC non-core real estate loan assets for a five year period, and assume the risk of loss on those loans for that period. MARAC decided to use the management of RECL due to their knowledge of the assets and property expertise. The management of the assets is on arms-length commercial terms.

Any payment by RECL to MARAC in respect of loss is due at the end of the five year period (with some limited right on the part of MARAC to earlier payment). The payment obligations of RECL are "limited in recourse" to a pool of security provided by RECL. This pool of security includes an \$11 million 5 year zero coupon note issued by Westpac New Zealand Limited,<sup>14</sup> and an initial minimum \$22 million in security value of other assets (initially real estate or real estate loans). PGC is obliged to top up the security pool in RECL to the extent that the security value of other assets is less than the minimum required value (initially \$22 million).

### **Property Assets Limited**

PAL contains the remaining property-related assets of the PGC Group. Of the \$51 million portfolio, just over \$10 million are loans, with the remainder being development and investment properties. All loans and properties are being actively managed by PGC. PAL has approximately \$10.7 million in debt secured against the development and investment properties.

### **PGC INVESTMENT IN PGW**

In addition to these three primary business units, PGC has 138,827,080 shares in PGW (representing a 18.3% shareholding in PGW). Following the completion of the Agria partial takeover offer for PGW shares, Agria is obliged to (on or about 2 May 2011) acquire approximately 72,756,293 of these shares (based on its most recent substantial security holder notice filed with NZX on 28 April 2011 under which Agria disclosed its percentage shareholding in PGW at 78.16%), leaving PGC with 66,070,706 PGW shares, representing an 8.7% shareholding in PGW.

The PGC board is of the view that the proceeds from the Agria offer (after meeting or providing for commitments), together with any remaining PGW shares, are surplus to core business requirements going forward. The PGC board is therefore considering returning surplus cash and PGW shares to PGC Shareholders and/or applying those assets to acquire additional shares in BSH and returning those BSH Shares to PGC Shareholders.

The PGC board is exploring a number of ways to achieve this in order to maximise value. For example, distribution of PGW shares or BSH Shares by PGC may be in exchange for PGC Shares (that is, in consideration for the cancellation of PGC Shares).

### **Business Overview of PGW**

PGW was formed in October 2005 from the merger of Pyne Gould Guinness Limited and Wrightson Limited and is today listed on the NZSX under the ticker code "PGW".

PGW is New Zealand's leading provider to the agricultural sector, offering a wide range of products, services and solutions to growers, farmers and processors in New Zealand and internationally.

PGW has more than 2,100 staff, and through its alliances and partnerships with leaders in the field, services more than 40,000 clients across New Zealand, Australia and South America.

PGW's revenues currently exceed NZ\$1.1 billion and its business is split into two areas, Agri-tech and Agri-services.

### **Further Information**

The information about PGW set out in this section of the Information Memorandum has been compiled from publicly available information in respect of PGW. Further information about PGW and its businesses, including its financial results for the financial year ended 30 June 2010 and the six month period ended 31 December 2010, can be obtained from PGW's website [www.pggwrightson.co.nz](http://www.pggwrightson.co.nz).

### **PGC DIVIDEND POLICY**

The payment and amount of dividends will be determined by the Board.

As at the date of this Information Memorandum, the Board does not intend to pay a further dividend in the 2011 financial year and has not formed any view as to whether it will pay a dividend in the 2012 financial year. The Board intends to reinstate dividend payments in the future, at a time it considers prudent in light of PGC's profitability and balance sheet position.

14 As at the date of this Information Memorandum, Westpac New Zealand Limited's long-term unsecured unsubordinated debt obligations are rated AA by Standard & Poor's (Australia) Pty Limited.

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

### MANAGEMENT AND CORPORATE GOVERNANCE

After the Distribution is completed and PGC has determined the appropriate strategy for realising value from its remaining investment in PGW, it is intended that:

- The Board will consist of Bryan Mogridge as Chairman, George Kerr, John Duncan and one other independent director, who is yet to be appointed.
- Bruce Irvine will resign as a Director and Chairman of PGC.
- Jeff Greenslade will resign as Director of PGC. Jeff Greenslade will also resign at that time or earlier as CEO of PGC, to focus full time on his role as Managing Director of BSH.

The Board and management of PGC are committed to ensuring that PGC maintains corporate governance practices in line with current "best practice".

### PRO FORMA FINANCIAL INFORMATION

The condensed unaudited pro forma indicative balance sheet of PGC Group (*pro forma balance sheet*) set out in this section of the Information Memorandum has been prepared using the 31 December 2010 unaudited interim financial statements of PGC adjusted for the Distribution. The unaudited consolidated interim statement of financial position for the PGC Group as at 31 December 2010 is set out on the pages following the pro forma balance sheet.

The purpose of the pro forma balance sheet is to illustrate to PGC shareholders what the potential impact of the Distribution might be, using historical financial information and the information regarding the proposed Distribution set out in this Information Memorandum. The pro forma balance sheet should not be regarded as indicative of future performance.

The pro forma balance sheet has been prepared in accordance with New Zealand generally accepted accounting practice as it would apply to financial statements. The pro forma balance sheet is unaudited.

The pro forma balance sheet was prepared on 17 March 2011, as if the Distribution had been effected as at 31 December 2010 and accordingly is not a statement of the assets and liabilities of the PGC Group or the BSH Group. The pro forma balance sheet is included in this Information Memorandum pursuant to the Securities Act (Pyne Gould Corporation Limited and Building Society Holdings Limited) Exemption Notice 2011 (*Exemption Notice*). More information in respect of the Exemption Notice is set out in the Prospectus.

The pro forma balance sheet must be read in conjunction with the notes and underlying assumptions that form part of this section of the Information Memorandum.

The pro forma balance sheet presented is not necessarily indicative of the financial position of PGC that would have materialised had the Distribution actually taken place on 31 December 2010, or the actual financial position of the PGC Group as it might be at the Distribution Date, or another date in the future.

## PGC Group Pro Forma Indicative Balance Sheet

31 December 2010

\$000s	Notes	PGC Group Pre Distribution	BSH Distribution	PGC Group Post Distribution
<b>EQUITY</b>		<b>430,926</b>	<b>(236,299)</b>	<b>194,627</b>
<b>ASSETS</b>				
Cash and cash equivalents		85,145	(78,549)	6,596
Finance receivables	1	1,094,366	(1,087,206)	7,160
Operating lease vehicles		38,005	(38,005)	-
Investment property	2	65,256	(2,182)	63,074
Trade receivables	3	11,406	(2,162)	9,244
Other assets	4	9,889	(3,354)	6,535
Investments	5	30,250	-	30,250
Deferred tax asset		20,828	(6,909)	13,919
Investments in associates	6	5,957	-	5,957
Asset held for sale	7	83,296	-	83,296
Investment in joint venture	8	2,217	(2,217)	-
Intangible assets	9	39,344	(23,780)	15,564
<b>Total Assets</b>		<b>1,485,959</b>	<b>(1,244,364)</b>	<b>241,595</b>
<b>LIABILITIES</b>				
Borrowings	10	1,016,843	(1,004,656)	12,187
Trade creditors	11	32,150	(25,401)	6,749
Deferred tax liability		-	296	296
Other liabilities	12	6,040	21,696	27,736
<b>Total Liabilities</b>		<b>1,055,033</b>	<b>(1,008,065)</b>	<b>46,968</b>
<b>NET ASSETS</b>		<b>430,926</b>	<b>(236,299)</b>	<b>194,627</b>
<b>NTA</b>	13	<b>370,754</b>	<b>(205,610)</b>	<b>165,144</b>

### NOTES AND ASSUMPTIONS TO THE PRO FORMA INDICATIVE BALANCE SHEET

#### 1 Basis of Presentation

The pro forma balance sheet has been prepared:

- to illustrate the effect of the Distribution of the PGC Group's investment in BSH;
- in accordance with the accounting policies of PGC which comply with New Zealand generally accepted accounting practice (*NZ GAAP*) and is presented in New Zealand dollars, rounded to the nearest thousand dollars (\$000s); and
- using the unaudited PGC Group Statement of Financial Position as at 31 December 2010 (which formed part of the PGC 31 December 2010 interim financial statements and on which KPMG issued an unqualified review opinion dated 25 February 2011) and adjusted for the Distribution. The Distribution is described below, and complies with the group's accounting policies and NZ GAAP for transactions of that nature.

#### 2 Key Assumptions

PGC intends to distribute to PGC Shareholders the PGC Group's 72.21% shareholding in BSH. The adjustment made in the column titled "BSH distribution" reflects the effective deconsolidation of the assets and liabilities of MARAC and MARAC JV Holdings as at 31 December 2010, being those assets (including associated intangibles held in PGC) and liabilities contributed to BSH as part of the Merger.

The Merger, which resulted in the formation of the BSH Group on 7 January 2011, reduced the PGC Group's ownership in MARAC from 100% to 72.21%. In accordance with accounting standards, the profit or loss resulting from this transaction is required to be recognised as an adjustment to PGC's equity value recorded in its statement of financial position rather than being recognised through PGC's statement of financial performance.



In addition, upon disposal of the PGC Group's remaining interest in MARAC and MARAC JV Holdings due to the Distribution, PGC will recognise a profit or loss equal to the difference between the carrying value of BSH and the market value of the Distribution Shares (which will be determined by reference to the quoted price of the BSH Shares on the Distribution Date). Any profit or loss recognised on the Distribution is required to be recognised by PGC through its statement of financial performance and PGC's ownership interest in MARAC will be reduced to nil at this time.

The net effect of the Distribution, including any profit or loss, is that PGC's book value, or Net Assets, will be reduced by \$236.3 million, as presented in the above pro forma balance sheet in the column titled "BSH distribution". Any gain or loss resulting from the PGC Group's disposal of its interest in MARAC and MARAC JV Holdings is "equity neutral" to PGC. That is, any profit or loss on this transaction will be offset by a corresponding increase or decrease in the amount recorded in the financial statements for the in-specie distribution.

### **3 Key Balances Post Distribution**

Refer numbering on pro forma balance sheet.

1. This comprises PAL property finance receivables of \$5.7 million that remain following the purchase of certain MARAC loans in 2009, and MARAC Investments Limited finance receivables of \$1.5 million.
2. This represents eighteen investment properties previously acquired by RECL and PAL through the enforcement of security over finance receivables. These properties are held to earn rental income or for capital appreciation (or both).
3. This includes performance fees and other receivables mostly in relation to EPAM, Torchlight and Perpetual Trust.
4. This represents office fit-out and equipment of \$1.3 million and provision for tax of \$3.7 million, and other sundry amounts totalling \$1.5 million.
5. This includes EPAM's investment in EPIC of \$14.5 million, Torchlight's investment in Torchlight Fund No.1 of \$15.0 million.
6. This represents the carrying value of PGC's 38.3% investment in Van Eyk.
7. This represents the carrying value of PGC's investment in PGW, calculated as 138.8 million shares at 60 cents per share.
8. This reflects PGC's interest in MARAC JV Holdings being reduced to nil as a result of the Distribution.
9. This represents EPAM management contracts of \$9.8 million and goodwill of \$2.4 million, and Perpetual statutory rights and brand value of \$3.4 million.
10. This comprises RECL borrowings of \$10.7 million and Perpetual bank overdraft of \$1.5 million.
11. Trade creditors include \$1.4 million deferred settlement in respect of the acquisition of Van Eyk.
12. This includes the promissory note balance of \$27.5 million due to MARAC.
13. This has been calculated as net assets less intangible assets and deferred tax asset.

## PGC GROUP INTERIM STATEMENT OF FINANCIAL POSITION

The unaudited consolidated interim statement of financial position for the PGC Group as at 31 December 2010 is set out below. The full condensed interim financial statements for the PGC Group as at 31 December 2010 were released to the market on 28 February 2011. Copies of those financial statements are available on PGC's website at [www.pgc.co.nz](http://www.pgc.co.nz).

### PGC Group Interim Statement of Financial Position

As at 31 December 2010

	<b>Unaudited Dec 2010</b>
	<b>\$000s</b>
<b>ASSETS</b>	
Cash and cash equivalents	85,145
Finance receivables	1,094,366
Operating lease vehicles	38,005
Investment property	65,256
Other assets	21,295
Investments	30,250
Advances to subsidiaries	-
Deferred tax asset	20,828
Investment in associates	5,957
Asset held for sale	83,296
Investment in joint venture	2,217
Shares in subsidiaries	-
Intangible assets	39,344
<b>Total Assets</b>	<b>1,485,959</b>
<b>LIABILITIES</b>	
Borrowings	1,016,843
Other liabilities	38,190
<b>Total Liabilities</b>	<b>1,055,033</b>
<b>EQUITY</b>	
Share capital	356,505
Retained earnings and reserves	74,421
<b>Total Equity</b>	<b>430,926</b>
<b>Total Equity and Liabilities</b>	<b>1,485,959</b>



## SECTION 6: ANSWERS TO IMPORTANT QUESTIONS

The Distribution constitutes an “offer” of previously allotted securities to the public for which a prospectus and investment statement must be prepared in accordance with the Securities Act. This section of the Information Memorandum contains the investment statement information required by the Securities Act for the Distribution.

### WHAT SORT OF INVESTMENT IS THIS?

PGC, through its wholly-owned subsidiary MFSL, currently has a 72.21% shareholding in BSH (216,630,283 BSH Shares). Following a strategic review, PGC has decided to distribute this shareholding in BSH to PGC Shareholders pursuant to the Scheme.

All of the securities being offered to PGC Shareholders, being the Distribution Shares, are ordinary shares in BSH, quoted on the NZSX.<sup>15</sup>

In consideration for the Distribution, on the Distribution Date PGC will cancel 73.2% of the number of PGC Shares held by each PGC Shareholder at 5:00pm on the Record Date (rounded to the nearest whole share) in accordance with the Scheme Plan included in this Information Memorandum. This means that while the number of PGC Shares you hold will decrease, your percentage stake in PGC will not be affected by the Distribution, subject to rounding.

No money or other amount is payable for the Distribution Shares.

Each Distribution Share is fully paid. The Distribution Shares will rank equally and without any preference amongst themselves and all other ordinary shares in BSH.

Each Distribution Share gives the holder the right to:

- (a) Attend and vote at a meeting of BSH including the right to cast one vote per share on a poll on any resolution, such as a resolution to:
  - appoint or remove a Director or auditor of BSH;
  - adopt, revoke or alter the BSH Constitution;
  - approve a major transaction (as that term is defined in the Companies Act) by BSH;
  - approve any amalgamation of BSH under section 221 of the Companies Act; and
  - place BSH into liquidation.
- (b) Dividends paid by BSH in respect of that share.
- (c) An equal share with other BSH Shares in the distribution of surplus assets in any liquidation of BSH.
- (d) Be sent certain BSH information.
- (e) The other rights conferred upon a BSH Shareholder under the BSH Constitution, the Listing Rules or by law.

### Overseas PGC Shareholders

The Distribution will only be made to PGC Shareholders who are registered as PGC Shareholders at 5:00pm on the Record Date and whose address recorded in the PGC share register is in New Zealand. Those PGC Shareholders whose address recorded in the PGC share register is outside New Zealand will not be able to directly receive their entitlement to Distribution Shares under the Distribution, although such PGC Shareholders are entitled to vote on the resolution to approve the Distribution at the Special Meeting.

PGC and BSH consider it unreasonable to make the Distribution to PGC Shareholders outside New Zealand having regard to the low number of such PGC Shareholders and the cost and complexity of complying with the legal requirements to enable the Distribution to be made to such PGC Shareholders.

The Distribution Shares which PGC Shareholders whose address recorded in the PGC share register is outside New Zealand would have otherwise received under the Distribution will instead be transferred to a nominee, who will endeavour to sell those

<sup>15</sup> BSH Shares are tradeable on the NZSX. However, NZX accepts no responsibility for any statement in this Information Memorandum. NZX is a registered exchange regulated under the Securities Markets Act 1988.

Distribution Shares on the NZSX on their behalf, hold the proceeds on trust and account to such PGC Shareholders on a pro rata basis for the proceeds of sale of those Distribution Shares (net of brokerage costs).

### **WHO IS INVOLVED IN PROVIDING IT FOR ME?**

BSH is the original allotter, and PGC is the offeror, of the Distribution Shares. The registered office and principal place of business of BSH and PGC is set out in the Directory.

As at the date of this Information Memorandum, the directors of BSH are Bruce Robertson Irvine, Jeffrey Kenneth Greenslade, Graham Russell Kennedy, Gary Richard Leech, Christopher Robert Mace, Bryan William Mogridge and Geoffrey Thomas Ricketts. Each of the Directors of BSH can be contacted at BSH's registered office set out in the Directory.

BSH was established in 2010 to facilitate the Merger. Since completion of the Merger in January 2011, BSH's principal activity has been to act as a holding company for Combined Building Society, which operates the financial services business formed out of the Merger, and Combined Operations Limited.

### **HOW MUCH DO I PAY?**

In consideration for the Distribution, on the Distribution Date PGC will cancel 73.2% of the number of PGC Shares held by each PGC Shareholder at 5:00pm on the Record Date (rounded to the nearest whole share) in accordance with the Scheme Plan included in this Information Memorandum.

No money or other amount is payable by any PGC Shareholder for the Distribution Shares.

### **WHAT ARE THE CHARGES?**

All costs associated with the Distribution will be payable by PGC. PGC Shareholders are not required to pay any charges to PGC, BSH or any associated person of PGC or BSH in relation to the Distribution.

BSH Shares purchased or sold on the NZSX are likely to attract normal brokerage fees and charges.

### **WHAT RETURNS WILL I GET?**

Returns on the Distribution Shares may be by way of capital appreciation (although the market price of the Distribution Shares may also decline) or any dividends paid and other distributions made by BSH in respect of the Distribution Shares.

The key factors that will determine the returns are:

- The market price for BSH Shares.
- The BSH board's decisions in relation to dividends and other distributions.
- BSH's financial performance.
- Applicable taxes.
- Reserves and retentions.

Nothing contained in this Information Memorandum should be construed as a promise of profitability, and neither PGC nor BSH gives (nor does any other person give) any guarantee or promise as to the return of capital or the amount of any returns (including dividends and other distributions) in relation to BSH Shares. The amount of any returns will depend on a number of factors, including those discussed below under the heading "What Are My Risks?". The factors described in that section could reduce or eliminate the distributions or other returns intended to be derived from holding BSH Shares.

### **Dividend Policy**

The payment and amount of dividends will be determined by the board of BSH.

As at the date of this Information Memorandum, the board has not formulated a dividend policy for BSH.

The payment and amount of any future dividends will be at the discretion of the BSH board after taking into account the factors the board deems relevant at the time and accordingly the dates and frequency of dividends is unknown as at the date of this Information Memorandum. Those factors may include the BSH Group's financial condition, operating results, current and anticipated cash needs and debt covenants. BSH's ability to make distributions will be dependent upon receiving distributions from its subsidiaries including Combined Building Society and Combined Operations Limited.

BSH is the entity legally liable to pay any dividend or other distributions declared or made on the Distribution Shares.



### **Sale of Shares**

BSH Shareholders may benefit from any increase in the market price of BSH Shares. The price of BSH Shares may rise or fall due to numerous factors, including:

- general economic conditions, including inflation rates and interest rates;
- variations in the local and global market for listed stocks, in general, or for stocks in the banking/financial sector;
- changes to government policy, legislation or regulation;
- the inclusion or removal of the BSH Shares from major market indices;
- the nature of competition in the markets in which the BSH Group operates; and
- general operational and business performance and profitability risks affecting the BSH Group's business.

No assurances can be made that BSH's market performance will not be adversely affected by any such market fluctuations or any of the above factors. Neither BSH nor PGC, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers guarantees the Distribution Shares or BSH's market or financial performance.

There can be no guarantee of an active market in BSH Shares or that the market price of BSH Shares will increase. There may be relatively few or many potential buyers or sellers of the BSH Shares on the NZSX at any time. This may increase the volatility of the market price of the BSH Shares. It may also affect the prevailing market price at which BSH Shareholders are able to sell their BSH Shares.

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

### **Taxation Implications on Returns**

New Zealand taxes may affect the return to PGC Shareholders. The following taxation summary, which is based on tax legislation current as at the date of this Information Memorandum, addresses the New Zealand tax implications for PGC Shareholders who will hold Distribution Shares acquired under the Scheme on capital account. Information in respect of the taxation implications of the acquisition of Distribution Shares and the cancellation of the PGC Shares pursuant to the Scheme is set out under the heading "Taxation Implications Relating to the Distribution" in the *The Proposed Distribution* section of this Information Memorandum.

This summary is not intended to be an authoritative or complete statement of the laws applicable. PGC Shareholders are advised to obtain independent professional advice relevant to their own particular circumstances in respect of their investment.

Foreign jurisdiction taxes may affect the return to overseas shareholders. Any such shareholder should seek independent professional advice relevant to their own particular circumstances and tax position in respect of their investment.

### **Disposal of Distribution Shares**

The New Zealand tax system does not currently include a capital gains tax. Consequently where a PGC Shareholder holds Distribution Shares on "capital account", amounts derived from the disposal of the Distribution Shares will not be subject to New Zealand income tax. However, if the PGC Shareholder holds its Distribution Shares on "revenue account", the taxable gain (or loss) for the PGC Shareholder on disposing of its Distribution Shares will be equal to the market value of the consideration received for their disposal less the cost of acquiring the Distribution Shares.

Gifts of Distribution Shares made by a PGC Shareholder domiciled in New Zealand may be subject to New Zealand gift duty. Gift duty applies at 5% on the excess of gifts over \$27,000 in any 12 month period and arises on a graduated scale to a maximum rate of 25% of the excess amount of gifts over \$72,000. The Taxation (Tax Administration and Remedial Matters) Bill, introduced in Parliament on 23 November 2010, proposes to repeal gift duty effective from 1 October 2011.

### **Dividends**

In general, any distribution, including a cash dividend, by BSH in respect of BSH Shares, other than a non-taxable bonus issue of shares or a return of capital in certain circumstances, will be considered a dividend for New Zealand tax purposes.

In the case of New Zealand resident BSH Shareholders, BSH will generally be required to deduct resident withholding tax (*RWT*) from dividends paid by BSH at a rate of 33% less the amount of any imputation credits attached to those dividends. Given the reduction in the company tax rate to 28%, the maximum amount of imputation credits that may be attached to the dividend is equal to 28/72 of the net dividend, effective from the 2011-12 income year. However, BSH may continue to attach imputation credits at the current maximum amount of 30/70 of the net dividend until 31 March 2013, provided the imputation credits arose when the company tax rate was 30%. Any unutilised imputation credits can be credited against tax on other income of that BSH Shareholder.



However, BSH will not deduct RWT from dividends if the New Zealand resident BSH Shareholder produces to BSH a current certificate of exemption (*CoE*) and the *CoE* continues to be current at the time the dividend is paid. BSH will account for RWT unless it is satisfied by the BSH Shareholder that this is not required by law. Any RWT accounted for in respect of a dividend paid to a New Zealand resident BSH Shareholder is able to be credited against the income tax liability of that BSH Shareholder. Resident BSH Shareholders who have a tax rate less than 33% will need to file a tax return to obtain a refund of the resident withholding tax.

In the case of overseas BSH Shareholders, BSH may be required to deduct non-resident withholding tax (*NRWT*) from dividends paid. The rate of *NRWT* will vary depending on the extent to which the dividend is fully imputed and the BSH Shareholder's country of residence. To the extent to which a cash dividend is not fully imputed, the *NRWT* rate is generally 30% for residents of non-treaty countries and reduced to 15% for residents of treaty countries. To the extent that a cash dividend is fully imputed the rate is effectively 0%. *NRWT* is a final tax and the BSH Shareholder is not required to pay any further New Zealand tax with respect to the dividend.

Under New Zealand tax law there is a change of shareholding of BSH upon distribution of the Distribution Shares and accordingly the prima facie position is that any tax losses and imputation credits will not be carried forward by BSH after the Distribution.

### **WHAT ARE MY RISKS?**

There are a number of factors, both specific to the BSH Group and of a general nature, which may affect the operating performance or profitability of the BSH Group and, therefore, the financial performance of the BSH Group and the value of BSH Shares. A number of these factors are beyond the control of the BSH Group.

It is noted that PGC Shareholders, through their existing shareholding in PGC (which holds shares in BSH through MFSL), are already exposed to the risks associated with holding the BSH Shares. These risks will continue to be relevant for PGC Shareholders, once they become holders of the Distribution Shares.

Some of the principal risk factors which may affect the ability of BSH Shareholders to recoup the monetary value of their initial investment and BSH Share price performance are detailed in this section. These risk factors are not the only ones faced by the BSH Group. There may be additional risk factors that BSH is currently unaware of, or that BSH currently deems immaterial but which may subsequently become key risk factors for the BSH Group. You should consider these risk factors in conjunction with the other information in this Information Memorandum and in the Prospectus.

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 BSH Group in a different way.

#### **Summary of Principal Risks**

No investment is risk-free and BSH Shares are no exception. The principal risk to BSH Shareholders is that they may not be able to recoup the monetary value of their initial investment or they may not receive the returns they expect. This could happen for a number of reasons, including that the operational and financial performance of the BSH Group and, therefore BSH, is worse than expected which may in turn mean that:

- The value of BSH Shares reduces.
- BSH does not pay dividends.
- BSH becomes insolvent and is placed in receivership or liquidation.

BSH Shareholders may also be unable to sell their BSH Shares at all – for instance, because the market becomes illiquid or ceases to exist.

Set out below is a description of general and specific risks related to BSH, the BSH Group and the BSH Shares.

#### **General Risks Related to the BSH Group**

##### ***Macro-economic Risks***

There are several factors which impact the activities of the BSH 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 BSH Group and a reduced ability of borrowers to service loans and it may also make it more difficult for the BSH Group to realise assets held as security.

The BSH 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, 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 BSH Group's ability to source funds and adversely affect the BSH Group's borrowing margins and overall cost of funds.

### **Competition in the Finance Sector**

The BSH Group faces competition from both incumbent service providers (including finance companies, savings institutions and banks) and new entrants to the market. The BSH 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 BSH Group and impact the confidence of investors/depositors. This could make it more difficult for the BSH Group to obtain funding from investors/depositors, either through reinvestment of existing funds or investment of new funds. Such events could also adversely affect the BSH Group's borrowing margins, overall cost of funds or the ability to issue quoted retail debt securities on the NZDX or obtain wholesale funding.

### **General Market Risks**

There can be no assurance of an active trading market in the BSH Shares or that the price of the BSH Shares will increase. There may be relatively few potential buyers or sellers of the BSH Shares on the NZSX at any time. This may increase the volatility of the market price of the BSH Shares. It may also affect the prevailing market price at which BSH Shareholders are able to sell their BSH Shares.

Factors such as changes in the New Zealand or international regulatory environment (including for accounting), New Zealand and international equity markets, New Zealand dollar and foreign currency movements and the New Zealand and global economy could cause the market price of the BSH Shares to fluctuate. These fluctuations may adversely affect the market price of the BSH Shares.

The market prices of stocks are, historically, volatile, including in response to changes in stock markets, or the economy, generally.

### **Regulatory Risks**

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

### **Specific Risks Related to the BSH Group**

#### **Liquidity and Reinvestment Risk**

There is a risk that the BSH 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 Combined Building Society as they mature.

The BSH 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 BSH Group's financial assets and liabilities.

The BSH 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 the BSH Group's sources of funding.

The BSH 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, the BSH Group may seek to raise funds from its shareholders if it does not have sufficient liquid funds, or cannot raise sufficient funds, to meet its financial obligations as they fall due. The shareholders of the BSH Group may not support such a capital raising at the time it is contemplated and the BSH Group 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 or be terminated in accordance with their terms and may not be able to be renewed or replaced on acceptable terms. Such events could adversely affect the BSH Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the BSH Group) and ultimately significantly increase the liquidity risk of the BSH Group.

As to retail funding, the BSH Group seeks to maintain consistent reinvestment rates and new investment rates for its retail funding in order to meet its financial obligations and continue to grow its business. If there were to be any significant reduction in reinvestment rates or new investment rates, it could (depending on the extent of the reduction) adversely affect the BSH Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the BSH Group) and ultimately significantly increase the liquidity risk of the BSH Group.

Reinvestment rates and new investment rates 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 BSH Group specifically. These include the following:

#### ***Credit Rating***

Combined Building Society currently holds a credit rating of BBB- (Outlook Stable) from Standard & Poor's (Australia) Pty Limited, which is considered an investment grade rating by market participants.

#### ***Crown Retail Deposit Guarantee Scheme***

Combined Building Society has a Crown Guarantee under a Crown retail deposit guarantee scheme in respect of certain debt securities issued by it, being a guarantee that expires on 31 December 2011. Once the Crown Guarantee expires, no Deposits issued by Combined Building Society will be covered. In addition, the Crown Guarantee may be withdrawn before 31 December 2011 if (among other things) there is a change of control, any failure to comply with its terms and conditions, or Combined Building Society otherwise engages in inappropriate activity designed to circumvent the terms of the Crown Guarantee, in the period up to that date. The Crown does not guarantee the Distribution Shares.

Any loss of an investment grade credit rating and expiry of the Crown Guarantee could adversely affect the BSH Group's ability to source cost effective funding (and so adversely affect the financial performance and financial condition of the BSH Group) and ultimately significantly increase the liquidity and reinvestment risk of the BSH Group, as described above.

#### ***Registered Bank Strategic Goal***

It is a strategic goal of the BSH Group for Combined Building Society to become a registered bank under the Reserve Bank Act over the medium term. 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 Combined Building Society will be able to meet all relevant criteria (which may change in the future) and become a registered bank. Combined Building Society intends to commence an application for registration in the second half of 2011.

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

### ***NBDT Regulations***

As is the case with other NBDTs, the BSH Group (through Combined Building Society) 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 exposure limits;
- liquidity; and
- governance.

### ***Interest Rate Risk***

The BSH 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 BSH Group's financial performance by affecting the interest margin between funds lent and funds borrowed.

### ***Credit Risk and Realisation Risk***

The BSH Group lends money to a variety of customers, including individuals, companies and other business organisations, and there is a risk of financial loss if customers do not pay interest on time or repay their loans on time and in full.

If a borrower fails to meet its principal or interest payment obligations, the BSH Group may need to realise any asset which has been provided as security for that loan. 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 BSH 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 BSH Group as a result of such events could have an adverse effect on the financial performance and financial condition of the BSH Group.

In terms of property lending, the BSH Group lends to borrowers based on mortgage security over residential, commercial and rural properties based only in New Zealand. Each of those property sectors has particular risks associated with it.

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

### ***Investment Property***

The BSH 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 affect on the financial performance and the financial condition of the BSH Group.

### ***Impairment of Assets***

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

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

### ***Loan Note***

As part of the consideration for the purchase of certain MARAC loans, MFSL issued loan notes to MARAC under a Loan Note Agreement dated 18 September 2009. As at the date of this Information Memorandum, the balance of the loan note is approximately \$25 million, and interest accrues on that amount which is paid quarterly. The loan note is currently due for repayment on 30 September 2011. The obligations of MFSL have been guaranteed by PGC. If MFSL defaults on the loan note and PGC defaults on its guarantee then the BSH Group could suffer a loss.

### **Insurance Underwriter Risk**

Combined Operations Limited holds a 50% interest in MARAC JV Holdings, which holds all of the shares in MARAC Insurance. With the exception of “lifestyle protection” insurance and “guaranteed asset protection” (which are not underwritten by a third party), insurance policies written by MARAC Insurance are currently underwritten by a number of insurance underwriters. If any of these insurance underwriters fail to meet their obligations in relation to insurance claims, or if the underwriting arrangements cease for any reason, MARAC Insurance may suffer reputational damage for claims made on insurance policies written by it. This may have an adverse impact on the financial performance and financial condition of the BSH Group.

### **Failure to Implement Strategy**

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

As part of the BSH Group’s strategic initiatives, the BSH Group may grow its existing business organically or via acquisitions of new businesses or assets that fit with its lending criteria. 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 BSH 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 BSH Group incurring unforeseen liabilities.
- That Combined Building Society may not be able to raise the additional capital required in order to increase its asset base.

### **Integration Risk**

The success of the BSH Group will in turn depend on the successful integration of the operations of MARAC, Canterbury Building Society and Southern Cross Building Society 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 will be undertaken within the planned timeframe and/or within the estimated integration costs expected to be incurred as part of the Merger integration process.

### **Operational and Other Risks**

The BSH 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 BSH 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 BSH 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 BSH Group’s business products or services; and
- a natural disaster disrupting the ability of the BSH Group to operate its business.

### **Information Technology Risks**

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



### **Consequences of Insolvency**

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

All creditors (secured and unsecured) of BSH will rank ahead of BSH Shareholder claims if BSH is liquidated. After all such creditors have been paid, any remaining assets will be available for distribution between all holders of BSH Shares who will rank equally amongst themselves. There may not be sufficient surplus assets to enable BSH Shareholders to recover all or any of their investment.

### **CAN THE INVESTMENT BE ALTERED?**

The terms of the Distribution are set out in this Information Memorandum, the Prospectus and the Scheme Plan. The Scheme Plan can only be amended in accordance with its terms.

The terms of the Distribution recorded in the Prospectus may be altered by BSH and PGC by filing a memorandum of amendments to the Prospectus with the Registrar of Companies.

The rights attaching to BSH Shares are governed by the BSH Constitution, the Companies Act, the Listing Rules and by law. The BSH Constitution may only be altered by a special resolution of BSH Shareholders, subject to the rights of interest groups under the Companies Act, or in certain circumstances by Court order.

Section 117 of the Companies Act and Listing Rule 8.3.1 restrict BSH from taking any action which affects the rights attached to the BSH Shares, unless that action has been approved by a special resolution of BSH Shareholders whose rights are affected by the action. A special resolution must be approved by at least 75% of the relevant BSH Shareholders entitled to vote and voting on that resolution. Under certain circumstances, a BSH Shareholder whose rights are affected under an action approved by a special resolution may require BSH to purchase its BSH Shares.

### **HOW DO I CASH IN MY INVESTMENT?**

PGC Shareholders are entitled to sell their Distribution Shares, subject to compliance with the BSH Constitution, the Listing Rules and applicable laws (including the Takeovers Code Approval Order 2000 (SR 2000/210), the Securities Act and the Overseas Investment Act 2005).

As the BSH Shares are currently quoted on the NZSX, BSH is of the opinion that there is an established market for the sale of Distribution Shares which will facilitate any such sales. No charges are payable to BSH in respect of any sale of Distribution Shares. Any sale of Distribution Shares on the NZSX will attract normal brokerage fees.

Under certain provisions in the Companies Act, BSH Shares (including the Distribution Shares) could be cancelled by BSH by a reduction of capital, share buy-back or other form of capital reconstruction. Subject to this, neither PGC Shareholders, BSH, nor any other person has any right to terminate, cancel, surrender, or otherwise make or obtain payment from the Distribution Shares, other than in accordance with their issue terms and as referred to under the heading "What Returns Will I Get?" above.

### **WHO DO I CONTACT WITH INQUIRIES ABOUT MY INVESTMENT?**

Any inquiries about the Distribution Shares should be directed to the Share Registrar or to the Company Secretary of BSH. The contact details of the Share Registrar are set out in the Directory. The Company Secretary of BSH may be contacted at BSH's address, as set out in the Directory.

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

Complaints about the Distribution Shares can be directed to the Share Registrar or to the Company Secretary of BSH. The contact details of the Share Registrar are set out in the Directory. The Company Secretary of BSH may be contacted at BSH's address, as set out in the Directory. There is no Ombudsman to whom complaints can be made about this investment.

### **WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?**

#### **Prospectus and Financial Statements**

Other information about the Distribution Shares and BSH is contained or referred to in the Prospectus and the financial statements set out in that Prospectus.

The Prospectus, the BSH Constitution and the most recent financial statements of BSH may be obtained, free of charge, at [www.heartland.co.nz](http://www.heartland.co.nz).

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The Prospectus, BSH Constitution and certain other documents of, or relating to, BSH are also filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection, including on the Companies Office website at [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

### **Annual Information**

BSH Shareholders at the relevant record date will be entitled to receive certain information relating to the ongoing performance of BSH in accordance with the Companies Act, the Financial Reporting Act and the Listing Rules. BSH Shareholders will either receive this information automatically, or will receive notification of their right to request this information.

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

### **On Request Information**

BSH Shareholders are also entitled to request copies of the following documents under section 54B of the Securities Act:

- The most recent prospectus and investment statement relating to BSH Shares.
- The most recently registered financial statements of BSH and all documents that are required to be incorporated in, attached to, or accompany, those financial statements.
- BSH's most recent annual report.
- Any other documents and information that may be requested under regulation 44 of the Securities Regulations.

This information will be made available to BSH Shareholders, free of charge, upon a request in writing being made to BSH at its registered office as set out in the Directory.



# SECTION 7: SCHEME PLAN

## SCHEME PLAN

### RELATING TO THE IN SPECIE DISTRIBUTION BY PYNE GOULD CORPORATION LIMITED OF SHARES IN BUILDING SOCIETY HOLDINGS LIMITED PURSUANT TO A SCHEME OF ARRANGEMENT UNDER PART 15 OF THE COMPANIES ACT 1993

29 APRIL 2011

## BACKGROUND

- A. MARAC Financial Services Limited, a wholly owned subsidiary of Pyne Gould Corporation Limited, holds 216,630,283 shares in Building Society Holdings Limited.
- B. Following a strategic review, Pyne Gould Corporation Limited wishes to distribute all of these shares in Building Society Holdings Limited to its shareholders pursuant to this Scheme Plan.

## 1 INTERPRETATION

### 1.1 Definitions

In this Scheme Plan:

*BSH* means Building Society Holdings Limited.

*BSH Share* means an ordinary share in the capital of BSH.

*Court* means the High Court of New Zealand.

*Distribution Date* means 30 May 2011 or such other date (being a trading day on the NZSX not later than 30 June 2011) as may be determined by the board of directors of PGC.

*Distribution Shares* means the 216,630,283 BSH Shares held by MFSL (being all of the BSH Shares held by MFSL as at the date of this Scheme Plan).

*MFSL* means MARAC Financial Services Limited.

*NZSX* means the main board equity securities market, operated by NZX Limited.

*PGC* means Pyne Gould Corporation Limited.

*PGC Shareholder* means any person recorded on the PGC share register at 5:00pm on the Record Date.

*PGC Share* means an ordinary share in the capital of PGC.

*Record Date* means 27 May 2011 or such later date (being at least one trading day prior to the Distribution Date) as may be determined by the board of directors of PGC.

*Scheme Plan* means this scheme plan.

### 1.2 Interpretation

In this Scheme Plan, unless the context otherwise requires:

- (a) The division of this Scheme Plan into clauses and the inclusion of headings are for convenience of reference only and do not affect the construction or interpretation of this Scheme Plan.
- (b) The singular includes the plural and vice versa.
- (c) References to dates and times are to dates and times in New Zealand.

## 2 SCHEME OF ARRANGEMENT

2.1 At 8:00am on the Distribution Date, the following will occur sequentially in the order specified in this clause without any further act or formality, except as otherwise provided:

- (a) The Distribution Shares will be transferred (without the need for any further action by any person) by MFSL to PGC, and as a result of that transfer PGC will owe to MFSL an amount equal to the book value of the Distribution Shares, as recorded in the accounts of MFSL, which amount will be payable on 90 days' written demand from MFSL to PGC from time to time.

- (b) 73.2% of the PGC Shares held by each PGC Shareholder at 5:00pm on the Record Date (rounded to the nearest whole number) will be cancelled in consideration for the transfer of shares referred to in paragraph 2.1(c).
- (c) The Distribution Shares will be transferred (without the need for any further action by any person) by PGC to the PGC Shareholders as follows:
  - (i) The Distribution Shares will be transferred to the PGC Shareholders or, in the case of a PGC Shareholder whose address recorded in the PGC share register is outside New Zealand, a nominee appointed by PGC (*PGC Nominee*) on a pro rata basis in proportion to each PGC Shareholder's holding of PGC Shares at 5:00pm on the Record Date (such entitlement rounded down to the nearest whole number).
  - (ii) If, following the application of the above methodology, all of the Distribution Shares have not been transferred, those PGC Shareholders with the highest fractional entitlement to shares prior to rounding will have transferred to them, or to the PGC Nominee (where applicable), one additional BSH Share until all of the Distribution Shares have been transferred (provided that if two or more PGC Shareholders had the same fractional entitlement and there are not enough Distribution Shares to transfer one additional BSH Share to each of those PGC Shareholders, then PGC or its share registrar will randomly determine which of those PGC Shareholders will be entitled to one additional BSH Share so that all of the Distribution Shares have been transferred to PGC Shareholders or the PGC Nominee in accordance with this Scheme Plan).

### **3 AMENDMENT OR WITHDRAWAL**

- 3.1 PGC reserves the right to amend, modify and/or supplement this Scheme Plan at any time and from time to time, provided that any such amendment, modification or supplement has been approved by the Court and communicated to the PGC Shareholders in the manner required by the Court (if so required).
- 3.2 Any amendment, modification or supplement to this Scheme Plan shall be effective only if it is proposed, or consented to in writing, by PGC.
- 3.3 PGC reserves the right to withdraw this Scheme Plan at any time on or before the Distribution Date, in which case this Scheme Plan shall cease to have any force or effect.

## SECTION 8: COURT DOCUMENTS

In the High Court of New Zealand  
Auckland Registry

CIV-2011-404-2059

*in the matter of:* a scheme of arrangement under Part 15 of the  
Companies Act 1993

*and in the matter of:* **Pyne Gould Corporation Limited**, a duly incorporated  
company having its registered office at Christchurch  
and carrying on business as an investment company  
First Applicant

*and:* **MARAC Financial Services Limited**, a duly  
incorporated company having its registered office at  
Christchurch and carrying on business as a holding  
company  
Second Applicant

Initial orders as to service, representation and directions

Dated: 13 April 2011



REFERENCE: Edward Southwick Scorgie (edward.scorgie@chapmantripp.com)

**Chapman Tripp**  
t. +64 9 357 9000  
f. +64 9 357 9099

23 Albert Street  
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Auckland, Wellington,  
Christchurch



# COURT DOCUMENTS CONTINUED

1

## INITIAL ORDERS AS TO SERVICE, REPRESENTATION AND DIRECTIONS

**To:** The Applicants

**And to:** The Persons required to be served pursuant to this order

- I The interlocutory application made by the Applicants on 11 April 2011 was determined by Honourable Justice Asher on 13 April 2011.
- II The determination was made with a hearing.
- III The following orders were made:

### **A Service and Representation**

1 That service of this application upon all persons affected and directions as to representations be dispensed with.

### **B Special Meetings**

2 Directing:

- 2.1 MARAC Financial Services Limited (*MFSL*) to seek written resolutions in lieu of holding a meeting of its sole shareholder (the *MFSL Resolutions*); and
- 2.2 Pyne Gould Corporation Limited (*PGC*) to hold a meeting of its shareholders (the *Special Meeting*), at a venue to be determined by the board of directors of PGC on or about 18 May 2011,

to seek approval of the proposed scheme of arrangement (*the Scheme*) between the Applicants and their shareholders (subject to any amendment or variation) a draft of which is annexed to the originating application for final orders approving the Scheme (the *Application for Final Orders*).

- 3 Directing that the resolutions sought by each Applicant may be put to voters at the same time as, or incorporated into, such other resolutions as each Applicant may determine.
- 4 Requiring the *MFSL Resolutions* to be approved by a special resolution signed by its sole shareholder.
- 5 Requiring the resolutions from the PGC shareholders to be approved by way of special resolution, being a resolution approved by not less than 75% of the votes of those shareholders entitled to vote and voting on the special resolution, voting as a single class.



## COURT DOCUMENTS CONTINUED

2

6 Permitting the Applicants to make such amendments, revisions and/or supplements to the Scheme and the resolutions as they may determine are in their best interests and in the best interests of their shareholders. The Scheme or the resolutions as so amended, revised and/or supplemented will be submitted for approval at the Special Meeting (or in the written resolutions in lieu of a shareholder meeting). The Applicants are also permitted to make amendments, revisions and/or supplements to the Shareholder Materials referred to in order 9 below. Should the Applicants make any material amendments, revisions and/or supplements to the Scheme or the resolutions after the Shareholder Materials have been sent to those persons referred to in orders 8 and 10 below, it will send to those persons a supplementary memorandum by ordinary mail advising them of such amendments, revisions and/or supplements to the Scheme or the resolutions.

7 Subject to the terms of these orders, requiring:

- 7.1 the Special Meeting for PGC to be conducted in accordance with the provisions of the Companies Act 1993 and the constitution of PGC;
- 7.2 the MFSL Resolutions to be obtained in accordance with the provisions of the Companies Act 1993 and the constitution of MFSL.

**C Summary and Notice of Special Meetings**

8 Requiring PGC to send the applicable information referred to in order 9 (the *Shareholder Materials*) to each of its shareholders who is entitled to receive notice of the Special Meeting of PGC, such Shareholder Materials to be mailed at least 10 working days before the Special Meeting and otherwise in accordance with the requirements of the Companies Act 1993 and the constitution of PGC for the delivery of notices of meetings.

9 The information required for the purposes of order 8 is:

- 9.1 a letter from the Chairman of the board of PGC;
- 9.2 a Notice of Meeting and Information Memorandum, including:
  - (a) the formal notice of meeting, including the resolution that the shareholders will be asked to vote on at the Special Meeting and explanatory notes providing procedural details;
  - (b) a summary of the proposed distribution;
  - (c) a copy of the Scheme plan;



## COURT DOCUMENTS CONTINUED

3

- (d) a profile of PGC and its subsidiaries following the distribution;
- (e) a profile of Building Society Holdings Limited and its subsidiaries; and
- (f) a copy of the initial orders made by the Court, and the application for final orders, in respect of the Scheme.

9.3 an investment statement relating to the Building Society Holdings Limited shares to be distributed under the Scheme (which may be included in the Notice of Meeting and Information Memorandum); and

9.4 a voting/proxy form for voting on the resolution at the Special Meeting,

in substantially the same form as the drafts which are referred to in and annexed as exhibits 3 to 5 to the affidavit of Jeffrey Kenneth Greenslade, with such amendments, revisions and/or supplements as the Applicants consider are necessary or desirable (provided that such amendments, revisions and/or supplements are not inconsistent with the terms of this order).

10 Requiring PGC to provide a copy of the relevant Shareholder Materials on request to any other person who becomes a registered shareholder of PGC after the date that would have entitled that holder to receive the Shareholder Materials in accordance with order 8.

11 That the accidental failure or omission by PGC to send the Shareholder Materials to the persons specified in orders 8 and 10 above or the non-receipt of such documents by those persons will not constitute a breach of the orders nor invalidate any resolution passed or proceedings taken at the Special Meetings, but if any such failure or omission is brought to the attention of PGC, then it shall endeavour to rectify it by the method and in the time most reasonably practicable in the circumstances.

**D Reporting of the results of the Special Meetings**

12 Requiring the Applicants, prior to the Court's consideration of the Application for Final Orders, to cause to be filed with this Court, and served on any party who has filed a notice or an application for leave under order 13 or 14 (as applicable) at the relevant address for service; an affidavit or affidavits verifying compliance with the requirements of these orders, including confirmation:

12.1 of the resolutions passed by the PGC shareholders at the Special Meeting; and





## COURT DOCUMENTS CONTINUED

4

12.2 that the MFSL Resolutions have been signed.

**E Rights of opposition of shareholders and other persons**

- 13 Directing that any shareholder of an Applicant who wishes to appear and be heard on the Application for Final Orders must file a notice of appearance or a notice of opposition (both containing an address for service) and, if they oppose the application, any affidavits and a memorandum of submissions on which they intend to rely by 5.00 pm on 16 May 2011 and on the same day serve a copy on the Applicants at their address for service. The Applicants will serve upon that shareholder, at their address for service, a copy of any affidavits in support of the Application for Final Orders by 5.00 pm on 18 May 2011.
- 14 Directing that any creditor of any Applicant, or any other person (other than a shareholder of an Applicant) claiming to have an interest in the Scheme who wishes to appear and be heard on the Application for Final Orders must file an application for leave to be heard on the Application for Final Orders (containing an address for service), a notice of opposition, any affidavits and a memorandum of submissions upon which that person intends to rely by 5.00pm on 16 May 2011 and on the same day serve a copy on the Applicants at their address for service. The Applicants will serve upon that person at their address for service a copy of the Application for Final Orders and any affidavits in support of the Application for Final Orders by 5.00 pm on 18 May 2011.
- 15 Directing that the only persons entitled to appear and be heard at the hearing of the Application for Final Orders will be:
- 15.1 the Applicants;
- 15.2 those shareholders of the Applicants who file a notice of appearance or a notice of opposition to the Application for Final Court Orders in accordance with order 13 above; and
- 15.3 those creditors or other persons (other than a shareholder of an Applicant) who claim to have an interest in the Scheme who file an application for leave to be heard and a notice of opposition to the Application for Final Court Orders in accordance with order 14 above and who are subsequently granted leave to appear and be heard at the hearing of the Application for Final Orders.
- 16 Directing that if the hearing of the Application for Final Orders approving the Scheme is adjourned, only those persons who have filed and served a notice of appearance or a notice of opposition in accordance with orders 13 and 14 above need to be served with notice of the adjourned date.





COURT DOCUMENTS CONTINUED

- 17 That, except as provided in orders 13, 14 and 16 above, the Applicants are not required to serve any other documents on the persons specified in those orders.
- 18 That the Court file relating to the Application for Final Orders will not be searched, inspected or copied without leave of the Court until such time as the Shareholder Materials have been distributed to shareholders in accordance with order 8 above.
- 19 Granting the Applicants leave to apply at short notice to vary these orders and apply for such further orders as may be appropriate.



Date: 13 April 2011

Registrar/Deputy Registrar  
C MacDonald

Sealed: 13 April 2011

## COURT DOCUMENTS CONTINUED

In the High Court of New Zealand  
Auckland Registry

CIV-2011-404-

*in the matter of:* a scheme of arrangement under Part 15 of the  
Companies Act 1993

*and in the matter of:* **Pyne Gould Corporation Limited**, a duly incorporated  
company having its registered office at Christchurch  
and carrying on business as an investment company  
First Applicant

*and:* **MARAC Financial Services Limited**, a duly  
incorporated company having its registered office at  
Christchurch and carrying on business as a holding  
company  
Second Applicant

Originating application for orders approving a scheme of  
arrangement under Part 15 of the Companies Act 1993

Dated: 2011

Next Event Date: 2011

Before:

REFERENCE: Edward Southwick Scorgie (edward.scorgie@chapmantripp.com)

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Christchurch



# COURT DOCUMENTS CONTINUED

1

## **ORIGINATING APPLICATION FOR ORDERS APPROVING A SCHEME OF ARRANGEMENT UNDER PART 15 OF THE COMPANIES ACT 1993**

To the Registrar of the High Court at Auckland

### **This document notifies you that—**

- 1 The Applicants will at 8:30am on 20 May 2011 apply to the Court for orders that:
  - 1.1 The proposed scheme of arrangement (the *Scheme*) between:
    - (a) Pyne Gould Corporation Limited (*PGC*) and its shareholders; and
    - (b) MARAC Financial Services Limited (*MFSL*) and its shareholder,  
  
as described in the Scheme plan, a draft of which is annexed to this application and the final version of which will be submitted to the Court, is approved and is binding upon each of the Applicants and each of their respective shareholders, in accordance with its terms, with effect from 8.00am on the Distribution Date as defined in the Scheme plan, being 30 May 2011 or such other date (being a trading day on the NZSX not later than 30 June 2011) as may be determined by the board of directors of PGC.
  - 1.2 The Applicants are granted leave to apply to the Court at short notice for any necessary approval of any amendment, modification or supplement to the Scheme.
- 2 The grounds on which each order is sought are as follows:
  - 2.1 Section 236(1) of the Companies Act 1993 provides the Court with powers to make orders that the Scheme is binding on the Applicants and their shareholders and on such other persons as the Court may specify and upon such terms and conditions as the Court thinks fit.
  - 2.2 Section 237(1) of the Companies Act 1993 provides the Court with the power to make additional orders to give effect to the Scheme.
  - 2.3 By the date on which this application is determined the Applicants will have complied with the initial orders made by this Court and the requirements of Part 15 of the Companies Act 1993.

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## COURT DOCUMENTS CONTINUED

2

2.4 The Scheme is such that an intelligent and honest person of business acting in respect of his or her own interest would reasonably approve it.

3 The application is made in reliance on:


3.1 Part 15 of the Companies Act 1993;

3.2 Part 19 of the High Court Rules;

3.3 The affidavit of Jeffrey Kenneth Greenslade filed, and a further affidavit to be filed, in support of this application; and

3.4 The memorandum of counsel filed in support of the application (without notice) for initial orders and in support of this application.

Date: 11 APRIL 2011



Edward Southwick Scorgie  
Solicitor for Applicants

This document is filed by Edward Southwick Scorgie, solicitor for the Applicants, of the firm Chapman Tripp. The address for service of the Applicants is at the offices of Chapman Tripp, Level 38, 23 Albert St, Auckland.

Documents for service on the Applicants may be delivered to that address or may be:

- (a) posted to the solicitor at PO Box 2206, Auckland; or
- (b) left for the solicitor at a document exchange for direction to DX CP24029, Auckland; or
- (c) transmitted to the solicitor by facsimile to facsimile number +64 9 357 9099.

# COURT DOCUMENTS CONTINUED

## SCHEME PLAN

### RELATING TO THE IN SPECIE DISTRIBUTION BY PYNE GOULD CORPORATION LIMITED OF SHARES IN BUILDING SOCIETY HOLDINGS LIMITED PURSUANT TO A SCHEME OF ARRANGEMENT UNDER PART 15 OF THE COMPANIES ACT 1993

29 APRIL 2011

#### BACKGROUND

- A. MARAC Financial Services Limited, a wholly owned subsidiary of Pyne Gould Corporation Limited, holds 216,630,283 shares in Building Society Holdings Limited.
- B. Following a strategic review, Pyne Gould Corporation Limited wishes to distribute all of these shares in Building Society Holdings Limited to its shareholders pursuant to this Scheme Plan.

#### 1 INTERPRETATION

##### 1.1 Definitions

In this Scheme Plan:

*BSH* means Building Society Holdings Limited.

*BSH Share* means an ordinary share in the capital of BSH.

*Court* means the High Court of New Zealand.

*Distribution Date* means 30 May 2011 or such other date (being a trading day on the NZSX not later than 30 June 2011) as may be determined by the board of directors of PGC.

*Distribution Shares* means the 216,630,283 BSH Shares held by MFSL (being all of the BSH Shares held by MFSL as at the date of this Scheme Plan).

*MFSL* means MARAC Financial Services Limited.

*NZSX* means the main board equity securities market, operated by NZX Limited.

*PGC* means Pyne Gould Corporation Limited.

*PGC Shareholder* means any person recorded on the PGC share register at 5:00pm on the Record Date.

*PGC Share* means an ordinary share in the capital of PGC.

*Record Date* means 27 May 2011 or such later date (being at least one trading day prior to the Distribution Date) as may be determined by the board of directors of PGC.

*Scheme Plan* means this scheme plan.



## COURT DOCUMENTS CONTINUED

### 1.2 Interpretation

In this Scheme Plan, unless the context otherwise requires:

- (a) The division of this Scheme Plan into clauses and the inclusion of headings are for convenience of reference only and do not affect the construction or interpretation of this Scheme Plan.
- (b) The singular includes the plural and vice versa.
- (c) References to dates and times are to dates and times in New Zealand.

## 2 SCHEME OF ARRANGEMENT

2.1 At 8:00am on the Distribution Date, the following will occur sequentially in the order specified in this clause without any further act or formality, except as otherwise provided:

- (a) The Distribution Shares will be transferred (without the need for any further action by any person) by MFSL to PGC, and as a result of that transfer PGC will owe to MFSL an amount equal to the book value of the Distribution Shares, as recorded in the accounts of MFSL, which amount will be payable on 90 days' written demand from MFSL to PGC from time to time.
- (b) 73.2% of the PGC Shares held by each PGC Shareholder at 5:00pm on the Record Date (rounded to the nearest whole number) will be cancelled in consideration for the transfer of shares referred to in paragraph 2.1(c).
- (c) The Distribution Shares will be transferred (without the need for any further action by any person) by PGC to the PGC Shareholders as follows:
  - (i) The Distribution Shares will be transferred to the PGC Shareholders or, in the case of a PGC Shareholder whose address recorded in the PGC share register is outside New Zealand, a nominee appointed by PGC (*PGC Nominee*) on a pro rata basis in proportion to each PGC Shareholder's holding of PGC Shares at 5:00pm on the Record Date (such entitlement rounded down to the nearest whole number).
  - (ii) If, following the application of the above methodology, all of the Distribution Shares have not been transferred, those PGC Shareholders with the highest fractional entitlement to shares prior to rounding will have transferred to them, or to the PGC Nominee (where applicable), one additional BSH Share until all of the Distribution Shares have been transferred (provided that if two or more PGC Shareholders had the same fractional entitlement and there are not enough Distribution Shares to transfer one additional BSH Share to each of those PGC Shareholders, then PGC or its share registrar will randomly determine which of those PGC Shareholders will be entitled to one additional BSH Share so that all of the Distribution Shares have been transferred to PGC Shareholders or the PGC Nominee in accordance with this Scheme Plan).

# COURT DOCUMENTS CONTINUED

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**3 AMENDMENT OR WITHDRAWAL**

- 3.1 PGC reserves the right to amend, modify and/or supplement this Scheme Plan at any time and from time to time, provided that any such amendment, modification or supplement has been approved by the Court and communicated to the PGC Shareholders in the manner required by the Court (if so required).
- 3.2 Any amendment, modification or supplement to this Scheme Plan shall be effective only if it is proposed, or consented to in writing, by PGC.
- 3.3 PGC reserves the right to withdraw this Scheme Plan at any time on or before the Distribution Date, in which case this Scheme Plan shall cease to have any force or effect.



# GLOSSARY

<b>\$, NZD or NZ\$</b>	New Zealand dollars
<b>Agria</b>	Agria (Singapore) Pte Ltd
<b>Board</b>	The board of directors of PGC
<b>BSH</b>	Building Society Holdings Limited
<b>BSH Constitution</b>	The constitution of BSH, as amended from time to time
<b>BSH Group</b>	BSH and its subsidiaries
<b>BSH Share</b>	An ordinary share in the capital of BSH
<b>BSH Shareholder</b>	A holder of one or more BSH Shares
<b>Building Societies Act</b>	The Building Societies Act 1965, as amended from time to time
<b>Combined Building Society</b>	Combined Building Society, an indirectly wholly owned subsidiary building society of BSH, established under the Building Societies Act
<b>Companies Act</b>	The Companies Act 1993, as amended from time to time
<b>Court</b>	The High Court of New Zealand
<b>Crown Guarantee</b>	The Crown retail guarantee expiring at 11:59pm on 31 December 2011 granted to Combined Building Society pursuant and subject to the Crown Retail Deposit Guarantee Scheme Act 2009 and the terms of the Crown Deed of Guarantee (Building Society) dated 15 December 2010
<b>Deposits</b>	Unsecured deposits with Combined Building Society
<b>Determination Time</b>	5:00pm on 8 April 2011
<b>Director</b>	A director of PGC
<b>Directory</b>	The directory set out in this Information Memorandum
<b>Distribution</b>	The distribution by PGC of Distribution Shares to PGC Shareholders, in accordance with the Scheme
<b>Distribution Date</b>	30 May 2011, unless changed in accordance with the Scheme Plan
<b>Distribution Share</b>	A BSH Share that will be distributed to PGC Shareholders, in accordance with the Scheme
<b>Final Court Orders</b>	The final orders of the Court to give effect to the Scheme
<b>Financial Reporting Act</b>	The Financial Reporting Act 1993, as amended from time to time
<b>Glossary</b>	This glossary of terms
<b>Information Memorandum</b>	This notice of meeting and information memorandum dated 29 April 2011
<b>Listing Rules</b>	Listing Rules of NZX in relation to the NZSX (or any market in substitution for that market) in force from time to time, read subject to any applicable rulings or waivers
<b>MARAC</b>	MARAC Finance Limited
<b>MARAC JV Holdings</b>	MARAC JV Holdings Limited
<b>MARAC Insurance</b>	MARAC Insurance Limited
<b>Merger</b>	The merger of the financial services businesses of MARAC, Canterbury Building Society and Southern Cross Building Society, which was completed on 7 January 2011
<b>MFSL</b>	MARAC Financial Services Limited

<b>NBDT</b>	Non-bank deposit taker
<b>NBDT Regulations</b>	Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 and Deposit Takers (Liquidity Requirements) Regulations 2010
<b>NZDX</b>	The market for debt securities, operated by NZX
<b>NZSX</b>	The main board equity security market, operated by NZX
<b>NZX</b>	NZX Limited
<b>PGC</b>	Pyne Gould Corporation Limited
<b>PGC Group</b>	PGC and its subsidiaries
<b>PGC Share</b>	An ordinary share in the capital of PGC
<b>PGC Shareholder</b>	A holder of one or more PGC Shares
<b>PGW</b>	PGG Wrightson Limited
<b>Prospectus</b>	The prospectus dated 29 April 2011 in respect of the Distribution
<b>Record Date</b>	27 May 2011, unless changed in accordance with the Scheme Plan
<b>Reserve Bank</b>	The Reserve Bank of New Zealand constituted under the Reserve Bank Act
<b>Reserve Bank Act</b>	The Reserve Bank of New Zealand Act 1989, as amended from time to time
<b>Scheme</b>	The scheme of arrangement to be undertaken under Part 15 of the Companies Act in accordance with the Scheme Plan
<b>Scheme Plan</b>	The scheme plan set out in this Information Memorandum (which may be amended in accordance with its terms)
<b>Securities Act</b>	The Securities Act 1978, as amended from time to time
<b>Securities Regulations</b>	The Securities Regulations 2009, as amended from time to time
<b>Share Registrar</b>	Link Market Services Limited
<b>Special Meeting</b>	The meeting of PGC Shareholders to be held at the Show Gate Lounge, Riccarton Park, 165 Racecourse Road, Christchurch on 18 May 2011 at 2:00pm or, if that meeting is adjourned, the adjourned meeting
<b>Tax Act</b>	Income Tax Act 2007, as amended from time to time
<b>Voting/Proxy Form</b>	The form accompanying this Information Memorandum pursuant to which PGC Shareholders may appoint a proxy to vote at the Special Meeting



# DIRECTORY

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## SHARE REGISTRAR

### Link Market Services Limited

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## LEGAL ADVISORS

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Pyne Gould Corporation

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