



# MARAC FINANCE LIMITED

## Prospectus 41

For an offer of up to \$1,500,000,000 of Secured Debenture Stock  
to be issued by MARAC Finance Limited

14 December 2009

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# MARAC

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MARAC

# MARAC

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### **NEW ZEALAND DEPOSIT GUARANTEE SCHEME**

MARAC Finance Limited has a guarantee under the New Zealand deposit guarantee scheme. The securities detailed in this Prospectus may be offered by MARAC and subscribed for by investors either with or without this guarantee.

**Where an investor subscribes for Secured Debenture Stock without this guarantee none of MARAC's obligations under or in respect of that Secured Debenture Stock will have the benefit of the Crown Guarantee and the investor will not be able to rely on it in the event MARAC defaults in its obligations.**

For further information see pages 3, 13 and 25 to 27.

## Important information

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### IMPORTANT DOCUMENT

This Prospectus is an important document and should be read carefully.

A copy of this Prospectus, duly signed by or on behalf of the Directors and having attached to it or being accompanied by copies of the documents required by section 41 of the Securities Act and regulation 18 of the Securities Regulations (being the Auditor's report and consent, the Trustee's statement and a copy of each Material Contract not previously provided) was delivered to the New Zealand Registrar of Companies, Companies Office, Ministry of Economic Development, Level 18, ASB Bank Centre, 135 Albert Street, Auckland for registration under section 42 of the Securities Act on 14 December 2009.

### DEFINITIONS

Capitalised terms used in this Prospectus have defined meanings which appear in the Glossary on pages 72 to 74 or within the relevant section of this Prospectus in which the term is used. All references to "\$" or "dollars" are to New Zealand dollars unless specified otherwise.

### RISKS

Investors should consider the risks that are associated with an investment in Secured Debenture Stock, particularly with regard to their personal circumstances (including financial and tax issues). The principal risks associated with an investment in Secured Debenture Stock are set out on pages 27 to 33.

### FINANCIAL ADVICE

This Prospectus has been prepared without taking into account the investment objectives, financial or taxation situation or particular needs of any investor. Accordingly, the information in this Prospectus does not constitute either a recommendation to acquire Secured Debenture Stock or financial product advice. Before applying for Secured Debenture Stock, you should consider whether such an investment is appropriate to your particular needs, after considering your individual risk profile for investments, investment objectives and individual financial circumstances. If you are in any doubt about the contents of this Prospectus or whether this investment is appropriate for you, you should consult your financial adviser, solicitor, accountant or other professional adviser.

### PROSPECTIVE STATEMENTS

No person named in this Prospectus, including MARAC, Pyne Gould Corporation Limited, MARAC Financial Services Limited, the Trustee, the Auditor, Standard & Poor's nor any of their respective directors, officers or employees, nor any other person makes any promise as to the future performance of MARAC.

### PRIVACY ACT

Any personal information provided by investors will be held by MARAC at its registered office, the address of which is shown in the Directory on page 77 or such other place as is notified upon request. This information will be used for the purpose of managing your investment in Secured Debenture Stock but may also be disclosed to the Crown in accordance with the Crown Deed of Guarantee. Under the Privacy Act 1993, you have the right to access and correct any personal information held about you.

### GOVERNING LAW

This Prospectus and the Offer are governed by the laws of New Zealand. Each investor submits to the exclusive jurisdiction of the courts of New Zealand.

All legislation referred to in this Prospectus can be viewed free of charge at [www.legislation.govt.nz](http://www.legislation.govt.nz).

### FURTHER INFORMATION

Further information about the Secured Debenture Stock is available in MARAC's current Investment Statement, a copy of which can be obtained from MARAC's registered office, the address of which is shown in the Directory on page 77.

## Highlights of the Offer

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Secured Debenture Stock with an aggregate principal amount of up to \$1,500,000,000 is offered for subscription under this Prospectus (**Offer**).

The Offer is for both:

- Secured Debenture Stock that has the benefit of the Crown Guarantee; and
- Secured Debenture Stock that does not have the benefit of the Crown Guarantee.<sup>1</sup>

The Offer represents an attractive opportunity for institutional investors and members of the public who reside in New Zealand, to invest in a reputable company that has been in business for more than 55 years. The highlights of the Offer are:

### • Issuer

The issuer of the Secured Debenture Stock is MARAC Finance Limited (**MARAC** or the **Company**).

### • Investment products

MARAC has a wide range of fixed and floating rate Secured Debenture Stock investment products. Investors can choose the term of their investment from at call to five years. All investment products will eventually be available to investors either with or without the benefit of the Crown Guarantee, at their option, as detailed in footnote 1 below.

The interest rates offered are fixed for the term of investment for the following Secured Debenture Stock investment products:

- MARAC Term Deposits;
- MARAC Deferred Interest Term Deposits;
- MARAC Capital Drawdown Term Deposits; and
- MARAC Rapid Saver.

The interest rate is floating for the term of investment for the following Secured Debenture Stock investment products:

- MARAC at Call Deposit Accounts;
- MARAC Business Call Accounts; and
- MARAC Floating Rate Term Deposits.

### • Flexible investment options

MARAC offers flexible investment options for each of its investment products. Investors can choose how much to invest, from a minimum of \$1,000 and can choose from a variety of different options for receiving interest payments.

### • Secured on a first ranking basis

The Secured Debenture Stock is secured as first ranking secured stock under the terms of MARAC's Trust Deed.<sup>2</sup>

### • Credit rating

Both MARAC and the Secured Debenture Stock carry a credit rating of BB+ (Outlook Negative)<sup>3</sup> from the internationally recognised rating agency Standard & Poor's. This credit rating is considered by the investment community as being one level below investment grade. This rating was announced by Standard & Poor's on 13 August 2009 and was a downgrade from MARAC's previous credit rating of BBB- (Stable).

### • Use of funds

The funds raised by MARAC from the issue of the Secured Debenture Stock under this Offer will be used to finance MARAC's ongoing lending activities, maintain its diversity of funding sources, generally maintain its funding profile and provide liquidity.

### • Investment in a quality company

This Offer presents an opportunity to invest in one of New Zealand's leading finance companies.

For further details on MARAC's investment products and options, investors should refer to MARAC's current Investment Statement, a copy of which can be obtained from MARAC's registered office, the address of which is shown in the Directory on page 77.

<sup>1</sup> Secured Debenture Stock that does not have the benefit of the Crown Guarantee will only be offered by MARAC and only available to investors, from 1 January 2010. For further details about the implications of investing in Secured Debenture Stock with or without the Crown Guarantee see pages 13 and 25 to 27.

<sup>2</sup> The Trust Deed contains a first ranking floating charge and security interest given by MARAC in favour of the Trustee for the benefit of all current and future first ranking secured stockholders (including both first ranking secured debenture stockholders and first ranking secured bank stockholders), and which is over all of MARAC's business and non-securitized assets, both present and future, subject to permitted Prior Charges (currently none) and statutorily preferred claims. The security given by MARAC to the Trustee does not extend to those assets ring-fenced for securitized funding. Prior charges are described on page 16. MARAC's securitisation programme is described on pages 10 to 11 and 25.

<sup>3</sup> Standard & Poor's ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time. For the latest ratings information please visit [www.standardandpoors.com](http://www.standardandpoors.com) or [www.yourinvestments.standardandpoors.co.nz](http://www.yourinvestments.standardandpoors.co.nz).

## Highlights of MARAC's business

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There are a number of features of MARAC's business that distinguish it and provide competitive advantages. These points of difference are key to MARAC's success. At the date of this Prospectus these factors include:

- **Strong supportive listed shareholder**

MARAC is a wholly owned subsidiary of NZSX listed Pyne Gould Corporation Limited.

On 28 October 2009, Pyne Gould Corporation Limited successfully completed a capital raising of \$267 million. Importantly, \$160 million of the proceeds from the capital raising were used to inject \$35 million of new equity capital into MARAC and to partially fund the purchase of certain impaired property loans from MARAC. These matters are detailed on page 5.

- **Strong balance sheet and shareholder's funds**

MARAC's balance sheet has been considerably strengthened following Pyne Gould Corporation Limited's successful capital raising. As at 31 October 2009 MARAC had shareholder's funds (also commonly referred to as net assets, owners equity or capital) of \$199 million, up from \$153 million as at 30 June 2009 and \$140 million as at 30 June 2008. MARAC's total assets as at 31 October 2009 were \$1,310 million (including bank deposits of \$85 million) and total liabilities stood at \$1,111 million.

- **Strong core business**

MARAC concentrates its energy on the core business which it has been built on - plant and equipment and vehicle financing. Any new property lending is limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing.

- **A diversified lending base**

MARAC's lending is well spread both geographically and over a wide range of business sectors.

- **Credit control and cash flow**

MARAC's focus is primarily on lending against assets that generate cash flow, assets that have essential uses, assets that have sound realisable values or where payment arrears have been historically low. Regular principal and interest payments provide certainty and flexibility to MARAC.

- **No offshore lending**

All lending is 100% New Zealand based.

- **Related party lending**

MARAC does not have any related party lending, with the only exception to this being the Loan Note issued by MARAC

Financial Services Limited to MARAC as part of the purchase price for the sale of certain impaired property loans, detailed at pages 5 and 21. MARAC may in the future lend to related parties on the terms set out in its Trust Deed.

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

MARAC's exposure to its Largest Single Borrower may not generally exceed 20% of MARAC's Tangible Net Worth<sup>4</sup>, other than the Loan Note, which was issued by MARAC Financial Services Limited to MARAC, as detailed on pages 5 and 21.

- **No equity investments**

MARAC has a transparent, "no-nonsense" approach to lending borne out by an uncomplicated balance sheet. MARAC has no equity investments.

- **Diversified funding profile**

MARAC has established four funding sources for its business and this reduces MARAC's reliance on any one source. MARAC's funding sources currently comprise NZDX listed Secured Bonds (being first ranking secured stock), publicly issued Secured Debenture Stock (being first ranking secured stock), committed bank facilities (secured by first ranking secured bank stock) and a securitisation facility.

- **No existing Prior Charges**

The Secured Debenture Stock ranks equally with all other MARAC funding sources secured by first ranking secured stock<sup>5</sup>. MARAC's policy at the date of this Prospectus is to have no permitted Prior Charges, though MARAC may grant Prior Charges in accordance with the Trust Deed in the future.

- **Credit rating**

MARAC has a credit rating of BB+ (Outlook Negative) from international credit rating agency Standard & Poor's. This credit rating is considered by the investment community as being one level below investment grade.

- **Risk management**

MARAC has implemented a range of risk management practices which are aimed at managing its financial, operational and environmental risks.

- **Management and governance**

MARAC's Board, and its management team are experienced in the finance industry.

- **Service and people**

MARAC delivers service through its knowledgeable and experienced staff. MARAC's people provide high quality personal service to customers.

4 MARAC's exposure to its Largest Single Borrower may exceed 20% but not 23% of MARAC's Tangible Net Worth where the Largest Single Borrower is a specified motor vehicle rental company.  
5 The security given by MARAC to the Trustee for the benefit of investors is over all of MARAC's business and all non-securitised assets, both present and future, subject to permitted Prior Charges (currently none) and statutorily preferred claims. The security given by MARAC to the Trustee does not extend to assets ring-fenced for securitised funding.

## MARAC Finance – An overview

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### INTRODUCTION

MARAC is a 100% New Zealand owned and operated finance company. MARAC has been in business for more than 55 years, succeeding through economic ups and downs and today is proud to be one of New Zealand's largest finance companies. MARAC has a track record that has earned it the trust of thousands of New Zealand investors and borrowers alike.

### STRONG SUPPORTIVE LISTED SHAREHOLDER

MARAC is ultimately wholly owned by Pyne Gould Corporation Limited, which is listed on the NZSX with a market capitalisation of \$334.3 million as at 31 October 2009.

Pyne Gould Corporation Limited's history stretches back to 1851, when the founders of its long-established stock and station business started in Christchurch. In addition to MARAC, Pyne Gould Corporation Limited also owns Perpetual Trust Limited, one of New Zealand's oldest trustee companies, Perpetual Asset Management Limited, a newly established company whose principal business is to manage funds it establishes, and, as at 31 October 2009 a 20.7% shareholding in listed rural services company PGG Wrightson Limited.

### PGC capital raising

On 28 October 2009, Pyne Gould Corporation Limited completed a fully underwritten pro-rata renounceable rights offer to raise \$237 million and a placement to institutional and habitual investors to raise \$30 million (**PGC Capital Raising**). Importantly, \$160 million of the proceeds from the capital raising were used to inject \$35 million of new equity capital into MARAC and to partially fund the purchase price for the sale of certain impaired property loans by MARAC to MARAC Financial Services Limited (its immediate parent company). These transactions, insofar as they concern MARAC, are detailed below.

Immediately after the completion of the PGC Capital Raising, MARAC sold to MARAC Financial Services Limited certain impaired property development loans at face value (including accrued interest, fees, charges and other expenses), being \$175 million (**Ex-MARAC Loans**). The consideration for the sale of the Ex MARAC Loans was satisfied by way of:

- a cash payment of \$125 million to MARAC; and
- the issue of a loan note by MARAC Financial Services Limited for \$50 million plus accrued and capitalised interest on the

principal amount, to MARAC (**Loan Note**). The Loan Note must be repaid by 1 July 2010 and is guaranteed by Pyne Gould Corporation Limited (**Loan Note Guarantee**).

The Loan Note, Loan Note Guarantee and other documents associated with this transaction are detailed on page 21.

MARAC obtained the consent of its Banking Syndicate and the Trustee to the above transaction.

### STRONG CORE BUSINESS

MARAC's customer base comprises "heartland New Zealand" customers. The customer base includes salaried and self-employed New Zealanders, small and medium enterprises and their owners, retirees and New Zealanders with funds to invest. At 30 June 2009 MARAC had approximately 54,000 active customers (including investors and borrowers). This customer base represents a valuable market segment that is currently under-serviced by other financial service providers.

During the twelve months proceeding the date of this Prospectus, MARAC has refocused its activities from three divisions to the following two divisions:

- consumer lending: servicing the needs of mainly middle income earning individuals, based primarily on motor vehicle loans. The consumer lending division also provides marine and leisure asset lending; and
- commercial lending: servicing small and medium enterprises primarily through plant and equipment loans and working capital lending.

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

The Company has refocused on its key competitive advantage, its understanding of the productive and realisable values of certain assets: the income generating capability of those assets and the value of those assets in terms of security.

The injection of \$35 million new equity by Pyne Gould Corporation Limited and the sale of the Ex-MARAC Loans has recapitalised MARAC's balance sheet and positioned it to take advantage of consolidation opportunities in the finance sector.

### STRATEGIC GOAL

At the date of this Prospectus, MARAC intends to apply to the Reserve Bank of New Zealand (**Reserve Bank**) to become a registered bank<sup>6</sup> under the Reserve Bank of New Zealand Act 1989 (**Reserve Bank Act**). MARAC has not yet made an application for registration and anticipates doing this in the medium term. The Reserve Bank Act does not contain a specific list of requirements for registration as a bank but prescribes factors which the Reserve Bank must take into account when determining an application for registration. These factors include, quantitative criteria such as minimum capital, capital adequacy and related party lending, as well as qualitative criteria such as controls and systems, ownership, financial market standing and suitability of directors and senior managers. The Reserve Bank will determine what specific requirements MARAC must meet in order to satisfy these factors. For further information visit [www.rbnz.govt.nz/finstab/banking](http://www.rbnz.govt.nz/finstab/banking).

At the date of this Prospectus, the Board believes that MARAC satisfying the relevant requirements of the Reserve Bank and becoming a registered bank<sup>7</sup> is achievable in the medium term, but is ultimately subject to the Reserve Bank's approval.

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

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

### A DIVERSIFIED LENDING BASE

MARAC's lending is well spread both geographically and over a wide range of business sectors. As at 30 June 2009 MARAC had approximately 34,000 active borrowing customers, which provide a diverse base in terms of risk. All lending undertaken by MARAC is New Zealand based.

#### Consumer lending

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

As at 30 June 2009, the consumer lending division had finance receivables of approximately \$459.5 million. This division comprises the following areas:

#### *Motor vehicles*

MARAC provides finance and leasing solutions for purchasers of new and used motor vehicles and loan facilities to selected motor vehicle dealerships to fund their motor vehicle stock (called floorplan facilities). This motor vehicle lending represented approximately 83% (\$381.4 million) of MARAC's total consumer lending division receivables as at 30 June 2009.

MARAC's motor vehicle lending and leasing business (excluding floorplan facilities) accounted for approximately 72% (\$330.8 million) of total consumer lending division receivables as at 30 June 2009. MARAC's motor vehicle lending and leasing business is principally originated from motor vehicle distributors and franchise motor vehicle dealerships, which accounted for over 58% (\$116.8 million) of total new lending in motor vehicle lending and leasing over the financial year ended 30 June 2009.

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

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

The average contracted loan term for motor vehicle lending originated through motor vehicle dealerships over the 6 month period ended 30 June 2009 was 39 months, with a maximum term of 60 months permitted. Customers typically replace the motor vehicle which secures the motor vehicle loan before that loan is fully repaid, and as a result, the average life of a motor vehicle loan has historically been 23 months.

MARAC also provides floorplan facilities to selected motor vehicle dealerships to fund their motor vehicle stock, with a first ranking security interest taken over the dealer's stock. Guarantees are also required from owners of the relevant dealership, with additional supporting security sometimes taken by way of a mortgage or other collateral. This part of MARAC's motor vehicle lending business made up

6, 7 MARAC is not a registered bank under the Reserve Bank Act.

## MARAC Finance – An overview *continued*

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approximately 11% of MARAC's total consumer lending division receivables as at 30 June 2009. In addition to collecting and monitoring regular financial information from participating dealers, MARAC conducts physical audits of motor vehicle stocks on at least a monthly basis.

### *Vehicle Leasing*

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

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

### *MARAC Direct*

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

MARAC Direct accounted for approximately 11% (\$50.6 million) of MARAC's total consumer lending division receivables as at 30 June 2009. The average new loan size for this business was approximately \$15,000 as at 30 June 2009.

### *Marine and leisure lending*

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

Marine and leisure loans accounted for approximately 6% (\$27.6 million) of MARAC's total consumer lending division receivables as at 30 June 2009. The average new loan size for this business was approximately \$31,500 as at 30 June 2009.

All marine and leisure lending is secured by way of a first ranking security interest over the asset being financed.

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

### **Commercial lending**

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

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

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

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

MARAC's lending diversity is enhanced by the sector diversification within the commercial lending division.

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

### **Property lending**

MARAC's property lending division has historically funded investment in existing commercial and industrial properties,

## MARAC Finance – An overview continued

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and over the last five years, an increasing level of property developments. In the twelve months preceding the date of this Prospectus MARAC refocused its operations and ceased all new property development lending. New property lending is now limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing.

Within the property lending division, as at 30 June 2009, approximately \$240 million or 64% of the total dollar value of MARAC's property loans were secured by a first ranking mortgage, and \$135 million or 36% by a second ranking mortgage.

As at 31 October 2009, following the sale of the Ex-MARAC Loans:

- approximately \$107.6 million or 59% of the total dollar value of MARAC's property loans were secured by a first ranking mortgage and \$76 million or 41% by a second ranking mortgage. Of the loans secured by second ranking mortgage, \$34 million were subject to a security sharing arrangement with Pyne Gould Corporation Limited's subsidiary Perpetual Trust Limited, whereby MARAC and Perpetual Trust Limited share a joint first mortgage, however Perpetual Trust Limited holds priority as between them; and
- MARAC retained \$106.6 million of property development loans across 53 individual loans and approximately \$77 million of other commercial property loans across 67 individual loans. Of these property development loans, only three loans have any construction funding risk remaining.

Following the sale of the Ex-MARAC Loans, the average loan size within MARAC's property loan portfolio was approximately \$1.5 million as at 31 October 2009.

### CREDIT MANAGEMENT

MARAC has a Risk Committee, which is a sub-committee of the Board, delegated with the task of overseeing the Company's risk management strategy. This committee comprises non-executive members of the Board. MARAC's Chief Risk Officer reports directly to the Risk Committee. The Risk Committee regularly reviews MARAC's risk exposures and has wide ranging policies to effectively manage risks. The Risk Committee monitors and manages all MARAC's risks, including liquidity, market, operational and credit risk.

MARAC's credit risk management strategy ensures that:

- sector and geographical risk are effectively managed;
- lending standards and criteria are established for all finance products within each business sector;
- industry and product concentrations are actively monitored;

- maximum exposure to any individual borrower or related group of borrowers is managed; and
- changes in credit risk are actively monitored with regular credit reviews.

Although MARAC relies primarily on the integrity of borrowers and their ability to make repayments, MARAC also requires appropriate security for all loans, as detailed earlier.

MARAC limits the development of long-term credit arrears through active management of overdue instalments

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

### Consumer lending

Over the last three financial years ended 30 June 2009, consumer lending division arrears have ranged between approximately 0.43% and 1.09% of MARAC's total consumer lending receivables. As at 30 June 2009, consumer lending division arrears were approximately 0.92% of MARAC's total consumer lending receivables (compared to approximately 0.55% as at 30 June 2008 and approximately 0.45% as at 30 June 2007). As at 31 October 2009, consumer division arrears were approximately 0.83% of MARAC's total consumer lending receivables.

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

### Commercial lending

Over the last three financial years ended 30 June 2009, commercial lending division arrears have ranged between approximately 0.21% and 0.96% of MARAC's total commercial lending receivables. As at 30 June 2009, commercial lending division arrears were approximately 0.65% of MARAC's total commercial lending receivables (compared to approximately 0.46% as at 30 June 2008 and approximately 0.36% as at 30 June 2007). As at 31 October 2009, commercial division arrears had increased to approximately 1.00% of MARAC's total commercial lending receivables.

## MARAC Finance – An overview continued

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### Property lending

The global financial crisis and a deterioration in the New Zealand property market over the last two years has had a significant adverse impact on MARAC's property loan portfolio. The sale of the Ex-MARAC Loans removed a significant portion of the impaired property assets from MARAC's property loan portfolio. Nevertheless, MARAC retains a number of property loans, as detailed on pages 7 and 8.

Investors should read the further discussion of risks associated with property lending on pages 31 and 32, which are relevant to the property loans made by MARAC.

### NEW ZEALAND ONLY LENDING

All of MARAC's lending is to New Zealand borrowers, with all security being New Zealand-based. This reflects a deliberate policy of the Company to focus and concentrate on areas which it understands and in which it has intimate knowledge. There is no offshore lending.

### RELATED PARTY LENDING

MARAC's Trust Deed restricts dealings with other entities that are considered to be related parties. A related party is any subsidiary of a parent company or any associated company of MARAC or its charging subsidiaries (if any). The Trust Deed requires that MARAC's dealings with related parties must be for consideration which is fair and reasonable, unless such dealings are in the ordinary course of business or otherwise consented to by the Trustee and, in the case of a loan to, or a guarantee and indemnity or similar commitment in respect of, a related party, must be in the ordinary course of business and on terms that are no more favourable than those offered to similar borrowers or consented to by the Trustee.

At the date of the Prospectus, the only related party loan is the Loan Note, to which the Trustee and Banking Syndicate have consented. The Loan Note is detailed on pages 5 and 21 and is due for repayment on 1 July 2010.

MARAC may lend to related parties in the future on the terms described above

### SINGLE CUSTOMER EXPOSURE

MARAC has limited exposure to any single customer or counterparty.

In order to limit the exposure that MARAC has to a single customer, MARAC's exposure to its Largest Single Borrower

may not exceed 20% of MARAC's Tangible Net Worth<sup>8</sup> and the Board monitors the amount owing to MARAC by any individual borrower or group of related borrowers (with the only exception to this being the Loan Note issued by MARAC Financial Services Limited to MARAC).

MARAC's loans are spread evenly, with its six largest borrowers or related group of borrowers, other than the Loan Note, accounting for just 9.72% of gross finance receivables as at 30 June 2009. This limited reliance on large borrowers reduces the potential adverse effect that such exposures could have on MARAC.

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

### DIVERSIFIED FUNDING PROFILE

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

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

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

Maintaining a diversified funding base is a key driver of MARAC's funding strategy. It is intended that retail funding through Secured Debenture Stock and Secured Bonds will remain the mainstay of MARAC's future funding programme, complemented by the Securitisation Facility and Bank Facility, which provide liquidity support.

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

As part of MARAC's objective to become a registered bank<sup>9</sup> MARAC will continue to refine its funding arrangements to meet the liquidity requirements set by the Reserve Bank.

<sup>8</sup> MARAC's exposure to its Largest Single Borrower may exceed 20% but not 23% of MARAC's Tangible Net Worth where the Largest Single Borrower is a specified motor vehicle rental company.

<sup>9</sup> MARAC is not a registered bank under the Reserve Bank Act.

### RETAIL FUNDING PROGRAMME

MARAC's retail funding programme consists of Secured Debenture Stock and Secured Bonds. The Secured Debenture Stock and Secured Bonds have been issued in accordance with the Trust Deed.

#### Secured Debenture Stock

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

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

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

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

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

Both the reinvestment rate and the level of new investment in MARAC's Secured Debenture Stock are influenced by the interest rates offered by MARAC. From time to time, MARAC will have sufficient liquidity and thus may reduce the interest rates offered by it so as to reduce the reinvestment rate and

the level of new investment in MARAC's Secured Debenture Stock.

#### Secured Bonds

In July 2008 MARAC completed a \$104.2 million secured bond issue (**Secured Bonds**) to over 2,000 investors. The Secured Bonds are listed on the NZDX and mature on 15 July 2013. The interest rate payable on the Secured Bonds is 10.5% per annum and is fixed for the term of the Secured Bonds. The Secured Bonds are first ranking secured stock, which ranks equally with all Secured Debenture Stock issued by MARAC.

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

### SYNDICATED BANK FACILITY

MARAC has entered into a syndicated facility agreement with a banking syndicate comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia, Westpac Banking Corporation and The Hongkong and Shanghai Banking Corporation Limited (**Banking Syndicate and Syndicated Bank Facility**).

The Syndicated Bank Facility is available in two tranches, being:

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

As at 31 October 2009 the Syndicated Bank Facility was not drawn.

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

The terms of the Syndicated Bank Facility are detailed on pages 22 to 24.

### SECURITISATION FACILITY

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

## MARAC Finance – An overview continued

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

The Securitisation Trust is funded in part through the issuance of commercial paper to institutional investors and also from a bank facility. As at 30 June 2009, total finance receivables of \$157.9 million were securitised. The securitised receivables comprise commercial, motor vehicle and marine and leisure loans. No property loans are included in the pool of securitised finance receivables.

For further details about the Securitisation Facility see page 25.

### MANAGEMENT OF LIQUIDITY

As at 31 October 2009, MARAC had \$284.9 million in liquidity from undrawn committed bank facilities and cash, which allows it to take advantage of business opportunities and to provide insulation and flexibility in times of uncertainty. MARAC also has strong monthly cash flow from principal and interest loan repayments.

### CREDIT RATING

As at the date of this Prospectus, MARAC has a credit rating of BB+ (Outlook Negative) from international credit rating agency, Standard & Poor's. This credit rating is considered by the investment community as being one level below investment grade.

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

### RISK MANAGEMENT STRATEGIES

MARAC's business is subject to a number of risks, as further described on pages 27 to 33. MARAC has implemented a range of risk management practices which are aimed at managing those risks. Those risk management practices include:

- MARAC has established a Non-Bank Deposit Taker (**NBDT**) risk management programme in compliance with the Reserve Bank Act, which has received the required Trustee approval pursuant to section 157N(2) of the Reserve Bank Act;
- to address risk relating to the concentration of lending to a single sector of the economy, MARAC's lending base is diversified as to sector and geography, which mitigates the risk of MARAC being materially adversely affected by a downturn in a particular sector or region. In addition, the Board monitors the amount owing to MARAC by any one sector;
- to manage interest rate risk, MARAC measures sensitivity to interest rate changes against MARAC's treasury management policy parameters. This means that MARAC frequently tests its position against possible interest rate change scenarios to assess potential risk exposure;
- to protect MARAC's competitive position, MARAC ensures that its products and services perform well and are competitively priced, its products and services are convenient and accessible to customers, it provides a high level of efficient service and it undertakes the development of new products and services to meet the changing needs of customers;
- to manage risks associated with funding, MARAC manages liquidity risk by regularly forecasting future cash flow requirements, maintaining liquid reserves, seeking a diverse and stable Secured Debenture Stock and Secured Bond funding base and maintaining the Syndicated Bank Facility and the Securitisation Facility. This diversified funding base reduces MARAC's reliance on any single funding source; and
- to manage risks associated with a failure of MARAC's information technology systems, MARAC has established back up and security procedures.

## MARAC Finance – An overview continued

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### MANAGEMENT AND GOVERNANCE

MARAC's Board of Directors, and its executive management team are experienced in the finance industry. All of the Directors have extensive corporate governance experience. MARAC's Board of Directors and its executive management team are identified in the Directory on page 77.

MARAC is proud of its transparent balance sheet (see page 41), featuring "pure" shareholders' equity, representing either paid-in capital by MARAC's ultimate parent, Pyne Gould Corporation Limited, or retained earnings.

MARAC has extensive reporting requirements. MARAC, as an NZDX listed issuer, is obliged by the NZDX Listing Rules to continuously disclose any material information to the market. MARAC's full-year and half-year financial statements are audited by KPMG. KPMG's audit report in respect of this Prospectus is included on pages 36 and 37 and in respect of the financial statements themselves is included on pages 70 and 71. MARAC's Trustee, The New Zealand Guardian Trust Company Limited, also receives regular (monthly and quarterly) reports from MARAC. Updates are also regularly provided to Standard & Poor's.

MARAC's executive management team have weekly meetings and prepare a detailed monthly report of the overall business for the Board. In addition to regular reporting, a rigorous annual business planning process is conducted by management and presented for Board approval.

All of MARAC's governance processes are designed to ensure that investors can be sure that MARAC's performance is regularly monitored and reported.

### SERVICE AND PEOPLE

MARAC delivers service through its knowledgeable and experienced staff. MARAC's people are all enthusiastic about providing high quality personal service to customers.

Service is central to the way MARAC does business. MARAC offers personal service and tailored packages, whether for investments or lending.

In this age of technology, the Company utilises the latest innovations to add value for customers, yet MARAC's service proposition ensures that all customers deal with a person rather than an automated message service.

MARAC works with guidelines, not rigid rules. This flexibility is central in MARAC's approach in meeting customers' needs with real solutions.

## Details of the Offer

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### THE OFFER

The following is a summary of the main terms of the Offer. Investors should refer to the more detailed information in the other sections of this Prospectus, including the section entitled “Statutory Information” on pages 20 to 33 and the current Investment Statement for the Offer, which can be obtained from MARAC’s at its registered office, the address of which is shown in the Directory on page 77.

### ISSUER

The issuer of the Secured Debenture Stock is MARAC Finance Limited. MARAC can be contacted at its registered office, being MARAC House, 35 Teed Street, Newmarket, Auckland 1023.

### OFFER

Secured Debenture Stock with an aggregate principal amount of up to \$1,500,000,000, is offered for subscription by MARAC. The Secured Debenture Stock will be issued at face value, being \$1.00 per Secured Debenture Stock, unless it is agreed between MARAC and the investor that it is to be issued at a discount.

The Offer is for both:

- Secured Debenture Stock that has the benefit of the Crown Guarantee; and
- Secured Debenture Stock that does not have the benefit of the Crown Guarantee.<sup>10</sup>

### TYPE OF INSTRUMENT

The Secured Debenture Stock is a first ranking secured debt obligation of MARAC. The Secured Debenture Stock is constituted by, issued pursuant to and subject to, the terms and conditions contained in the Trust Deed.

The Trust Deed contains a first ranking floating charge and security interest given by MARAC in favour of the Trustee for the benefit of all current and future first ranking secured stockholders (including both first ranking secured debenture stockholders and first ranking secured bank stockholders), and which is over all of MARAC’s business and all non-securitised assets, both present and future, subject to permitted Prior Charges and statutorily preferred claims (including, but not limited to, taxes, liquidation fees and unpaid wages). The security given by MARAC to the Trustee does not extend to those assets ring-fenced for securitised funding in the Securitisation Trust. As at the date of this Prospectus, there are no Prior Charges.<sup>11</sup>

For further information about the Secured Debenture Stock refer to the section entitled “Summary of the Trust Deed” on pages 16 to 18.

### GUARANTORS AND THE APPLICATION OF NEW ZEALAND DEPOSIT GUARANTEE SCHEME

MARAC has a guarantee under the New Zealand deposit guarantee scheme. Further information about the New Zealand deposit guarantee scheme and the most recent audited statement of financial position of the Crown are available, free of charge and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury at [www.treasury.govt.nz](http://www.treasury.govt.nz).

The terms of the guarantee are summarised on pages 25 to 27.

MARAC offers under this Prospectus and investors may subscribe for:

- “guaranteed securities”, being Secured Debenture Stock that has the benefit of the Crown Guarantee and accordingly MARAC’s obligations under or in respect of those securities will have the benefit of the Crown Guarantee; and
- from 1 January 2010, “excluded securities”, being Secured Debenture Stock that does not have the benefit of the Crown Guarantee and thus are “Excluded Securities” as defined in the Crown Deed of Guarantee dated 8 December 2009 and accordingly **none of MARAC’s obligations under or in respect of those excluded securities will have the benefit of the Crown Guarantee.**

Please also read pages 25 to 27 before investing in Secured Debenture Stock that does not have the benefit of the Crown Guarantee. Investors should note that, to compensate for the absence of the guarantee, these “excluded securities” will usually attract a higher rate of interest than “guaranteed securities”.

None of MARAC’s directors, officers or employees, nor Pyne Gould Corporation Limited, MARAC Financial Services Limited, the Trustee, the Auditor, Standard & Poor’s nor any of their respective directors, officers or employees nor any other person guarantees the payment of principal or interest due in respect of the Secured Debenture Stock or the amount of returns which investors may receive as holders of Secured Debenture Stock.

### NO STOCK EXCHANGE LISTING

At the date of this Prospectus, MARAC does not intend to list the Secured Debenture Stock offered in this Prospectus on any stock exchange.

<sup>10</sup> Secured Debenture Stock that does not have the benefit of the Crown Guarantee will only be offered by MARAC and only be available to investors, from 1 January 2010. For further details about the implications of investing in Secured Debenture Stock with or without the Crown Guaranteed see later on this page and pages 25 to 27.

<sup>11</sup> Prior charges are described on page 16. MARAC’s securitisation programme is described on pages 10 to 11 and 25.

## Details of the Offer continued

### INTEREST RATE

MARAC Secured Debenture Stock investment products have a tiered interest rate structure, which generally allows investors to earn higher interest on larger deposits.

MARAC may vary any of the interest rates or interest rate tiers for any of the MARAC Secured Debenture Stock investment products at any time without notice. Any change in interest rates will not apply to deposits received before the date of change, except in the case of MARAC Call Deposit and Business Call Accounts.

The current interest rates and maturity terms are set out in MARAC's current rate card, which can be obtained from MARAC's registered office, the address of which is shown in the Directory on page 77, or at [www.marac.co.nz](http://www.marac.co.nz).

### PAYMENT OF INTEREST

Interest will accrue on the Secured Debenture Stock on a daily basis from the date valid applications are received and application moneys are banked by MARAC (subject to bank clearance of any payment). Interest is paid in differing ways on the different Secured Debenture Stock investment products.

On MARAC Capital Drawdown Term Deposits, interest payment is on the same frequency as the monthly or quarterly selection made for regular repayments.

On MARAC Call Deposit and Business Call Accounts, interest is compounded monthly.

Otherwise you have a choice of two ways to receive interest:

- By direct credit – interest is credited directly to your bank account; or
- By compounding – interest is added to your investment.

You cannot receive your interest by cheque unless you advise MARAC of special circumstances.

You also have a choice of how often you receive your interest:

- Quarterly<sup>12</sup> – interest is due on the last business days of March, June, September and December in each year;
- Annually – interest is due on every anniversary of your investment start date; or
- Deferred to maturity – interest is calculated on a flat rate and is all due to you on the maturity date of your investment.

### TAXATION

#### Resident withholding tax to 31 March 2010

Under current New Zealand tax law, MARAC must deduct resident withholding tax (**RWT**) from all interest paid or compounded before it is paid or credited to New Zealand resident investors. If an investor holds a current certificate of exemption and has given a copy of that certificate to MARAC then MARAC will not deduct RWT. If an investor supplies MARAC with an Inland Revenue number then RWT will be deducted at the rate indicated by the investor, being either 19.5%, 33% or 38%. If the investor does not supply MARAC with their Inland Revenue number then RWT must be deducted at the rate of 38%. If the investor supplies MARAC with their Inland Revenue number but does not indicate a deduction rate then RWT must be deducted at the rate of 19.5%.

#### Resident withholding tax from 1 April 2010

The RWT rates described above will change from 1 April 2010. From that date the applicable RWT rates for individuals (including corporate trustees) will be 12.5%, 21%, 33% and 38%. If the investor does not supply MARAC with their Inland Revenue number or does not indicate a deduction rate then RWT will be deducted at the rate of 38%.

There will be a rate change for individual investors who are at 1 April 2010 on a current RWT rate of 19.5% and who do not advise MARAC of their new RWT rate. These individual investors will automatically be moved up to the 21% rate from 1 April 2010.

The RWT rates for companies will be 30% and 38% and the non-declaration rate will be 38%. For company investors the 30% rate will apply from 1 April 2011 unless they elect to withhold at that rate from 1 April 2010.

Inland Revenue will also be able to instruct interest payers, such as MARAC, to shift an investor's RWT rate where Inland Revenue determines they are on a RWT rate inconsistent with their marginal tax rate.

#### Non-resident withholding tax

For investors who are not resident in New Zealand for tax purposes, MARAC will deduct non-resident withholding tax (**NRWT**). The rate of NRWT is currently 10% or 15% depending on the country of residence.

<sup>12</sup> Interest is calculated on the actual number of days in the quarter. Broken period interest is calculated on the actual number of days from investment to a quarterly date or from the quarterly date to maturity, as the case may be.

## Details of the Offer continued

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MARAC is also an approved issuer and is able to deduct an approved issuer levy (**AIL**), which is currently 2%, instead of NRWT.

All non-resident investors must provide MARAC with their current overseas residential address.

### **Annual interest advice**

MARAC will advise investors of the amount of interest paid or credited and any RWT, NRWT or AIL deducted for the year ending 31 March by 20 May in the same year.

### **Deductions**

If an investor has tax arrears owing to Inland Revenue, Inland Revenue may be empowered to order the deduction of repayments from that investor's investment. This would not occur without the investor being advised.

### **APPLICATIONS**

Applications to subscribe for Secured Debenture Stock under this Prospectus must be for a minimum application amount of \$1,000.

From 1 January 2010 investors may invest in Secured Debenture Stock without the benefit of the Crown Guarantee. There are separate application forms for investment in Secured Debenture Stock without the benefit of the Crown Guarantee. Where the investor wishes to invest in this manner they will be required to make an election confirming this on the application form and tick an acknowledgement. If these requirements are not met the investment will be deemed to be an investment in Secured Debenture Stock with the benefit of the Crown Guarantee, at the interest rate applicable to an investment with the benefit of the Crown Guarantee.

Cheques should be made payable to "MARAC Finance Limited", and be crossed "Not Transferable".

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

### **UPON MATURITY**

MARAC will send investors a notice about three weeks before the maturity date to tell the investor that their investment is about to mature. In the case of MARAC Capital Drawdown Term Deposits, which mature when there is insufficient capital left to make the regular repayment, the notice will be sent when the balance falls below the amount required to make the next regular repayment. An investor must complete the notice to let MARAC know if they would like their investment repaid or reinvested, and return their certificate.

If MARAC does not hear from the investor, it will place the matured investment on call at the then "past maturity account rate" detailed in MARAC's then current rate card, which can be obtained from MARAC's registered office, the address of which is shown in the Directory on page 77, or at [www.marac.co.nz](http://www.marac.co.nz). Please note that if an investor's certificate has been lost or destroyed, the investor must sign a declaration stating this and releasing MARAC from any loss as a result of the lost certificate. This form can be obtained from MARAC.

### **EARLY REPAYMENT**

MARAC's fixed rates of interest for a particular amount and term are based on the expectation that the funds will be invested for the full term. Investors do not have a right to withdraw their investment before maturity, but MARAC understands that people's circumstances do change. MARAC will consider, but is not obliged to accept, written applications for early repayment in certain circumstances such as (and without limitation) the death of an investor or unforeseen financial hardship.

In such cases MARAC will require a written application giving full details and confirmation of the situation and the reasons for requesting early repayment.

MARAC does not charge a fee in the event that early repayment of an investment is approved, however the interest rate payable in respect of the investment, may at MARAC's discretion, be amended to reflect the reduced term of the investment.

## Summary of Trust Deed

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A trustee has been appointed to act on behalf of all investors. The trustee is The New Zealand Guardian Trust Company Limited (**Guardian Trust** or the **Trustee**).

### THE TRUST DEED

The terms of the trust between MARAC, Guardian Trust and investors are recorded in a Trust Deed dated 9 March 1984, as amended by Deed of Variation dated 1 March 2002, Trust Deed Amendment (PPSA) dated 22 October 2002 and Deed of Variation of Trust Deed dated 16 June 2008 between MARAC, its charging subsidiaries (if any) from time to time and Guardian Trust (**Trust Deed**).

The Trust Deed enables MARAC to issue both secured stock (comprising Secured Debenture Stock, Secured Bonds and secured bank stock) and unsecured deposits. All Secured Debenture Stock issued now or in the future are secured on the same terms under the Trust Deed, which means they rank equally as far as security and repayment is concerned with all other secured stock.

You can obtain a copy of the Trust Deed from MARAC's registered office, the address of which is shown in the Directory on page 77.

### PRIORITY OF SECURITIES

Under the Trust Deed MARAC has given a first ranking floating charge and security interest over all MARAC's business and non-securitised assets, both present and future, to Guardian Trust. This means that all current and future first ranking secured stockholders (which includes first ranking secured debenture stockholders and first ranking secured bank stockholders) have priority over MARAC's other liabilities, with the following exceptions.

The Trust Deed allows MARAC to give other securities, called "Prior Charges", that rank ahead of secured debenture stockholders, within stated limits and only in these circumstances:

- financing the costs of acquisition, construction or improvement of any asset (but the prior charge must be over the asset and must not exceed the cost of the asset);
- retaining the existing charges of any company which is bought by MARAC and becomes a party to the Trust Deed as a charging subsidiary (but the amount is limited to the amount secured by any charge given before the company became a subsidiary of MARAC); and

- borrowing on the security of financing agreements held by MARAC, provided that such agreements are then not taken into account as assets or liabilities of MARAC for the purposes of the financial ratios referred to on page 17.

Certain preferential claims that are given priority under law such as taxes, liquidation fees and unpaid wages will also rank ahead of the secured stockholders claims.

The finance receivables sold by MARAC to the Securitisation Trust are set aside for the benefit of the Securitisation Trust and no longer form part of MARAC's assets which are secured pursuant to the Trust Deed for the benefit of the secured stockholders. From time to time MARAC may, with the consent of Guardian Trust, place further finance receivables in the Securitisation Trust. Guardian Trust has consented to a securitisation programme limit of \$300 million (not including the subordinated loans) and MARAC will not agree to an increase in this programme limit without Guardian Trust's written consent.

MARAC may in the future issue secured stock (being Secured Debenture Stock, Secured Bonds or secured bank stock) under the Trust Deed ranking equally with the Secured Debenture Stock offered under this Prospectus.

### REGULAR REPORTS

As well as holding the security in terms of the Trust Deed, Guardian Trust receives regular reports from MARAC's directors and its Auditor. These allow Guardian Trust to closely monitor and keep fully informed as to MARAC's activities on behalf of the investors. Guardian Trust receives the following information:

- audited annual and interim financial statements (which must be provided within two and a half months of the end of MARAC's financial year and half year respectively);
- more frequent reports if Guardian Trust considers that there are special circumstances;
- copies of any circulars or reports sent to stockholders, shareholders or to NZX Limited;
- financial statements of any subsidiaries at Guardian Trust's request (MARAC currently has no subsidiaries);
- quarterly certificates signed by two Directors setting out detailed information on matters the Directors are required to report on under the Trust Deed, including the calculations of financial ratios set out in the Trust Deed, and certifying that interest and principal has been paid

## Summary of Trust Deed continued

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when due, that registers have been properly kept and that MARAC has carried out its obligations under the Trust Deed (which must be provided within two and a half months of the end of each quarter);

- independent reports from MARAC's Auditor (supplied to Guardian Trust annually); and
- notice of changes in subsidiaries (if any) and of various other events.

The provisions of the Trust Deed allow Guardian Trust to carry out its duties as trustee in representing the investors in an informed and professional manner. MARAC is required to provide any other reports that Guardian Trust, by written notice, requires MARAC to provide, within the time (which must be reasonable in the circumstances) specified by Guardian Trust.

In addition to these rights under the Trust Deed, Guardian Trust also receives a monthly report from MARAC (which must be provided within 30 days of the end of each month) in terms of Schedule 15 of the Securities Regulations, detailing amongst other things liquidity, asset quality and reinvestment rates.

### FINANCIAL RATIOS

The maximum level of liabilities of MARAC (and any subsidiaries which may become parties to the Trust Deed from time to time) is 91% of Adjusted Total Tangible Assets plus a further 4% of the Market Worth of Authorised Investments. The terms *Adjusted Total Tangible Assets*, *Authorised Investments* and *Market Worth* are defined in the Trust Deed.

MARAC may not borrow any money on the security of a Prior Charge if the amount owing on existing Prior Charges and the proposed Prior Charge would exceed 10% of Adjusted Total Tangible Assets.

MARAC may exceed the Prior Charge limit described above if the moneys borrowed are to be applied in repayment of liabilities within three months (as certified by two Directors).

### RESTRICTED DEALINGS

The Trust Deed imposes restrictions on MARAC in relation to conducting transactions with related parties. MARAC is required to obtain written consent from Guardian Trust before disposing of assets to, purchasing assets from, lending money to or providing guarantees or giving indemnities in respect of

such parties. This consent requirement does not apply if the transaction is in the ordinary course of business and:

- in the case of disposal or purchase of assets, the consideration is fair and reasonable; or
- in the case of lending money, guaranteeing or giving indemnities, the transaction is on ordinary commercial terms.

For these purposes, a related party is any subsidiary of a parent company or any associated company of MARAC or its non-charging subsidiaries (if any).

Guardian Trust has consented to the Loan Note issued by MARAC Financial Services Limited to MARAC as part of the sale of the Ex-MARAC Loans. The Loan Note is detailed on pages 5 and 21.

The Trust Deed also prohibits MARAC from writing up the value of any Tangible Assets in its books of account beyond Market Worth at that time, unless Guardian Trust gives written consent. The terms *Tangible Assets* and *Market Worth* are defined in the Trust Deed.

### TRUSTEE'S RESPONSIBILITIES

Guardian Trust's duties are to hold the charge and security interest in respect of MARAC's business and non-securitised assets on behalf of all investors, to receive reports as set out in the Trust Deed, and if necessary to enforce the Trust Deed on behalf of all investors.

Guardian Trust must also carry out the duties set out in Schedule 15 to the Securities Regulations.

Essentially, Guardian Trust must exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or the terms of any offer made by MARAC has occurred and, except where it is satisfied that the breach will not materially prejudice the security of the stockholders or the interests of the stockholders, shall do all things as it is empowered to do, to cause any breach of those terms to be remedied.

In addition, Guardian Trust must exercise reasonable diligence to ascertain whether or not the assets of the borrowing group, being MARAC only at the date of this Prospectus, that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of investments in an issue as they become due.

## Summary of Trust Deed continued

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Meetings of stockholders can be called by MARAC, by Guardian Trust or by stockholders who hold in aggregate 10% or more of stock. An extraordinary resolution (as defined in the Trust Deed) of stockholders will bind all of them even if they vote against the resolution or are not present at the meeting.

Guardian Trust does not guarantee the repayment of stock or the payment of interest thereon.

### ENFORCEMENT

If there is an event of default under the Trust Deed, Guardian Trust may write to MARAC to enforce the requirements of the Trust Deed.

#### Defaults in payment

Defaults in payment would happen if MARAC:

- defaults in the payment on the due date of any Principal Moneys due in respect stock or for fourteen days in the payment of interest on the Principal Moneys (the term *Principal Moneys* is defined in the Trust Deed); or
- if MARAC otherwise defaults for a period of fourteen days after receiving a demand in writing from Guardian Trust for the payment of any other moneys due and payable by MARAC pursuant to the Trust Deed,

provided that there shall be no event of default where Guardian Trust is satisfied that the failure to make payment has occurred as a result of a strike, lockout, civil commotion or other disruption whether mechanical or otherwise of any machine or computer and such default has continued for not more than fourteen days.

#### Defaults in other circumstances

It shall also be an event of default by MARAC where:

- an order is made or resolution is passed for the winding up or dissolution of MARAC;
- a receiver is appointed or a security holder takes possession of or exercises its power of sale in respect of MARAC's undertaking or assets;
- a final judgement is enforced against MARAC for distress or other like process for a sum exceeding \$40,000 which is not satisfied within fourteen days;
- MARAC stops or suspends payments to its creditors for more than fourteen days provided that there shall be no event of default where Guardian Trust is satisfied that the failure to make payment has occurred as a result of a strike, lockout,

civil commotion or other disruption whether mechanical or otherwise of any machine or computer and such default has continued for not more than fourteen days;

- MARAC, without the consent of stockholders by Extraordinary Resolution, sells the whole or a major part of its undertaking other than to a charging subsidiary;
- MARAC, without the consent of Guardian Trust, ceases to carry on its business or sells any part of the Charged Property other than in the ordinary course of business to any person other than a charging subsidiary;
- MARAC, without the consent of Guardian Trust, reduces its share capital;
- MARAC or any charging subsidiary, without the consent of Guardian Trust, enters into any arrangement or composition with creditors;
- MARAC or any charging subsidiary defaults under any security collateral to the Trust Deed or under any Prior Charge;
- MARAC exceeds its Total Liability limitation or Prior Charge ratio, as set out in the Trust Deed (and described on page 17);
- MARAC or any charging subsidiary is unable to pay its due debts;
- MARAC or any charging subsidiary asks Guardian Trust to appoint a receiver;
- MARAC is declared at risk or a statutory manager is appointed under the Corporations (Investigation and Management) Act 1989; or
- any other breach occurs under the Trust Deed that continues for more than fourteen days after notice from Guardian Trust requiring the breach to be remedied.

If the Trust Deed becomes enforceable, Guardian Trust can be directed to take enforcement action by an Extraordinary Resolution or by any Bank Stockholder, any Major Security Stockholder or any holders of at least one fifth in nominal amount of outstanding Stock (other than Bank Stock or Security Stock held by Major Security Stockholders). The terms *Bank Stock*, *Bank Stockholder*, *Extraordinary Resolution*, *Major Security Stockholders* and *Security Stock* are defined in the Trust Deed.

## Trustee's Statement

14 December 2009

The Directors  
MARAC Finance Limited  
Box 9919  
Newmarket  
Auckland 1149

**Guardian Trust**

THE NEW ZEALAND GUARDIAN TRUST COMPANY LIMITED

Dear Sirs

### **Debenture Trust Deed dated 9 March 1984 – Prospectus 41**

Clause 14(3) of the Second Schedule to the Securities Regulations 2009 requires us to confirm that the offer of securities (“the Securities”) by MARAC Finance Limited set out in this Prospectus complies with any relevant provisions of the Trust Deed. These provisions are those which:

- i entitle MARAC Finance Limited to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in this Prospectus;
- ii impose restrictions on the right of MARAC Finance Limited to offer the Securities;

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

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

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

- (a) set out above; and
- (b) that the Trustee relies on the information supplied to it by MARAC Finance Limited pursuant to the Trust Deed and does not carry out an independent check of the statements or the figures supplied to it in that information.

The Trustee does not guarantee the repayment of the Securities or the payment of the interest thereon.

Signed for and on behalf of the Trustee.



M P Jephson  
Relationship Manager Corporate Trusts

#### Corporate Trusts

Vero Centre, 48 Shortland Street, Auckland 1010  
PO Box 1934, Shortland Street, Auckland 1140, New Zealand  
Telephone: (09) 377 7285, Facsimile: (09) 377 7477  
Email: mark\_jephson@nzgt.co.nz

[www.guardiantrust.co.nz](http://www.guardiantrust.co.nz)

## Statutory Information

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This section addresses all matters required by Schedule 2 of the Securities Regulations to be included in a prospectus of this type and not shown elsewhere in this Prospectus.

### DETAILS OF INCORPORATION OF ISSUER

MARAC was incorporated on 2 July 1952 under the provisions of the Companies Act 1955, re-registered under the Companies Act 1993 on 27 March 1997 and is registered as Company number 049700. The public file containing its documents may be accessed by searching on the website of the Companies Office, Ministry of Economic Development, the address of which is [www.companies.govt.nz](http://www.companies.govt.nz).

### RESTRICTIONS ON DIRECTORS' POWERS

Other than those transactions to be approved by the Directors where shareholder approval is also required by the provisions of the Companies Act 1993, there are no modifications, exceptions or limitations on the powers of the Board of MARAC imposed under the Companies Act 1993, or MARAC's constitution, and in force at the date of registration of this Prospectus.

### DESCRIPTION OF ACTIVITIES OF BORROWING GROUP

As at the date of this Prospectus the borrowing group comprises only MARAC.

#### Principal activities

The principal activities of MARAC are to raise funds from the public, banks and other sources and on-lend those funds to borrowers in the business sector for plant and equipment and property, and in the consumer sector offering finance on motor vehicles, leasing packages and lending on marine and leisure assets such as yachts and motor homes. MARAC has been carrying on these activities since 1952.

#### Principal assets

The principal assets of MARAC are cash and cash equivalents, finance receivables, securitised finance receivables, operating lease vehicles, trade and other receivables, which represent either loans and finance made by MARAC to borrowers or funds available to make such loans and finance.

The present and future principal assets of MARAC (other than the present and future finance receivables held for the benefit of the Securitisation Trust) are charged to the Trustee as security for the benefit of all current and future first ranking secured stockholders (including first ranking secured debenture stockholders and first ranking secured bank stockholders). This security is described on page 22. The limitations imposed on MARAC's ability to deal with these principal assets is detailed under the heading "Summary of Trust Deed" on pages 16 to 18.

The securitised finance receivables are held by MARAC for the benefit of the Securitisation Trust. MARAC administers the securitised receivables sold into the Securitisation Trust on behalf of the Securitisation Trust. The accounting treatment of the finance receivables sold to the Securitisation Trust requires that they continue to appear in MARAC's financial statements. Despite this presentation, the beneficial ownership of the securitised receivables passes to the Securitisation Trust and those receivables are quarantined for the benefit of investors in the Securitisation Trust and no longer form part of MARAC's Total Tangible Assets charged as security for Secured Debenture Stockholders.

### MATERIAL CONTRACTS

#### Deed of Variation of Trust Deed

MARAC entered into a Deed of Variation of Trust Deed dated 16 June 2008 with the Trustee. This deed amended the definition of Total Tangible Assets to take into account the effect of the Securitisation Facility and amended the terms and conditions on which first ranking secured debenture stock may be transferred, so as to permit the NZDX listed Secured Bonds, to be transferred in accordance with any system for transfer of securities approved under the Securities Transfer Act 1991.

#### Underwriting Agreement

MARAC entered into an Underwriting Agreement dated 18 June 2008 with Forsyth Barr Group Limited and ANZ National Bank Limited relating to the underwriting of an offer of \$100 million of Secured Bonds. This underwrite was not required.

#### Crown Deed of Guarantee

MARAC and Her Majesty the Queen in right of New Zealand entered into a Crown Deed of Guarantee (Non-Bank Deposit Taker) dated 10 November 2008. Pursuant to this deed the Crown guaranteed certain obligations of MARAC for a period of two years from 12 October 2008. For further details please see pages 13 and 25 to 27.

#### Underwrite Facility

MARAC entered into an Underwriting Deed dated 19 December 2008 with Pyne Gould Corporation, which was amended by a Deed of Variation dated 30 June 2009 and a Deed of Confirmation relating to Underwriting Deed dated 18 September 2009, between the same parties (**Underwrite Facility**). Pursuant to this Underwrite Facility Pyne Gould Corporation Limited put in place an underwriting facility of \$85 million to enable MARAC to manage at-risk property loans in a manner that will maximise their realisation. At the date of this Prospectus the Underwrite Facility is not being utilised.

## Statutory Information continued

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### **Agreement for Sale and Purchase of Ex-MARAC Loans**

MARAC and MARAC Financial Services Limited are parties to an Agreement for Sale and Purchase of Loan Assets dated 18 September 2009. In accordance with this agreement, MARAC agreed to sell and MARAC Financial Services Limited agreed to purchase the Ex-MARAC Loans for an amount equal to the face value of those loans (including accrued interest, fees, charges and other expenses), and MARAC Financial Services Limited assumed all responsibilities and liabilities in respect of the Ex-MARAC Loans (**Assumed Liabilities**), on the Completion Date.

### **Loan Note**

As part of the consideration for the purchase of the Ex-MARAC Loans, MARAC Financial Services Limited issued a Loan Note Agreement dated 18 September 2009 to MARAC. The Loan Note is for \$50 million plus accrued and capitalised interest on the principal amount. The Loan Note is required to be repaid on or before 1 July 2010. Failure to repay the Loan Note in full will be an immediate event of default by MARAC Financial Services Limited under the Loan Note, which will allow MARAC (or, on MARAC's behalf, the Trustee under the Trust Deed or the agent for the Banking Syndicate) to demand repayment by MARAC Financial Services Limited of the residual balance of this loan and commence enforcement action against MARAC Financial Services Limited. See page 5 for further details concerning the Loan Note.

### **Deeds of Subordination**

Pyne Gould Corporation Limited, MARAC and MARAC Financial Services Limited are parties to a Deed of Subordination dated 18 September 2009. In accordance with this deed Pyne Gould Corporation Limited has agreed that any indebtedness owed by MARAC Financial Services Limited to it (**junior indebtedness**) is subordinated to any indebtedness owed by MARAC Financial Services Limited to MARAC, and Pyne Gould Corporation Limited will not exercise any right of enforcement, accept repayment of, sell or grant security over the junior indebtedness, for so long as MARAC Financial Services Limited remains indebted to MARAC.

Pyne Gould Corporation Limited, the Trustee and MARAC also entered into a Deed of Subordination dated 18 September 2009. Under this deed Pyne Gould Corporation Limited confirmed that any indebtedness owed to it by MARAC as a consequence of Pyne Gould Corporation Limited being called upon to perform its guarantee of the obligations of MARAC to the Banking Syndicate was subordinated to the indebtedness owed by MARAC to the Trustee, and Pyne Gould Corporation Limited would not exercise any right of enforcement, accept repayment of, sell or grant security over the amount owed to it, for so long as any indebtedness was owed by MARAC to the Trustee. Pyne Gould Corporation Limited's guarantee of MARAC ceased and this Deed of Subordination was terminated on 29 October 2009.

### **Security Trust Deed and Transitional Services Agreement**

MARAC and MARAC Financial Services Limited entered into a Security Trust Deed dated 18 September 2009. In accordance with this deed, MARAC agreed to administer the Ex-MARAC Loans, to perform and discharge the Assumed Liabilities and to hold the security in respect of the Ex-MARAC Loans on trust, on behalf of the owner of the Ex-MARAC Loans and in accordance with the owner's instructions.

MARAC Financial Services Limited on sold the impaired property development loans to Real Estate Credit Limited (another company in the Pyne Gould Corporation Limited group) on 30 October 2009.

MARAC and Real Estate Credit Limited entered into a Transitional Services Agreement dated 18 September 2009, whereby Real Estate Credit Limited engaged MARAC as its agent to provide administration and management services in respect of the Ex-MARAC Loans, including the management of payments, account and client maintenance, the assessment of requests for further finance or restructuring of loan facilities, security management and reporting. The agreement commenced upon the purchase of the Ex-MARAC Loans by Real Estate Credit Limited on 30 October 2009 and operates for a period of three calendar months from that date but may be extended for a further 30 days at the request of Real Estate Credit Limited, subject to the ability of MARAC to continue to provide the services.

### **Loan Note Guarantee and security granted by Pyne Gould Corporation Limited**

Pyne Gould Corporation Limited executed a Deed of Guarantee and Indemnity dated 29 October 2009 in favour of MARAC in respect of the obligations of MARAC Financial Services Limited under the Loan Note. The Loan Note Guarantee is supported by a General Security Deed granted by Pyne Gould Corporation Limited in favour of MARAC and dated 29 October 2009.

MARAC (or, on MARAC's behalf, the Trustee under the Trust Deed or the agent for the Banking Syndicate) can make demand on Pyne Gould Corporation Limited as guarantor of the obligations of MARAC Financial Services Limited under the Loan Note, and may once demand has been made commence enforcement action against Pyne Gould Corporation Limited (including by way of appointment of a receiver under the General Security Deed entered into by Pyne Gould Corporation Limited in favour of MARAC as security for its obligations as guarantor).

### **Replacement Crown Deed of Guarantee**

MARAC and Her Majesty the Queen in right of New Zealand entered into a Crown Deed of Guarantee (Non-Bank Deposit Taker) dated 8 December 2009. This deed replaces the existing Crown Deed of Guarantee identified on page 20 from 1 January 2010 and will run to 12.01am on 12 October 2010. This deed clarifies the operation of the New Zealand deposit guarantee

## Statutory Information continued

scheme, imposes additional obligations on MARAC and permits the offer of “excluded securities” that do not have the benefit of the guarantee. For further details please see pages 25 to 27.

### Inspection of Material Contracts

A copy of each Material Contract is available for inspection at the places referred to under the heading “Places of Inspection of Documents” on page 24. No other material contracts have been entered into by MARAC, other than in the ordinary course of business, within the two years preceding the date this Prospectus was delivered for registration.

### PENDING PROCEEDINGS

There are no legal proceedings or arbitrations pending at the date this Prospectus was delivered for registration that may have a material and adverse effect on MARAC.

### ISSUE EXPENSES

The estimated expenses of and incidental to the issue of the Secured Debenture Stock pursuant to this Prospectus are \$685,000 excluding brokerage but inclusive of Trustee, legal and auditor fees, printing and advertising costs. Details of brokerage can be found below.

#### Brokerage

No brokerage is payable by investors. MARAC will pay brokerage (up to 0.50% p.a.) to members of NZX and other MARAC accredited brokers on the value of applications lodged by them. Brokerage will be paid (at the rates prevailing at the time of renewal) on deposits which are reinvested at the end of their fixed term, provided the renewal advice bears the broker name/stamp.

MARAC reserves the right to adjust brokerage on investments which are repaid early.

Brokers are the agents of investors whom they advise. Brokers are accredited by MARAC solely for the purpose of lodging applications on behalf of their client investors. Accordingly, MARAC is not responsible for the advice given by such brokers.

### RANKING OF SECURITIES

At 30 June 2009 there were no securities that rank in point of security ahead of the securities being offered in this Prospectus.

Secured stock issued under previous offers or otherwise issued by MARAC, including secured debenture stock previously issued, the Secured Bonds and secured bank stock issued as security for MARAC’s committed banking facilities, rank equally with the Secured Debenture Stock being offered in this Prospectus. As at 30 June 2009 a total of \$1,066,231,000 secured stock was on issue (\$901,091,000 as at 30 June 2008).

While MARAC has given first ranking floating charge and security interest over all of its business and non-securitised assets, both present and future, to the Trustee for the benefit of stockholders, the Trust Deed allows MARAC to give Prior Charges that rank ahead of stockholders. In the event of the insolvency of MARAC any amounts secured by Prior Charges will rank ahead of the claims of stockholders. MARAC has no Prior Charges and at the date of this Prospectus does not intend to establish any. For further information about Prior Charges please see page 16.

In the event of the insolvency of MARAC certain preferential claims that are given priority by law such as taxes, liquidation fees and unpaid wages will also rank ahead of the secured stockholders claims.

MARAC’s assets include securitised finance receivables of \$157,941,000 as at 30 June 2009 (\$291,532,000, as at 30 June 2008), held in the Securitisation Trust and ring-fenced for the benefit of investors in MARAC’s securitisation programme. These securitised finance receivables do not form part of MARAC’s Total Tangible Assets which are secured pursuant to the Trust Deed for the benefit of the stockholders. In the event of the insolvency of MARAC, these finance receivables will not be available to satisfy the claims of stockholders. For further information about the Securitisation Facility please see pages 10 to 11 and 25.

### OTHER RESTRICTIONS ON BORROWING GROUP

#### MARAC Syndicated Bank Facility

MARAC has entered into a syndicated facility agreement with a banking syndicate comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia, Westpac Banking Corporation and The Hongkong and Shanghai Banking Corporation Limited.

The Syndicated Bank Facility is available in two tranches, being a tranche of \$45 million repayable on 31 March 2010 and a tranche of \$155 million repayable on 31 March 2011. As at 31 October 2009 the Syndicated Bank Facility was not drawn.

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

The Syndicated Bank Facility is subject to various events of review including:

- if any person or group of persons acting on concert acquires or holds more than 50% of the issued ordinary voting capital of Pyne Gould Corporation Limited;
- if MARAC fails to maintain its current BB+ (Outlook Negative) long term rating from Standard & Poor’s in relation to its unsecured and unsubordinated debt obligations; or
- if the New Zealand deposit guarantee scheme expires, is withdrawn or otherwise ceases to be in full force and

## Statutory Information continued

Covenant	Limit
• Tangible Net Worth Ratio	At all times the ratio of Tangible Net Worth to Total Tangible Assets must not be less than 9%.
• Interest Cover Ratio	As at the last day of each financial quarter EBIT must not be less than 1.2 times Interest and Financing Costs.
• Quarterly Liquidity Ratio	At all times the ratio of Cash and Securities plus Undrawn Committed Facility Amount plus Receivables under 90 days plus Undrawn Securitisation Liquidity to Retail Borrowings under 90 days plus Wholesale Borrowings under 90 days must not be less than 110%.
• Single Borrower Exposure	At all times the indebtedness of the Largest Single Borrower to MARAC must not exceed an amount equal to:  20% of Tangible Net Worth; or  23% of Tangible Net Worth (where the Largest Single Borrower is a specified motor vehicle rental company).  NB: The Banking Syndicate has consented to the Loan Note from MARAC Financial Services Limited to MARAC, detailed on page 5
• Impaired Assets	In relation to each financial quarter the aggregate amount of all debts written off in that quarter less the aggregate amount of recoveries received in that quarter in respect of debts written off in prior quarters plus the net change in loan loss provisions over that quarter must not exceed 3% of the aggregate of all loans or other finance receivables (excluding any such loan or receivable which is subject to a provision or write-off or otherwise impaired) owing to MARAC for that quarter.

effect, or by 30 June 2010 MARAC has not formally applied to Treasury to participate in the extended New Zealand deposit guarantee scheme for a period of at least 14 months (or such lesser period as the majority lenders under the Syndicated Bank Facility may agree) beyond 12 October 2010, or MARAC breaches in a material respect any of its obligations under the Crown Guarantee.

If an event of review occurs, the Banking Syndicate can require that the terms of the Syndicated Bank Facility be renegotiated. If following the applicable period of negotiation (being either 15 or 30 days depending on the event triggered), the parties have not agreed terms on which the Banking Syndicate is willing to continue to provide funding to MARAC, the majority of lenders may give notice cancelling the facility and requiring its repayment and MARAC must repay the facility within either 30 or 60 days (depending on the nature of the event of review).

MARAC has covenanted with its Banking Syndicate that it will not incur any further bank or wholesale funding debt without their prior written consent.

Set out above is a summary of the covenants which MARAC must comply with under the terms of the Syndicated Bank

Facility and thus restrict its ability to borrow. A failure by MARAC to comply with these covenants would result in an immediate event of default under the Syndicated Bank Facility agreement; other than in respect of the quarterly liquidity ratio, in respect of which MARAC has a 30 day grace period to remedy the breach.

The Syndicated Bank Facility agreement includes a range of other general events of default, including:

- if MARAC fails to pay any amount when due under the Syndicated Bank Facility agreement or in respect of any other indebtedness;
- if MARAC grants a security interest over its assets (other than certain permitted security interests arising by operation of law, pursuant to the Trust Deed, in respect of assets acquired for the administration and effective conduct of MARAC's business or otherwise permitted by the majority of the Banking Syndicate);
- if Pyne Gould Corporation Limited or MARAC is presumed to be or declared to be insolvent; if either is placed in administration, receivership or liquidation (or similar) or has a statutory manager appointed; if either is subject to a distress, attachment, execution or other like legal order;

## Statutory Information continued

if a security interest is enforced against either of them; if either of them breaches an environmental law; or if either of them is involved in litigation which may have a material adverse effect on them; or

- if Pyne Gould Corporation Limited fails to perform its obligations under the Loan Note Guarantee.

Investors should be aware that these banking covenants may change in the future or MARAC may enter into new financing arrangements which require compliance with different covenants.

### No other restrictions

Other than as set out above, under the heading “MARAC Syndicated Bank Facility” on pages 22 to 24 and the section entitled “Summary of Trust Deed” on pages 16 to 18, there are no other material restrictions on the ability of MARAC to borrow, being restrictions that result from any undertaking given, or contract or deed entered into by MARAC.

### OTHER TERMS OF OFFER AND SECURITIES

All of the terms of the Offer, and all terms of the Secured Debenture Stock being offered, are set out in this Prospectus, other than any terms implied by law or any terms set out in a document that is:

- registered with a public official;
- available for public inspection; and
- referred to in this Prospectus.

### Interest rate that may be earned

The rate or rates of interest that may be earned by holding Secured Debenture Stock being offered will be those set by MARAC at any particular time and from time to time.

MARAC Secured Debenture Stock investment products have a tiered interest rate structure, which generally allows investors to earn higher interest on larger deposits.

MARAC may vary any of the interest rates or interest rate tiers for any of the MARAC Secured Debenture Stock investment products at any time without notice. Any change in interest rates will not apply to deposits received before the date of change, except in the case of MARAC Call Deposit and Business Call Accounts.

The current interest rates and maturity terms are set out in MARAC’s current rate card, which can be obtained from MARAC’s registered office, the address of which is shown in the Directory on page 77.

### FINANCIAL STATEMENTS

The most recent financial statements of MARAC which comply with, and have been registered under, the Financial Reporting

Act 1993, are for the financial year ended 30 June 2009 and were registered with the New Zealand Registrar of Companies, Companies Office, Ministry of Economic Development, Level 18, ASB Bank Centre, 135 Albert Street, Auckland on 5 October 2009. A copy of these financial statements is included at pages 38 to 71. The financial statements Note 2(e) (at page 43) and the Auditor’s report (at pages 70 and 71) to the audited annual financial statements of MARAC for the year ended 30 June 2009, noted that the Syndicated Banking Facility was subject to an event of review as a consequence of the Company’s credit rating being downgraded by Standard & Poor’s to BB+ (Outlook Negative) on 13 August 2009. This event of review was waived by the Banking Syndicate following completion of the PGC Rights Offer and sale of the Ex-MARAC Loans.

### PLACES OF INSPECTION OF DOCUMENTS

#### MARAC

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

- MARAC’s certificate of incorporation and constitution;
- this Prospectus and MARAC’s current Investment Statement;
- most recent audited financial statements of MARAC;
- the Trust Deed; and
- the Material Contracts.

The documents can be requested from or inspected at MARAC’s registered office, the address of which is shown in the Directory on page 77 during office hours.

#### Companies Office

Copies of:

- MARAC’s certificate of incorporation and constitution;
- this Prospectus;
- MARAC’s audited financial statements;
- the Trust Deed;
- the Material Contracts; and
- all other documents relating to the registration of MARAC,

are also filed on a public register at the Companies Office, and are available for inspection at the Companies Office upon request. You will be able to view most of the above documents via the Companies Office’s website at [www.companies.govt.nz](http://www.companies.govt.nz) by selecting “Search for a company” and searching “MARAC Finance Limited” or MARAC’s registration number (049700). If a document is not available via the Companies Office’s website you will need to contact the Companies Office by phone 0508 266 726 to arrange for the document to be made available.

## Statutory Information continued

### OTHER MATERIAL MATTERS

#### Secured Bond Offer

MARAC raised \$104.2 million from its offer of secured bonds which closed on 23 July 2008. The secured bonds are secured stock for the purposes of the Trust Deed and are secured on the same terms as the Secured Debenture Stock under the Trust Deed, which means they rank equally as far as security and repayment is concerned.

#### Securitisation Facility

As at 30 June 2009, total finance receivables of \$157.9 million were securitised (\$291.5 million, as at 30 June 2008) under the Securitisation Facility. These finance receivables comprised commercial, motor vehicle, marine and leisure loans only. No property loans are included in the pool of securitised finance receivables.

MARAC continues to administer the securitised receivables sold into the Securitisation Trust on behalf of the Securitisation Trust. The accounting treatment of the finance receivables sold to the Securitisation Trust, requires that they continue to appear in MARAC's financial statements. Accordingly, a single set of MARAC financial statements is presented. Further details are set out in the Notes to the Financial Statements on pages 43 to 69.

Subject to the limit of the bank facility which supports the Securitisation Facility, the Securitisation Facility provides MARAC with the ability to sell up to \$300 million of qualifying receivables (described above) into the Securitisation Trust.

For the period 1 April 2009 to 30 June 2009 the limit of the bank facility supporting the Securitisation Facility was \$175 million. As at 30 June 2009, total finance receivables of \$157.9 million were securitised.

In accordance with the terms of the Securitisation Facility, on 1 July 2009, the limit of the bank facility was reduced to \$150 million. The bank facility supporting the Securitisation Facility had an initial term of 364 days, which can be extended on a rolling basis by MARAC issuing a notice requesting an extension for a further 182 days at any point in time when the facility term has less than 182 days to run. Such extension is subject to the approval of Westpac Banking Corporation. As at the date of this Prospectus the facility maturity date is 11 August 2010.

MARAC also invests in the Securitisation Trust by way of two equally sized subordinated loans. The amount of these loans varies but is based on the amount of assets securitised and the performance of those assets. As at 30 June 2009 these loans totalled \$15 million (\$17.2 million, as at 30 June 2008). Repayment of these loans by the Securitisation Trust is subordinated to repayment of the bank facility supporting the Securitisation Trust and the commercial paper issued by the

Securitisation Trust, and is also impacted by the performance of the securitised receivables.

#### New Zealand Deposit Guarantee Scheme

MARAC has a guarantee under the New Zealand deposit guarantee scheme, on the terms and subject to the conditions set out in the Crown Deed of Guarantee (**Crown Guarantee**).

**From 1 January 2010, MARAC may offer and investors may subscribe for, Secured Debenture Stock without the benefit of the Crown Guarantee. If an investor subscribes for Secured Debenture Stock without this guarantee none of MARAC's obligations under or in respect of that Secured Debenture Stock will have the benefit of the Crown Guarantee. That investor will not be able to rely on the Crown Guarantee in the event MARAC defaults on its obligations to them in respect of that Secured Debenture Stock. Accordingly, the terms set out in this section "New Zealand Deposit Guarantee Scheme" will not apply.**

#### Summary of terms of Crown Guarantee

Where the Crown Guarantee applies it may assist investors to recover the principal amount of their investment and accrued interest in the event MARAC is unable to meet its obligations to them.

The Crown Guarantee is subject to certain limitations. By way of summary, the principal limitations are that:

- it generally applies to all investors other than those who are related parties of MARAC, financial institutions, persons who are neither New Zealand residents or New Zealand citizens or trustees for any of those foregoing excluded persons (**qualifying creditors**);
- it only applies to any obligation of MARAC to pay money (whether present or future) to a qualifying creditor pursuant to debt securities issued by MARAC (such as Secured Debenture Stock) that have the benefit of the Crown Guarantee (**indebtedness**), which become due and payable, and if a default event has occurred, during the period from 12 October 2008 to 12.01am on 12 October 2010; and
- the maximum liability of the Crown to each qualifying creditor is limited to \$1 million per qualifying creditor per institution. This liability cap applies to all indebtedness and all interest accruing thereon which is due to a qualifying creditor.

By way of summary, a default event will occur in the unlikely event MARAC fails to make payment to a qualifying creditor in respect of the indebtedness when due; it otherwise becomes insolvent or is subject to insolvency proceedings; it seeks or becomes subject to the appointment of a voluntary administrator, liquidator or receiver; a secured party takes possession of all or substantially all of its assets or a court order is sought or enforced against those assets; it makes an assignment, compromise or the like with or for the benefit of

its creditors (including a moratorium); or any action is taken to place it into statutory management (**default event**).

The Crown may withdraw the Crown Guarantee in the unlikely event that MARAC fails to comply with its obligations under the Crown Deed of Guarantee or otherwise engages in inappropriate activity designed to circumvent the terms of the guarantee. MARAC's obligations are set out in the Crown Deed of Guarantee. MARAC has systems in place to facilitate its compliance with these obligations.

If a default event occurs in respect of MARAC, the Crown will, subject to receiving a notice of claim form from a qualifying creditor for their indebtedness and upon satisfying itself as to the amount of that indebtedness, make payment to the qualifying creditor in the amount of the Indebtedness up to \$1 million (as described earlier). Claims are required to be made by each individual qualifying creditor. The Trustee is not involved in this process.

### *Replacement Crown Guarantee*

On 18 November 2009 Treasury announced that it was updating the terms and conditions of the Crown Guarantee to make it more flexible for NBDTs, while continuing to protect current qualifying creditors. MARAC has executed a replacement Crown Deed of Guarantee, which replaces the existing Crown Deed of Guarantee from 1 January 2010 and will run to 12.01am on 12 October 2010.

The replacement Crown Deed of Guarantee contains substantially the same terms as the existing Crown Deed of Guarantee and:

- allows MARAC to offer both guaranteed and non-guaranteed debt securities;
- allows a 14 day stand down between a potential default event and the invoking of the guarantee, which provides time for MARAC to resolve any temporary issues before reaching the point where it defaults;
- allows the Crown to set a timeframe for claims to be made following a default event. The Crown may decline to accept liability for any interest forming part of any indebtedness claimed by a qualifying creditor to the extent that the interest accrues after the date by which the Crown reasonably considers adequate time has elapsed since the default event;
- clarifies the information that the Crown can request about MARAC's business and affairs, including the provision of independent reports;
- enables the Crown to request information about any investor or proposed investor of MARAC to the extent necessary for the operation of the Crown Deed of Guarantee; and
- places a range of additional obligations on MARAC, which are set out in the replacement Crown Deed of Guarantee.

### *Extension of New Zealand Deposit Guarantee Scheme*

On 12 September 2009 the Crown Retail Deposit Guarantee Scheme Act 2009 was passed. This Act extended the New Zealand deposit guarantee scheme for a further 14 months to 31 December 2011. However, in order for an institution to participate in the extended New Zealand deposit guarantee scheme after 12 October 2010, including those participating under the existing New Zealand deposit guarantee scheme (such as MARAC), they must meet the eligibility criteria, apply for the extended New Zealand deposit guarantee scheme and have their application approved.

A number of the key terms of the existing New Zealand deposit guarantee scheme will be amended after 12 October 2010, in particular:

- the fees paid by participating institutions will be calculated based on the total value of the relevant institution's funds covered by the extended New Zealand deposit guarantee scheme and the risk profile of the relevant institution. MARAC could incur a substantial increase in the level of fees for participation in the extended New Zealand deposit guarantee scheme;
- debt securities issued by participating NBDTs that have the benefit of the guarantee, such as MARAC, will be guaranteed to a maximum of \$250,000 per qualifying creditor per institution (debt securities issued by participating banks will be guaranteed to a maximum of \$500,000 per qualifying creditor per institution);
- only NBDTs with a credit rating of BB or higher can apply to participate in the extended New Zealand deposit guarantee scheme. At the date of this Prospectus MARAC holds a credit rating of BB+ (Outlook Negative); and
- eligible institutions may apply to participate in the extended New Zealand deposit guarantee scheme in respect of some or all debt securities issued by that institution, provided that any such debt securities that are to be guaranteed under the extended New Zealand deposit guarantee scheme fall within all other terms and conditions of the extended New Zealand deposit guarantee scheme.

Whether or not MARAC will obtain a guarantee under the extended New Zealand deposit guarantee scheme after 12 October 2010 is contingent on MARAC meeting the eligibility criteria for the same, whether or not MARAC chooses to participate and whether or not any application made by MARAC is accepted.

Based on publicly available information at the date of this Prospectus, MARAC is of the view that it will meet the criteria to be accepted for participation in the extended New Zealand deposit guarantee scheme.

To the extent MARAC's obligations are guaranteed by the Crown under the Crown Deed of Guarantee entered into by MARAC and the Crown, MARAC is required by the Banking

## Statutory Information continued

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Syndicate to apply for the extended New Zealand deposit guarantee scheme to apply to those obligations and MARAC intends to do so. MARAC will consider on a case by case basis its participation in the extended New Zealand deposit guarantee scheme in respect of any debt issues by MARAC and may elect to offer securities that do not have the benefit of the guarantee.

The Trustee has no duties in relation to the New Zealand deposit guarantee scheme and does not monitor MARAC's compliance with the terms of the Crown Deed of Guarantee. Further, the loss of the guarantee is not an event of default under the Trust Deed but will be an event of review under the Syndicated Bank Facility.

The above is a brief summary of the New Zealand deposit guarantee scheme, the Crown Guarantee and the Crown Deed of Guarantee at the date of this Prospectus.

Further information about the New Zealand deposit guarantee scheme and the most recent audited statement of financial position of the Crown are available, free of charge and at all reasonable times, on the internet site maintained by, or on behalf of the Treasury at [www.treasury.govt.nz](http://www.treasury.govt.nz).

### **NBDT regulations**

Part 5D of the Reserve Bank Act regulates NBDTs such as MARAC. The Reserve Bank has regulation making powers under the Reserve Bank Act to specify the type of credit rating that must be held in order to meet the definition of a NBDT and to require NBDTs to:

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

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

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

In particular, following the PGC Capital Raising, Pyne Gould Corporation Limited contributed \$35 million of new equity capital to MARAC, which, together with the sale of the Ex-MARAC Loans, resulted in MARAC exceeding the anticipated minimum capital ratio requirements of the proposed NBDT regulations (determined in accordance with the asset risk weightings under the proposed NBDT regulations).

Under the proposed NBDT regulations it is expected that there will be a requirement that related party loans cannot exceed 15% of equity. In order to comply with this requirement,

MARAC Financial Services Limited would, if it has not already done so, need to repay part or all of the Loan Note. The Loan Note is repayable in full by 1 July 2010.

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

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

### **Risks of the Offer**

The principal risk of an investment in Secured Debenture Stock is that investors may not receive the full amount, or any, of the principal or interest due if MARAC becomes insolvent or achieves lower than expected performance for any reason, including:

- if a significant number of loans made by MARAC are not repaid; or
- if the security taken for those loans proves inadequate for any reason so that MARAC is unable to recover the amount owed in full; or
- MARAC, because of the above circumstances or otherwise, is unable to meet its debts as they fall due; or
- there is no ready market for the Secured Debenture Stock; or
- where MARAC has the benefit of a guarantee under the New Zealand deposit guarantee scheme, and it applies to the Secured Debenture Stock in question, the Crown does not, or is not able to, perform its obligations, if any, under the guarantee or the guarantee given by the Crown is unable to be enforced for some reason. For further information about the New Zealand deposit guarantee scheme see pages 25 to 27.

If MARAC becomes insolvent, investors will not be required to pay any money to any person as a result of that insolvency.

The main risks affecting MARAC are summarised below. Investors should carefully consider these risks (together with all other information available to them) before applying for Secured Debenture Stock.

The summary of risks presented below is not exhaustive and does not take account of the personal circumstances, financial position or investment requirements of any one investor. It is imperative, therefore, that, before making any investment decisions investors give consideration to the suitability of an investment in the Secured Debenture Stock in light of their investment needs, objectives and financial circumstances. Investors should consult his, her or its share broker, accountant, or other professional adviser before deciding whether to invest.

### Liquidity and reinvestment risk

There is a risk that MARAC may have insufficient liquid funds, or may not be able to raise sufficient funds at short notice, to meet its financial obligations as they fall due, including the repayment of Secured Debenture Stock as it matures. In order to meet these financial obligations and to continue to grow its business, MARAC is reliant on maintaining consistent reinvestment rates and new investment rates of Secured Debenture Stock. MARAC may not have sufficient liquid funds if there is a significant mismatch in the maturity profile of MARAC's financial assets and liabilities. Any material change in the availability of sources of funding would materially affect MARAC's ability to meet its financial obligations as they fall due. The amount of Secured Debenture Stock funding received by MARAC is dependent on the level of new funds and reinvestment rates, both of which are affected by the level of investor confidence in the New Zealand finance sector generally and in the MARAC business specifically. For the financial year ended 30 June 2009, monthly reinvestment rates for MARAC's Secured Debenture Stock averaged 66%. This is only slightly below the average in the previous four financial years, being approximately 68%. If there was to be any significant reduction in the reinvestment rate of Secured Debenture Stock or the level of new funds invested in Secured Debenture Stock, it could, depending on the extent of the reduction, negatively impact on MARAC's liquidity and have a materially adverse effect on the financial condition of MARAC.

### Finance sector confidence

MARAC could be materially adversely affected if investor and/or borrower confidence in the finance sector generally is reduced. This could occur, for instance, as a result of the failure or insolvency of another finance company in the New Zealand market, an event outside the control of MARAC. That could make it more difficult for MARAC to obtain funding from investors, either through reinvestment of existing funds or investment of new funds. Such event could also adversely affect MARAC's borrowing margins or cost of funds.

### New Zealand Deposit Guarantee Scheme

**This section applies to investors who invest in Secured Debenture Stock that has the benefit of the Crown Guarantee. Where an investor elects to invest in Secured Debenture Stock that does not have the benefit of the Crown Guarantee then the terms set out in this section will not apply.**

There are a number of risks associated with the New Zealand deposit guarantee scheme and associated Crown Guarantee given to MARAC. The Crown Guarantee is subject to certain limitations, identified on pages 25 to 27.

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

On 18 November 2009 Treasury announced that it was changing the terms and conditions of the New Zealand deposit guarantee and MARAC has executed a replacement Crown Deed of Guarantee. The replacement Crown Deed of Guarantee comes into effect on 1 January 2010, and will run to 12.01am on 12 October 2010. The Crown may in the future offer the guarantee on different terms, if the Crown reasonably considers the terms of the new guarantee not to be materially adverse to qualifying creditors generally as compared to the terms of the then existing guarantee.

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

A number of the key terms of the existing New Zealand deposit guarantee scheme will be amended as from 12 October 2010, these are detailed on pages 26 to 27.

Depending on the final level of fees which are ultimately charged by the Crown and the level of MARAC's participation in the extended New Zealand deposit guarantee scheme, MARAC could incur a substantial increase in the level of fees for participation from October 2010 to December 2011.

MARAC will be required to apply to Treasury if it wishes to participate in the extended New Zealand deposit guarantee scheme after 12 October 2010. Whether or not MARAC will obtain a guarantee under the extended New Zealand deposit guarantee scheme after 12 October 2010 is contingent on, whether MARAC meets the eligibility criteria, whether MARAC chooses to participate and whether any application made by MARAC is accepted. Based on publicly available information at the date of this Prospectus, MARAC is of the view that it will meet the criteria for participation in the extended New Zealand deposit guarantee scheme.

To the extent MARAC's obligations are guaranteed by the Crown under the Crown Deed of Guarantee, MARAC is required by the Banking Syndicate to apply for the extended New Zealand deposit guarantee scheme to apply to those obligations and MARAC intends to do so. MARAC will consider on a case by case basis its participation in the extended New

## Statutory Information continued

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Zealand deposit guarantee scheme in respect of any debt issues by MARAC and may elect to offer Secured Debenture Stock that does not have the benefit of the guarantee.

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

- MARAC's Secured Debenture Stock reinvestment rates may decline significantly. If this funding source could not be replaced, such an event might have a material adverse effect on the financial condition of MARAC;
- there is a further risk that subscribers of Secured Debenture Stock may only wish to invest in Secured Debenture Stock that is guaranteed for a term less than the current guarantee period, which ends at 12.01am on 12 October 2010. This may cause a distortion of MARAC's maturity profile for the period of the existing New Zealand deposit guarantee scheme. If these funds are not reinvested beyond 12 October 2010, this will have a material adverse effect on the financial performance and financial condition of MARAC; and
- in relation to MARAC's obligations guaranteed by the Crown under the Crown Deed of Guarantee, the Banking Syndicate would have a right to review the Syndicated Bank Facility and to impose additional terms for a continuation of those facilities. If acceptable terms were not agreed with the Banking Syndicate, the Banking Syndicate could require MARAC to repay all amounts owing under the Syndicated Bank Facility.

The decrease in the maximum amount per qualifying creditor per NBDT to be guaranteed under the extended New Zealand deposit guarantee scheme after 12 October 2010 may result in a decline in investment of new funds or reinvestment rates as investors limit their deposits with each NBDT (such as MARAC) to \$250,000 (the maximum amount guaranteed per qualifying creditor per NBDT under the extended New Zealand deposit guarantee scheme).

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

Further, the general withdrawal or non-renewal of the New Zealand deposit guarantee scheme while similar schemes

remain in place overseas, may materially adversely affect the ability of New Zealand financial institutions to raise debt funding. This may in turn affect MARAC's ability to raise funds through the New Zealand debt market.

### **Bank facilities**

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

A number of the events of default that may occur under the Syndicated Bank Facility, are detailed on pages 23 to 24. Acceleration of the Syndicated Bank Facility in such circumstances would allow the Trustee to declare an event of default under the Trust Deed.

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

### **Liquidity support for the Securitisation Facility**

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

### Financing covenants

The Syndicated Bank Facility and the Trust Deed require compliance with financial covenants, detailed on pages 23 and 17 respectively. While MARAC believes that it will be able to comply with these covenants, a significant decline in earnings or an increase in the impairment of assets, including property loans, could cause MARAC not to comply with these financial covenants. Consequences of a failure to comply with any financial covenant may include increased interest costs, decreased availability of debt funding, acceleration of repayment of the outstanding facilities or enforcement of security interests. These events would have a material adverse effect on the financial performance and financial condition of MARAC.

### Loan Note default by MARAC Financial Services Limited

MARAC Financial Services Limited is indebted to MARAC in the amount of the Loan Note, being \$50 million plus accrued and capitalised interest. The obligations of MARAC Financial Services Limited have been guaranteed by Pyne Gould Corporation Limited pursuant to the Loan Note Guarantee. These Material Contracts are described on pages 20 to 22.

MARAC Financial Services Limited is the immediate parent company and Pyne Gould Corporation Limited is the ultimate parent company, of MARAC. Should MARAC Financial Services default under the Loan Note demand could be made by MARAC (or, on its behalf, by the Trustee under the Trust Deed or the agent under the Syndicated Bank Facility agreement) against MARAC Financial Services Limited and/or Pyne Gould Corporation Limited and enforcement action taken including the appointment of a receiver under the security taken. Such a situation may have a material adverse effect on MARAC to the extent that the Company relies on the support of its immediate and ultimate parent companies.

### Credit risk

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

### Realisation risk

If a borrower fails to meet its principal or interest payment obligations, MARAC may need to realise the asset which is security for that loan. There is a risk that the realisable

value of the asset may be less than the value of the loan, for example because of lack of demand for that asset, and that MARAC will be unable to recover the full amount owed. Current economic conditions make it more difficult to recover the full amount of loans through the realisation of security interests because of a reduced demand for assets generally at the present time. Any loss suffered by MARAC as a result of such events could have a material adverse effect on the financial performance and financial condition of MARAC.

### Interest rate risk

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

### Change in credit rating

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

- the Banking Syndicate would have a right to review the Syndicated Bank Facility and to impose additional terms for a continuation of that facility. If acceptable terms were not agreed with the Banking Syndicate, the Banking Syndicate could require MARAC to repay all amounts owing under the Syndicated Bank Facility; and
- it may have an adverse impact on reinvestment rates of the Secured Debenture Stock and MARAC's ability to raise funds from new investors or lenders.

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

### NBDT regulations

Part 5D of the Reserve Bank Act regulates NBDTs such as MARAC. The NBDT regulatory powers of the Reserve Bank and anticipated requirements are detailed on page 27.

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

In particular, following the PGC Capital Raising, Pyne Gould Corporation Limited contributed \$35 million of new equity capital to MARAC, which, together with the sale of the Ex-MARAC Loans, resulted in MARAC exceeding the anticipated minimum capital ratio requirements of the proposed NBDT regulations (determined in accordance with the asset risk weightings under the proposed NBDT regulations).

## Statutory Information *continued*

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

Further, under the proposed NBDT regulations it is expected that there will be a requirement that related party loans cannot exceed 15% of equity. In order to comply with this requirement, MARAC Financial Services Limited would, if it has not already done so, need to repay part or all of the \$50 million Loan Note. The Loan Note is repayable in full by 1 July 2010.

### **Registered bank<sup>14</sup> strategic goal**

It is a strategic goal of MARAC to become a registered bank<sup>15</sup> under the Reserve Bank Act over the medium term. Registration is subject to the approval of the Reserve Bank. The Reserve Bank Act prescribes what factors the Reserve Bank must take into account when determining an application. These factors comprise a range of qualitative and quantitative factors and include the ability of an applicant to carry on its business in a prudent manner and in particular:

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

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

### **Information technology risks**

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

### **Competition in the finance sector**

MARAC faces significant competition from both incumbent service providers (including finance companies, savings institutions and banks) and new entrants to the market. MARAC may not be able to maintain existing levels of new

customers or investors and retain existing customers or investors if it is unable to maintain the competitiveness of its products and services in comparison to those offered by other finance sector participants.

### **Property lending risks**

MARAC holds both commercial property loans and property development loans as at the date of this Prospectus.

#### *Retained MARAC property loans*

Following the sale of the Ex-MARAC Loans MARAC retained approximately \$106.6 million by face value of property development loans across 53 individual loans and approximately \$77 million by face value of other commercial property loans across 67 individual loans. Of these property development loans, three loans have construction funding risk remaining.

MARAC will remain exposed to any impairments on these loans until all of these loans are repaid, recovered by enforcement or sold to a third party. In addition, MARAC may enter into new property loans in the future, although any new property lending undertaken by MARAC will be limited to supporting customers who have a wider existing borrowing relationship with MARAC and whose principal business is not property development or leasing.

#### *Specific property risks*

Property lending or holding security over property assets carries specific risks. These risks will apply to the property loans retained by MARAC. These risks include:

- over the past 18 months, there have been well publicised negative influences on sectors of the New Zealand property market and, in most cases, this has translated into declining property asset values. It is not known when there might be any significant improvement in market conditions and the property market may worsen;
- the state of the property market may make it difficult for lenders to recover the full amount of some loans through the realisation of their security interests and accordingly there is an increased prospect that loans will not be recovered in full or on a timely basis;
- purchasers may fail to complete settlement on properties when legally obliged to do so;
- as at 31 October 2009, after the sale of the Ex-MARAC Loans, approximately 41% (approximately \$76 million) of the total dollar value of MARAC's property loans were secured by a second ranking mortgage. Of the loans secured by second ranking mortgage, \$34 million were subject to a security sharing arrangement with Pyne Gould Corporation Limited's subsidiary Perpetual Trust Limited, whereby MARAC and Perpetual Trust Limited share a joint first mortgage, however Perpetual Trust Limited holds priority as between them. Where a second ranking security interest is held, the second

14, 15 MARAC is not a registered bank under the Reserve Bank Act.

mortgagee's interest is dependent on the prior mortgagee's management of the enforcement and debt recovery process to recover the loan and there is no certainty that a prior ranking mortgagee will act in a manner that is beneficial to the second ranking mortgagee;

- in respect of loans which are capitalised (that is interest is added to and forms part of the principal of the loan), there is a risk that a borrower's level of equity in the property financed by a loan is diminished, particularly when property values decline, leading to an increased risk that the loan will not be recovered in full or on a timely basis. As at 31 October 2009, after the sale of the Ex-MARAC Loans, 40 individual property loans with a book value of approximately \$91 million were capitalised;
- property development funding is subject to risks that the development may not be completed, that there may be unexpected delays, that the costs of construction may exceed the budgeted amount and that building contractors may become insolvent or otherwise fail to complete the development. Events which negatively impact on the cash flows and profitability of a particular development project could have a material adverse effect on the borrowers to whom moneys have been advanced, which may affect the ability of borrowers to meet their loan commitments; and
- insured or uninsured catastrophic events or disasters, including earthquakes, fire or weather related hazards, could affect the value of assets provided as security for loans.

Any of these risks could have a material adverse effect on the financial performance and financial condition of MARAC which has exposure to property loans or which holds security over property assets.

### **Underwrite Facility**

Pyne Gould Corporation Limited, has put in place the Underwrite Facility in the amount of \$85 million to enable MARAC to manage at-risk property development loans in a manner that will maximise their realisation. The Underwrite Facility has been established to reduce the risk to investors posed by at-risk property loans.

At the date of this Prospectus the Underwrite Facility is not being utilised. However, MARAC is entitled to use the Underwrite Facility in respect of property loans that become impaired in the future until the expiry of the facility on 30 June 2011 or such other date the parties may agree. The utilisation of the Underwrite Facility cannot be taken into account for the purposes of calculating the impaired asset ratio included in the Syndicated Bank Facility.

The effectiveness of this risk-reducing measure is contingent, however, on Pyne Gould Corporation Limited performing its obligations under the Underwrite Facility. To this extent, investors are indirectly exposed to Pyne Gould Corporation

Limited in that they are reliant on it making payment to MARAC in the event of losses crystallising in respect of the underwritten loans. Pyne Gould Corporation Limited is an NZSX listed company and the MARAC Board is of the view that the risk of it defaulting on its obligations under the Underwrite Facility are low.

### **Loan management**

At the date of this Prospectus MARAC provides administration and management services to Real Estate Credit Limited in respect of the Ex-MARAC Loans, including the management of payments, account and client maintenance, the assessment of requests for further finance or restructuring of loan facilities, security management and reporting. While MARAC has considerable experience in the provision of these services, MARAC may be liable to Real Estate Credit Limited in the event it fails to provide these services in a competent and professional manner.

### **External risks**

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

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

### **Regulatory risks**

MARAC 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 MARAC and/or expose MARAC to financial or other penalties. Any change to existing laws or the introduction of new laws could result in additional requirements being imposed on MARAC or result in increased costs being incurred by MARAC.

## Statutory Information continued

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### Impairment of assets

The assets of MARAC were tested for impairment prior to the finalisation of its financial statements for the financial year ended 30 June 2009. Following that review, MARAC's ultimate parent company, Pyne Gould Corporation Limited increased its underwrite of MARAC's impaired property loans to \$85 million pending sale of the Ex-MARAC Loans and MARAC recognised an impairment of \$1.5 million (before tax) in relation to the other MARAC property loans in the financial statements for the financial year ended 30 June 2009. MARAC will continue to monitor its assets including property loans. As a result of general market conditions or for other reasons there may need to be future impairments of MARAC's assets. If an asset is determined to be impaired, this results in a write down in the value of that asset. An impairment would also arise if any asset were to be sold for less than its carrying value.

### Operational and other risks

MARAC's business may be exposed to financial loss and/or damage to its reputation if operational risks are not identified and properly managed. These risks include:

- potential failure of information technology systems, business continuity planning and data integrity risk;

- a breakdown in internal control systems or operating procedures;
- the possibility of a number of key personnel leaving MARAC and the potential short-term disruption caused by seeking appropriate replacements;
- the risk that MARAC is the victim of fraud;
- the possibility of a dispute that results in court or arbitration proceedings that could adversely affect MARAC's financial position;
- competition from both incumbent service providers and new entrants to the market in which MARAC operates;
- the possibility of a competitor introducing new technology or products into the market or of a competitor following an aggressive pricing strategy, thereby undermining the competitiveness and/or profitability of MARAC's business; and
- a natural disaster disrupting business processes and activities.

### NO OTHER MATERIAL MATTERS

At the date of this Prospectus there are no other material matters relating to the Offer or the Secured Debenture Stock, other than matters set out elsewhere in this Prospectus and contracts entered into in the ordinary course of business of MARAC.

## Directors' Statement

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After due enquiry by us in relation to the period between 30 June 2009, being the date of the latest financial statements contained in this Prospectus, and the date of delivering this Prospectus for registration there have not, in our opinion, arisen any circumstances that materially and adversely change the trading or profitability of MARAC or the value of its assets or the ability of MARAC to pay its liabilities due within the next twelve months.

This Prospectus has been duly signed by all Directors or their authorised agents.

S.R. Maling

G.C.D. Kerr

R.F. Elworthy

B.W. Mogridge

B.R. Irvine

S.C. Montgomery

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As required by regulation 16 of the Securities Regulations 2009

### **SCHEDULE 2, SECURITIES REGULATIONS 2009**

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## Summary of Financial Statements

INCOME STATEMENT	NZIFRS	NZIFRS	NZIFRS	Previous	Previous	Previous
	Audited	Audited	Audited	GAAP	GAAP	GAAP
	12 Months	12 Months	12 Months	12 Months	12 Months	12 Months
	30 June 09	30 June 08	30 June 07	30 June 07	30 June 06	30 June 05
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operating revenue</b>						
Interest revenue	168,899	173,438	134,849	121,226	108,501	93,004
Operating lease revenue	10,526	12,569	12,891	12,891	12,611	12,919
Lending and credit fee revenue	1,450	1,383	2,139	15,643	13,584	9,718
Other revenue	1,495	862	932	932	912	835
<b>Total operating revenue</b>	<b>182,370</b>	<b>188,252</b>	<b>150,811</b>	<b>150,692</b>	<b>135,608</b>	<b>116,476</b>
<b>Less: Direct expenses</b>						
Interest and funding expense	109,284	108,637	80,371	81,059	69,963	54,966
Operating lease expense	7,467	9,425	10,458	10,505	9,391	9,406
<b>Total direct expenses</b>	<b>116,751</b>	<b>118,062</b>	<b>90,829</b>	<b>91,564</b>	<b>79,354</b>	<b>64,372</b>
<b>Other costs &amp; expenses</b>						
Impaired asset expense	13,318	5,726	955	356	1,787	1,178
Depreciation	1,032	964	726	726	519	631
Selling and administration expenses	24,016	24,851	21,425	20,831	19,299	18,198
<b>Total other costs &amp; expenses</b>	<b>38,366</b>	<b>31,541</b>	<b>23,106</b>	<b>21,913</b>	<b>21,605</b>	<b>20,007</b>
<b>Profit before taxation</b>	<b>27,253</b>	<b>38,649</b>	<b>36,876</b>	<b>37,215</b>	<b>34,649</b>	<b>32,097</b>
Income tax expense	8,199	12,785	12,199	12,311	11,461	10,642
<b>Profit for the period</b>	<b>19,054</b>	<b>25,864</b>	<b>24,677</b>	<b>24,904</b>	<b>23,188</b>	<b>21,455</b>
Retained earnings & reserves opening balance	119,989	100,890	90,776	90,776	80,588	70,233
Adjustment on adoption of NZIFRS on 1 July 2007	-	-	(3,313)	-	-	-
Net cashflow hedging loss recognised directly in equity	(4,427)	(1,765)	-	-	-	-
Acquired on amalgamation	11,345	-	-	-	-	-
	<b>145,961</b>	<b>124,989</b>	<b>112,140</b>	<b>115,680</b>	<b>103,776</b>	<b>91,688</b>
Distributions to owners	13,000	5,000	11,250	11,250	13,000	11,100
<b>Retained earnings &amp; reserves closing balance</b>	<b>132,961</b>	<b>119,989</b>	<b>100,890</b>	<b>104,430</b>	<b>90,776</b>	<b>80,588</b>
Distributions: cents per share	65.20	25.00	56.25	56.25	65.00	55.50
<b>BALANCE SHEET</b>						
	NZIFRS	NZIFRS	NZIFRS	Previous	Previous	Previous
	Audited	Audited	Audited	GAAP	GAAP	GAAP
	30 June 09	30 June 08	30 June 07	30 June 07	30 June 06	30 June 05
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Total Assets</b>	1,412,795	1,352,264	1,241,910	1,246,014	1,080,893	957,019
<b>Total Tangible Assets</b>	1,407,103	1,349,724	1,238,772	1,245,481	1,079,839	955,639
<b>Total Liabilities</b>	1,259,834	1,212,275	1,121,020	1,121,570	970,103	856,417
<b>Total Equity</b>	152,961	139,989	120,890	124,444	110,790	100,602

### ADDITIONAL INFORMATION

The amounts stated in the financial summary have been taken from the audited financial statements of MARAC Finance Limited.

The amounts stated in the financial summary for 30 June 2009 and 30 June 2008 include securitised assets and liabilities. For a breakdown of these securitised assets and liabilities refer to the Balance Sheet on page 41.

During the year ended 30 June 2006 a change in estimate was made to the way the Company measures provisioning. The Company has adopted a dynamic provision model to cover non identified possible losses and latent risk inherent in the overall portfolio. The change in estimate from general provisioning to dynamic provisioning as at 30 June 2006 resulted in \$1,362,000 credit to impaired asset expense.

# Auditor's Report



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The Directors  
MARAC Finance Limited  
PO Box 9199  
Newmarket  
Auckland

14 December 2009

Dear Directors

## **Auditor's report for inclusion in Prospectus 41**

As auditor of MARAC Finance Limited (the "Company") we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 for inclusion in the Prospectus dated 14 December 2009 and for no other purpose.

### ***Audited financial statements of MARAC Finance Limited***

We have audited the financial statements of the Company and group (collectively known as the "Group"), set out at pages 40 to 69 of the Prospectus. Our audit report on the financial statements is included on pages 70 to 71. Our audit was completed on 28 August 2009 and our unqualified opinion is expressed as at that date.

Our audit report made reference to the financial statements being prepared assuming the successful conclusion of matters relating to the Company's bank financing arrangements. Since the completion of the audit on 28 August 2009 the Company has entered into a revised Syndicated Banking Facility. The event of review, referred to in the financial statements for the year ended 30 June 2009, was waived by the Banking Syndicate following completion of the Company's ultimate parent company Pyne Gould Corporation Limited's rights offer and the sale by the Company of certain property loans. Since the completion date, we have not undertaken any procedures in relation to our audit of the 30 June 2009 financial statements.

We report on the historical summary of financial statements of the Group set out on page 35 of the Prospectus. The summary of financial statements has been taken from the audited financial statements for the financial years ended 30 June 2009, 30 June 2008, 30 June 2007, 30 June 2006 and 30 June 2005.

We report on the information provided in respect of the ranking of securities of the Company as at 30 June 2009, set out on page 22 of the Prospectus. The amounts in respect of the ranking of securities have been taken from the audited financial statements of the Group for the year ended 30 June 2009.

### ***Directors' responsibilities***

The Directors of the Company are responsible for the preparation and presentation of:

- the financial statements which give a true and fair view of the financial position of the Group as at 30 June 2009 and its financial performance and cash flows for the year ended on that date, as required by clauses 16 to 18 of Schedule 2 of the Securities Regulations 2009;
- the historical summary of financial statements of the Group for the financial years ended 30 June 2009, 30 June 2008, 30 June 2007, 30 June 2006 and 30 June 2005 as required by clause 8 of Schedule 2 of the Securities Regulations 2009; and
- the details and amounts in respect of the ranking of securities of the Company as at 30 June 2009, as required by clause 13 of Schedule 2 of the Securities Regulations 2009.

### ***Auditors' responsibilities***

It is our responsibility to express an independent opinion on the financial statements as at 30 June 2009 presented by the Directors and report our opinion in accordance with clause 22(1) of Schedule 2 of the Securities Regulations 2009.



In addition we are responsible for reporting in accordance with clause 22(1)(h) of Schedule 2 of the Securities Regulations 2009, on the following matters which have been prepared and presented by the Directors:

- the amounts included in the historical summary of financial statements for the financial years ended 30 June 2009, 30 June 2008, 30 June 2007, 30 June 2006 and 30 June 2005;
- the amounts included in the ranking of securities as at 30 June 2009.

This report has been prepared for inclusion in the Prospectus dated 14 December 2009 for the purpose of meeting the requirements of clause 22 of Schedule 2 to the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements, the historical summary of financial statements and the prospective financial information for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

***Basis of opinion on the historical summary of financial statements***

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the historical summary of financial statements on page 35 pursuant to clause 8 of Schedule 2 of the Securities Regulations 2009 have been correctly taken from the audited financial statements of the Group for the years ended 30 June 2009, 30 June 2008, 30 June 2007, 30 June 2006 and 30 June 2005.

***Basis of opinion on the ranking of securities***

We have undertaken procedures to obtain reasonable assurance that the amounts set out in the ranking of securities on page 22 pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009 have been correctly taken from the audited financial statements of the Group as at 30 June 2009.

***Unqualified opinion on historical summary of financial statements***

In our opinion the amounts set out in the historical summary of financial statements on page 35 of this prospectus, as required by clause 8 of Schedule 2 of the Securities Regulations 2009, have been correctly taken from the audited financial statements of the Group for the financial years ended 30 June 2009, 30 June 2008, 30 June 2007, 30 June 2006 and 30 June 2005.

***Unqualified opinion on the ranking of securities***

In our opinion the amounts set out in the ranking of securities on page 22 pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009 have been correctly taken from the audited financial statements of the Group as at 30 June 2009.

***Consent***

In terms of Regulations 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in the above mentioned prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the issue thereof.

Yours faithfully

KPMG  
Auckland

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## Directors' Responsibility Statement

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The directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of MARAC Finance Limited (the "Company") as at 30 June 2009 and its financial performance and cash flows for the year ended on that date.

The directors consider that the financial statements of the Company have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all the relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Board of Directors of MARAC Finance Limited authorises the financial statements set out on pages 40 to 69 for issue on 28 August 2009.

For and on behalf of the Board



**Sam Maling**  
Chairman

28 August 2009



**Richard Elworthy**  
Director

## INCOME STATEMENT

For the year ended 30 June 2009

	Note	2009 \$000	2008 \$000
<b>Operating revenue</b>			
Interest revenue	5	168,899	173,438
Operating lease revenue	6	10,526	12,569
Lending and credit fee revenue		1,450	1,383
Other revenue		1,495	862
<b>Total operating revenue</b>		<b>182,370</b>	<b>188,252</b>
<b>Direct expenses</b>			
Interest and funding expense	5	109,284	108,637
Operating lease expenses	6	7,467	9,425
<b>Total direct expenses</b>		<b>116,751</b>	<b>118,062</b>
<b>Net operating income</b>		<b>65,619</b>	<b>70,190</b>
<b>Other costs and expenses</b>			
Selling and administration expenses	7	25,048	25,815
Impaired asset expense	26	13,318	5,726
<b>Total other costs and expenses</b>		<b>38,366</b>	<b>31,541</b>
<b>Profit before tax</b>		<b>27,253</b>	<b>38,649</b>
Income tax expense	8	8,199	12,785
<b>Profit for the year</b>		<b>19,054</b>	<b>25,864</b>

The notes on pages 43 to 69 are an integral part of these financial statements.

**BALANCE SHEET**
**As at 30 June 2009**

	Note	2009 \$000	2008 \$000
<b>Assets</b>			
Cash and cash equivalents	11	62,462	8,655
Finance receivables	12	1,136,646	1,011,954
Finance receivables - Securitised	12	157,941	291,532
Operating lease vehicles	13	36,209	29,719
Trade and other receivables	16	19,537	10,404
<b>Total assets</b>		<b>1,412,795</b>	<b>1,352,264</b>
<b>Liabilities</b>			
Borrowings	18	1,066,231	901,091
Borrowings - Securitised	18	150,728	283,042
Trade and other payables	19	42,875	28,142
<b>Total liabilities</b>		<b>1,259,834</b>	<b>1,212,275</b>
<b>Equity</b>			
Share capital	21	20,000	20,000
Retained earnings and reserves	21	132,961	119,989
<b>Total equity</b>		<b>152,961</b>	<b>139,989</b>
<b>Total equity and liabilities</b>		<b>1,412,795</b>	<b>1,352,264</b>

**STATEMENT OF RECOGNISED INCOME AND EXPENSE**
**For the year ended 30 June 2009**

	Note	2009 \$000	2008 \$000
Cash flow hedges:			
- Transfer into the cash flow hedge reserve		16,950	1,822
- Transfer out of the cash flow hedge reserve		(23,274)	(3,744)
<b>Effective portion of change in fair value</b>	21	<b>(6,324)</b>	<b>(1,922)</b>
Tax effect of change in cash flow hedges	21	1,897	157
<b>Net (expense)/income recognised directly in equity</b>		<b>(4,427)</b>	<b>(1,765)</b>
Profit for the year		19,054	25,864
<b>Total recognised income and expense for the year</b>		<b>14,627</b>	<b>24,099</b>

The notes on pages 43 to 69 are an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended 30 June 2009

	Note	2009 \$000	2008 \$000
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Interest received		134,161	140,293
Operating lease revenue received		10,285	12,745
Lending and credit fees received		2,945	1,310
<b>Total cash provided from operating activities</b>		<b>147,391</b>	<b>154,348</b>
Cash was applied to:			
Payments to suppliers and employees		27,092	28,745
Interest paid		113,200	106,315
Taxation paid		3,133	12,309
<b>Total cash applied to operating activities</b>		<b>143,425</b>	<b>147,369</b>
<b>Net cash flows from operating activities</b>	10	<b>3,966</b>	<b>6,979</b>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Proceeds from sale of operating lease vehicles		7,526	7,875
Net decrease in finance receivables		74,552	-
<b>Total cash provided from investing activities</b>		<b>82,078</b>	<b>7,875</b>
Cash was applied to:			
Net increase in finance receivables		-	76,675
Purchase of operating lease vehicles		5,577	9,739
Purchase of office fit-out, equipment and intangible assets		788	937
<b>Total cash applied to investing activities</b>		<b>6,365</b>	<b>87,351</b>
<b>Net cash flows from investing activities</b>		<b>75,713</b>	<b>(79,476)</b>
<b>Cash flows from financing activities</b>			
Cash was provided from:			
Increase in borrowings		-	87,062
<b>Total cash provided from financing activities</b>		<b>-</b>	<b>87,062</b>
Cash was applied to:			
Dividends paid		13,000	5,000
Decrease in borrowings		10,036	-
<b>Total cash applied to financing activities</b>		<b>23,036</b>	<b>5,000</b>
<b>Net cash flows from financing activities</b>		<b>(23,036)</b>	<b>82,062</b>
<b>Net increase in cash held</b>		<b>56,643</b>	<b>9,565</b>
Opening cash balance/(deficit)		8,655	(910)
Acquired on amalgamation	31	(2,836)	-
<b>Closing cash balance</b>		<b>62,462</b>	<b>8,655</b>

## 1 Reporting entity

These financial statements comprise MARAC Finance Limited (“Company”), MARAC ABCP Trust 1 (“Trust”) and MARAC Retirement Bonds Superannuation Fund (“Fund”) and MARAC PIE Fund (“PIE”), collectively known as the “Group”. The assets securitised into the Trust continue to be recognised in the Company’s financial statements. Accordingly, as the Company’s and Group’s financial performance and position are the same in all material respects, a single set of numbers is presented. Reliance is placed on the Group continuing as a going concern.

All entities operate and are domiciled in New Zealand. The registered office address is:  
MARAC House, 35 Teed St, Newmarket, Auckland 1023

## 2 Basis of preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and their interpretations as appropriate to profit-oriented entities. The financial statements comply with International Financial Reporting Standards (“IFRS”).

The Company is a profit-oriented entity. The Company is a reporting entity and an issuer for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act. The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Securities Regulations 1983.

### (b) Basis of measurement

The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

### (c) Functional and presentation currency

These financial statements are presented in New Zealand dollars which is the Group’s functional currency. Unless otherwise indicated, amounts are rounded to the nearest thousand.

### (d) Estimates and judgements

The preparation of financial statements requires the use of management judgement, estimates and assumptions that effect reported amounts. Actual results may differ from these judgements. For further information about significant areas of estimation, uncertainty and critical judgements that have the most significant effect on the financial statements refer to note 26 - Credit risk exposure.

### (e) Going concern

The financial statements have been prepared on a going concern basis after considering the Company’s and Group’s funding and liquidity position, including events subsequent to balance date as set out below.

Subsequent to balance date, on 13 August 2009, the Company’s credit rating was downgraded by Standard & Poors to BB+ (negative). Under its bank facility agreement, the rating downgrade gives rise to an event of review. If an event of review is notified by the banks, the banking syndicate may require renegotiation of the terms of the facility. If new terms cannot be agreed, the banking syndicate may, by notice in writing, cancel the facility. No notice has been issued by the banking syndicate concerning this event, and the banking syndicate has indicated its unanimous support of a waiver of its right of review, subject to terms and conditions yet to be negotiated.

Irrespective of the waiver the Company is currently working constructively with its lead bankers to establish a new banking syndicate more appropriate to the Company’s future needs.

Furthermore the extension of the New Zealand Deposit Guarantee Scheme to December 2011 provides the Company with a range of significant funding options to support further growth of the business.

The directors remain confident that the banking arrangements will be successfully negotiated prior to 30 September 2009.

## 3 Significant accounting policies

### (a) Basis of consolidation

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. The financial statements of special purpose entities are included in the Group’s financial statements where the substance of the relationship is that the Company controls the special purpose entity.

**3 Significant accounting policies (cont)****(b) Interest**

Interest income and expense are recognised using the effective interest method in the Income Statement. The effective interest rate is established on initial recognition of the financial assets and liabilities and is not revised subsequently. The calculation of the effective interest rate includes all yield related fees and commissions paid or received that are an integral part of the effective interest rate.

Interest on the effective portion of a derivative designated as a cash flow hedge is initially recognised in the hedging reserve. It is released to the Income Statement at the same time as the hedged item, or if the hedge relationship is subsequently deemed to be ineffective.

**(c) Operating lease revenue and expense**

Revenue from operating lease vehicles is apportioned over the term of the operating lease on a straight line basis.

Operating lease vehicles are depreciated on a straight line basis over their expected life after allowing for any residual values. The estimated lives of operating lease vehicles vary up to 5 years. Vehicles held for sale are not depreciated but are tested for impairment.

**(d) Fee and commission revenue**

Fees and commission revenue that is integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are rendered.

**(e) Tax**

Income tax expense for the year comprises current and deferred tax. Income tax expense is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet method, providing for temporary differences between the financial reporting carrying amount of assets and liabilities and the amounts used for tax purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**(f) Management of capital**

The Group has minimum capital requirements which it is required to maintain in accordance with its Trust deeds and borrowing facilities. The Group maintains an appropriate buffer above these ratios and reports these to its Board of Directors monthly.

**(g) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand and unrestricted balances held with banks. Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

**(h) Derivatives financial instruments**

Derivative financial instruments are contracts entered into to reduce the exposure to fluctuations in interest rates on variable rate borrowings. The financial instruments are subject to the risk that market values may change subsequent to their acquisition, however such changes would be offset by corresponding, but opposite, effects on the variable rate borrowings being hedged. Derivatives are initially valued at fair value and subsequently remeasured at fair value. Fair value movements of derivatives that are not designated in a qualifying hedge relationship, are recognised in the Income Statement.

Fair value movements of the effective portion of a qualifying hedge derivative, are recognised directly in equity. The amount recognised in equity is transferred to the Income Statement in the same year as the hedged cash flow affects the Income Statement, disclosed in the same line as the hedged item. Any ineffective portion of changes in fair value of the derivative are recognised immediately in the Income Statement. Fair value movements of a derivative designated as a fair value hedge are recognised directly in the Income Statement together with the hedged item.

**3 Significant accounting policies (cont)****(i) Finance receivables**

Finance receivables are initially recognised at fair value plus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment loss.

**(j) Financial assets and liabilities****Recognition**

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through the Income Statement) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

**Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its Balance Sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Balance Sheet. Transfers of assets with the retention of all or substantially all risks and rewards include, for example, securitised assets and repurchase transactions.

**Classification**

Financial assets and liabilities are classified in the following accounting categories:

<b><u>Financial Assets/Liabilities</u></b>	<b><u>Accounting Category</u></b>
Finance receivables	Loans and Receivables
Trade receivables	Loans and Receivables
Borrowings	Other liabilities at amortised cost
Trade and related party payables	Other liabilities at amortised cost
Derivatives	Held for trading

**(k) Impaired assets and past due assets**

Impaired assets are those loans for which the Group has evidence that it has incurred a loss, and will be unable to collect all principal and interest due according to the contractual terms of the loan.

The term collectively impaired asset refers to an asset where an event has occurred which past history indicates that there is an increased possibility that the Group will not collect all its principal and interest as it falls due. No losses have yet been identified on these individual loans within the collectively impaired asset grouping, and history would indicate that only a small portion of these loans will eventually not be recovered. The Group provides fully for its expected losses.

Restructured assets are assets where the Group expects to recover all amounts owing, although the original terms have been changed due to the counterparty's difficulty in complying with the original terms of the contract and the amended terms are not comparable with similar new lending.

In order to be classified as a restructured asset, following restructuring, the return under the revised terms is expected to be equal to or greater than the entity's average cost of funds, or a loss is not otherwise expected to be incurred.

Past due but not impaired assets are any assets which have not been operated by the counterparty within its key terms but are not considered to be impaired by the Group.

Bad debts provided for are written off against individual or collective provisions. Amounts required to bring the provisions to their assessed levels are recognised in the Income Statement. Any future recoveries of amounts provided for are taken to the Income Statement.

**3 Significant accounting policies (cont)****(k) Impaired assets and past due assets (cont)**

The Group maintains an underwriting deed with Pyne Gould Corporation Limited (“Ultimate Parent Company”) to provide security for certain identified and not yet identified losses arising on impaired assets.

Where the Group has identified that a provision is required in relation to a particular loan or a group of loans, the existence of the Ultimate Parent Company’s underwrite is taken into account in determining the value of the provision.

For further information about credit impairment provisioning refer to note 26 - Credit risk exposure.

**(l) Operating lease vehicles**

Operating lease vehicles are stated at cost less accumulated depreciation. Current year depreciation and profits or losses on the sale of operating lease vehicles are included as part of the operating lease expense. Depreciation is on a straight line basis, at rates which will write off the cost over their economic lives of up to 5 years.

**(m) Office fit-out, equipment and depreciation**

Office fit-out and equipment are recorded at cost less accumulated depreciation and any impairment loss. Depreciation is on a straight line basis, at rates which will write off cost over their estimated economic lives of 3 to 10 years.

**(n) Intangible assets**

Software acquired by the Group is stated at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic value of that asset. Amortisation of software is on a straight line basis, at rates which will write off the cost over their estimated economic lives of 3 to 4 years.

**(o) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(p) Employee benefits**

Annual leave entitlements are accrued at amounts expected to be paid. Long service leave is accrued by calculating the probable future value of entitlements and discounting back to present value. Obligations to defined contribution superannuation schemes are recognised as an expense when the services are provided.

**(q) Share schemes**

The Company provides benefits to staff in the form of share based payments, whereby staff provide services in exchange for shares. Currently the Company has the following schemes:

***General staff share purchase scheme***

Under this scheme the Company makes available an interest free loan to all staff to enable them to purchase Ultimate Parent Company shares, with the loan repayable over three years. The shares are issued at a price agreed by the directors and held in trust until the end of the loan term and the loan is repaid. As the fair value of the shares approximates the issue price no expense is recognised.

***Senior staff share schemes***

Under these schemes the Company undertakes to transfer a specific number of shares to various key staff at a specified future date on that staff member achieving certain criteria. The shares are issued at a price agreed by the directors and held in trust until all the conditions are satisfied. The expected benefit is expensed over the years over which any conditions are required to be met.

**(r) Borrowings**

Bank borrowings and debenture stock are initially recognised at fair value including incremental direct transaction costs. They are subsequently measured at amortised cost using the effective interest method.

**(s) Financial guarantees written**

Financial guarantees (underwrites) given by the Group are accounted for as insurance contracts. The guarantee payment received is initially capitalised and is subsequently amortised on a straight line basis over the life of the guarantee. A liability is recognised when a payment under the guarantee becomes payable.

**3 Significant accounting policies (cont)****(t) GST**

As the Group is predominantly involved in providing financial services, only a proportion of GST paid on inputs is recoverable. The non-recoverable proportion of GST is treated as an expense.

**(u) Amalgamations**

An amalgamation is an acquisition of an entity under common control. Identifiable assets acquired and liabilities assumed in an amalgamation are measured at their book values in the books of the acquiring company at the acquisition date.

**(v) Statement of Cash Flows**

The Statement of Cash Flows has been prepared using the direct method modified by the netting of certain cash flows, in order to provide more meaningful disclosure. Cash and cash equivalents consist of cash and liquid assets used in the day to day cash management of the Group.

**(w) New standards and interpretations not yet adopted**

NZ IAS 1 (revised) and NZ IFRS 8 are new or amended standards that have been issued but are not yet effective, that may have a material disclosure impact on future financial statements. NZ IAS 1 requires changes to the presentation of income in the primary statements. NZ IFRS 8 may result in a different presentation of segmental information.

**(x) Changes in accounting policies**

There have been no changes in accounting policies in the current year.

**4 Segmental analysis**

Segment information is presented in respect of the Group's business segments which are those used for the Group's management and internal reporting structure. There are no significant concentrations of lending in New Zealand.

**Business segments**

The Group comprises the following main business segments:

**Business:** Finance of assets into commercial business applications.

**Consumer:** Finance of motor vehicles, boats and leisure assets.

2009	Business \$000	Consumer \$000	Support \$000	Total \$000
Net interest revenue	43,009	15,964	642	59,615
Net lease revenue	48	3,011	-	3,059
Lending and credit fee revenue	383	1,042	1,520	2,945
<b>Net operating income</b>	<b>43,440</b>	<b>20,017</b>	<b>2,162</b>	<b>65,619</b>
Depreciation and amortisation	-	-	1,032	1,032
Other costs and expenses	14,883	8,758	13,693	37,334
<b>Profit before tax</b>	<b>28,557</b>	<b>11,259</b>	<b>(12,563)</b>	<b>27,253</b>
Income tax expense	-	-	8,199	8,199
<b>Profit for the year</b>	<b>28,557</b>	<b>11,259</b>	<b>(20,762)</b>	<b>19,054</b>
<b>Total assets</b>	881,573	453,436	77,786	1,412,795
<b>Total liabilities</b>	-	-	1,259,834	1,259,834
<b>Total equity</b>	-	-	<b>152,961</b>	<b>152,961</b>

**4 Segmental analysis (cont)**

2008	Business \$000	Consumer \$000	Support \$000	Total \$000
Net interest revenue	45,504	18,735	562	64,801
Net lease revenue	71	3,072	1	3,144
Lending and credit fee revenue	294	1,083	868	2,245
<b>Net operating income</b>	<b>45,869</b>	<b>22,890</b>	<b>1,431</b>	<b>70,190</b>
Depreciation and amortisation	-	-	964	964
Other costs and expenses	11,933	5,416	13,228	30,577
<b>Profit before tax</b>	<b>33,936</b>	<b>17,474</b>	<b>(12,761)</b>	<b>38,649</b>
Income tax expense	-	-	12,785	12,785
<b>Profit for the year</b>	<b>33,936</b>	<b>17,474</b>	<b>(25,546)</b>	<b>25,864</b>
<b>Total assets</b>	<b>954,758</b>	<b>383,865</b>	<b>13,641</b>	<b>1,352,264</b>
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,212,275</b>	<b>1,212,275</b>
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>139,989</b>	<b>139,989</b>

	Note	2009 \$000	2008 \$000
<b>5 Net interest income</b>			
<b>Interest revenue</b>			
Finance receivables		168,899	172,146
Derivatives held for risk management:			
- Net interest income on cash flow hedges		-	908
- Other derivatives held for risk management		-	384
<b>Total interest revenue</b>		<b>168,899</b>	<b>173,438</b>
<b>Interest expense</b>			
Retail debenture stock		67,685	53,005
Bank and securitised borrowings		36,020	55,632
Derivatives held for risk management:			
- Net interest expense on cash flow hedges		5,521	-
- Other derivatives held for risk management		58	-
<b>Total interest expense</b>		<b>109,284</b>	<b>108,637</b>
<b>Net interest income</b>		<b>59,615</b>	<b>64,801</b>

Included within interest on finance receivables is \$1,249,000 (2008: \$767,000) on individually impaired assets.

	Note	2009 \$000	2008 \$000
<b>6 Net operating lease income</b>			
<b>Operating lease revenue</b>			
Lease revenue		10,526	12,569
<b>Total operating lease revenue</b>		<b>10,526</b>	<b>12,569</b>
<b>Operating lease expense</b>			
Depreciation on lease vehicles		6,820	8,500
Direct lease costs		518	622
Loss on disposal of lease vehicles		129	303
<b>Total operating lease expenses</b>		<b>7,467</b>	<b>9,425</b>
<b>Net operating lease income</b>		<b>3,059</b>	<b>3,144</b>
<b>7 Selling and administration expenses</b>			
Personnel expenses		13,193	14,188
Superannuation		184	223
Audit fees		242	193
Other fees paid to auditors - audit related		36	29
Depreciation - office fit-out and equipment	14	395	408
Depreciation - intangible assets	15	637	556
Operating lease expense as a lessee		961	964
Other operating expenses		9,400	9,254
<b>Total selling and administration expenses</b>		<b>25,048</b>	<b>25,815</b>
<b>8 Tax</b>			
<b>Current tax (benefit)/expense</b>			
Current year		11,317	12,293
<b>Deferred tax (benefit)/expense</b>			
Origination and reversal of temporary differences		(3,118)	492
<b>Total income tax expense in Income Statement</b>		<b>8,199</b>	<b>12,785</b>
<b>Reconciliation of effective tax rate</b>			
Profit before tax		27,253	38,649
Prima facie tax at 30% for current year and at 33% for prior year		8,176	12,754
(Less)/plus tax effect of permanent differences		23	31
<b>Total income tax expense in Income Statement</b>		<b>8,199</b>	<b>12,785</b>

	Note	2009 \$000	2008 \$000
<b>9 Imputation credit account</b>			
Balance at beginning of year		30,173	20,676
Credits attached to dividends paid		(6,403)	(2,463)
Tax paid net of refunds		5,959	11,960
Acquired on amalgamation	31	986	-
<b>Balance at end of year</b>		<b>30,715</b>	<b>30,173</b>
<b>10 Reconciliation of profit after tax to net cash flows from operating activities</b>			
<b>Profit for the year</b>		<b>19,054</b>	<b>25,864</b>
Add/(less) non-cash items:			
Depreciation		7,852	9,464
Impaired asset expense		13,318	5,726
Deferred tax		(3,118)	492
Derivatives, capitalised interest and accruals		(34,825)	(30,804)
<b>Total non-cash items</b>		<b>(16,773)</b>	<b>(15,122)</b>
Add/(less) movements in working capital items:			
Other assets		(2,489)	(4,570)
Current tax		3,498	141
Other liabilities		547	363
<b>Total movements in working capital items</b>		<b>1,556</b>	<b>(4,066)</b>
Add/(less) items classified as investing activities:			
Loss on disposal of operating lease vehicles		129	303
<b>Total items classified as investing activities</b>		<b>129</b>	<b>303</b>
<b>Net cash flows from operating activities</b>		<b>3,966</b>	<b>6,979</b>

	Note	Non-securitised		Securitised	
		2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>11 Cash and cash equivalents</b>					
Cash and cash equivalents		57,239	-	5,223	8,848
Bank overdraft		-	(193)	-	-
<b>Total cash and cash equivalents</b>		<b>57,239</b>	<b>(193)</b>	<b>5,223</b>	<b>8,848</b>
Cash and cash equivalents are short term funds held with New Zealand registered international banks.					
<b>12 Finance receivables</b>					
Gross finance receivables		1,148,478	1,021,556	159,165	292,317
Less allowance for impairment		(11,832)	(9,602)	(1,224)	(785)
<b>Total finance receivables</b>		<b>1,136,646</b>	<b>1,011,954</b>	<b>157,941</b>	<b>291,532</b>

	Note	2009 \$000	2008 \$000
<b>13 Operating lease vehicles</b>			
<b>Cost</b>			
Opening balance		46,526	53,469
Additions		6,400	10,023
Acquired on amalgamation	31	22,955	-
Disposals		(18,498)	(16,966)
<b>Closing balance</b>		<b>57,383</b>	<b>46,526</b>
<b>Accumulated depreciation</b>			
Opening balance		16,807	16,635
Depreciation charge for the year		6,820	8,500
Acquired on amalgamation	31	7,808	-
Disposals		(10,261)	(8,328)
<b>Closing balance</b>		<b>21,174</b>	<b>16,807</b>
Opening net book value		29,719	36,834
<b>Closing net book value</b>		<b>36,209</b>	<b>29,719</b>

	Note	2009 \$000	2008 \$000
<b>14 Office fit-out and equipment</b>			
<b>Cost</b>			
Opening balance		3,998	3,511
Additions		117	487
<b>Closing balance</b>		<b>4,115</b>	<b>3,998</b>
<b>Accumulated depreciation</b>			
Opening balance		2,986	2,578
Depreciation charge for the year		395	408
<b>Closing balance</b>		<b>3,381</b>	<b>2,986</b>
Opening net book value		1,012	933
<b>Closing net book value</b>		<b>734</b>	<b>1,012</b>
<b>15 Intangible assets – software</b>			
<b>Cost</b>			
Opening balance		3,730	3,280
Additions		671	450
Disposals		(1,365)	-
<b>Closing balance</b>		<b>3,036</b>	<b>3,730</b>
<b>Accumulated depreciation</b>			
Opening balance		2,981	2,425
Depreciation charge for the year		637	556
Disposals		(1,365)	-
<b>Closing balance</b>		<b>2,253</b>	<b>2,981</b>
Opening net book value		749	855
<b>Closing net book value</b>		<b>783</b>	<b>749</b>
<b>16 Trade and other receivables</b>			
Derivative financial assets	17	7,704	68
Trade receivables		670	3,175
Prepayments		4,727	3,599
Office fit-out and equipment	14	734	1,012
Intangible assets	15	783	749
Investments		10	10
Deferred tax	20	4,909	1,791
<b>Total trade and other receivables</b>		<b>19,537</b>	<b>10,404</b>

	Non-securitised		Securitised	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000
<b>17 Derivative financial instruments</b>				
<b>Assets</b>				
- Derivatives held for risk management	7,704	68	-	-
<b>Total derivative financial assets</b>	<b>7,704</b>	<b>68</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
- Qualifying cash flow hedges	-	532	11,602	1,018
<b>Total derivative financial liabilities</b>	<b>-</b>	<b>532</b>	<b>11,602</b>	<b>1,018</b>

Derivatives consist of interest rate swaps and options held to manage the Group's exposure to interest rate repricing risk on its interest bearing assets and liabilities. The Group uses interest rate swaps to hedge the interest rate risk arising from both its current and future floating rate bank debt and designates those swaps as qualifying cash flow hedges. Securitised derivatives are held in the name of the Trust to hedge the interest rate risk arising in the Trust.

	2009 \$000	2008 \$000
<b>18 Borrowings</b>		
Bank borrowings sourced from New Zealand	150,000	344,361
Debenture stock sourced from New Zealand	886,921	533,336
Debenture stock sourced from overseas	29,310	23,394
<b>Total non-securitised borrowings</b>	<b>1,066,231</b>	<b>901,091</b>
Securitised bank borrowings from New Zealand	150,728	283,042
<b>Total borrowings</b>	<b>1,216,959</b>	<b>1,184,133</b>

The Company has bank facilities totalling \$310m (Jun 2008: \$480m) sourced from five (Jun 2008: five) international banks.

As disclosed in Note 2(e) - Going Concern, and Note 32 - Subsequent Events, the Group is in the process of negotiating a range of changes to its current banking facilities.

There is no significant concentration of debenture funding to any particular region in New Zealand.

Bank borrowings and debenture stock borrowings rank equally and are secured over the non-securitised assets of the Group in terms of a Trust Deed dated 9 March 1984 in favour of The New Zealand Guardian Trust Company Limited as trustee for the stockholders.

Investors in MARAC ABCP Trust 1 rank equally with each other and are secured over the securitised assets of the Trust.

	Note	2009 \$000	2008 \$000
<b>19 Trade and other payables</b>			
Derivative financial liabilities	17	11,602	1,550
Current tax		3,744	246
Trade payables		14,910	13,581
GST payable		8,835	8,259
Related party payables		2,616	1,980
Employee benefits		1,168	2,526
<b>Total trade and other payables</b>		<b>42,875</b>	<b>28,142</b>
<b>20 Deferred tax</b>			
<b>Recognised deferred tax assets and liabilities</b>			
Office fit-out and equipment		39	32
Employee entitlements		272	205
Finance receivables		3,551	2,965
Derivative assets held for risk management		3,822	319
<b>Tax assets</b>		<b>7,684</b>	<b>3,521</b>
Intangible assets		54	62
Operating lease assets		2,721	1,646
Derivative liabilities held for risk management		-	22
<b>Tax liabilities</b>		<b>2,775</b>	<b>1,730</b>
<b>Net tax assets</b>		<b>4,909</b>	<b>1,791</b>
All deferred tax movements are included in the Income Statement except for those in respect of cash flow hedges which are recognised directly in equity.			
<b>21 Capital, Reserves and Retained Earnings</b>			
<b>Reconciliation of movement in capital, reserves and retained earnings</b>			
<b>Share capital</b>			
Opening balance		20,000	20,000
<b>Closing share capital balance</b>		<b>20,000</b>	<b>20,000</b>
<b>Cash flow hedging</b>			
Opening balance		(1,765)	-
Effective portion of change in fair value		(6,324)	(1,922)
Tax effect of change in cash flow hedges		1,897	157
<b>Closing cash flow hedging balance</b>		<b>(6,192)</b>	<b>(1,765)</b>

	2009 \$000	2008 \$000
<b>21 Capital, Reserves and Retained Earnings (cont)</b>		
<b>Reconciliation of movement in capital, reserves and retained earnings (cont)</b>		
<b>Retained earnings</b>		
Opening balance	121,754	100,890
Acquired on amalgamation	11,345	-
Profit for the year	19,054	25,864
Dividends to shareholders	(13,000)	(5,000)
<b>Closing retained earnings balance</b>	<b>139,153</b>	<b>121,754</b>
<b>Retained earnings and reserves</b>	<b>132,961</b>	<b>119,989</b>
<b>Total equity</b>	<b>152,961</b>	<b>139,989</b>
	<b>2009 Number of shares 000</b>	<b>2008 Number of shares 000</b>
<b>Issued shares</b>		
Opening balance	20,000	20,000
<b>Closing balance</b>	<b>20,000</b>	<b>20,000</b>

The shares have equal voting rights and rights to dividends and distributions and do not have a par value.

#### Dividends per share

No dividends have been proposed by the directors after the balance sheet date.

## 22 Special purpose entities

### *MARAC Retirement Bonds Superannuation Fund and MARAC PIE Fund*

The Company controls the operations of MARAC Retirement Bonds Superannuation Fund, a superannuation scheme that invests in the Company's debenture stock and of MARAC PIE Fund, a portfolio investment fund that invests in the Company. Investments by these funds are represented in debenture stock borrowings as follows:

	2009 \$000	2008 \$000
MARAC Retirement Bonds Superannuation Fund	21,348	21,584
MARAC PIE Fund	14,718	-

### *MARAC ABCP Trust 1 Securitisation*

The Group has securitised a pool of receivables comprising commercial, motor vehicle and marine loans to MARAC ABCP Trust 1 (the "Trust"). The Company substantially retains the credit risks and rewards associated with the securitised assets, and continues to recognise these assets and associated borrowings on the Balance Sheet. Despite this presentation in the financial statements, the loans sold to the Trust are set aside for the benefit of investors in the Trust and no longer form part of the Company's assets over which the secured debenture stock offered under the Company's Prospectus is secured.

**23 Related party transactions**

The Company's immediate parent is MARAC Financial Services Limited. The Company's ultimate parent is Pyne Gould Corporation Limited.

**(a) Transactions with related parties**

The Group receives underwriting, financial and administrative assistance, computer services and leased premises from Pyne Gould Corporation Limited. The Group provided administrative assistance to MARAC Securities Limited, MARAC Investments Limited, MARAC Insurance Limited, MARAC PIE Fund and MARAC Retirement Bonds Superannuation Fund. During the year MARAC Securities Limited, MARAC Insurance Limited, MARAC PIE Fund and MARAC Retirement Bonds Superannuation Fund invested in MARAC Finance Limited debenture stock. All transactions were conducted on normal commercial terms and conditions, except that the underwrite from the Ultimate Parent Company is at no cost to the Group. On 30 April 2009, Nissan Finance New Zealand Limited, a fellow subsidiary of the Ultimate Parent Company, amalgamated with MARAC Finance Limited. The resulting post-amalgamation entity's name is MARAC Finance Limited.

In December 2008 the Group entered into an underwrite deed with its Ultimate Parent Company under which Pyne Gould Corporation Limited agreed to underwrite credit losses on certain of the Group's impaired property finance receivables for a nominal fee. The underwrite deed was initially capped at \$25 million, and the Group's benefit under the underwrite deed was valued at the full amount of this cap in the interim financial statements for the six months ended 31 December 2008. As a result of further deterioration in the value of the impaired property finance receivables, the cap under the underwrite deed was increased to \$85 million on 30 June 2009. The Company has identified loans as at 30 June 2009 for which a notice of a provisional shortfall amount of \$85 million has been given under the underwriting deed, see Note 26 - Credit risk exposure.

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
<b>Material transactions during the year with related parties were:</b>		
Management fees revenue received from Nissan Finance New Zealand Limited	1,345	480
Management fees revenue received from MARAC Securities Limited	150	150
Underwriting fee received from Nissan Finance New Zealand Limited	113	34
Loan fee received from Nissan Finance New Zealand Limited	-	101
Insurance commission received from MARAC Insurance Limited	828	949
Management fees and rent paid to Pyne Gould Corporation Limited	(1,730)	(1,476)
Interest paid on debenture stock held by related parties	(2,292)	(2,197)
Compensation of key management personnel of the entity or its parent	(1,277)	(1,264)
Underwritten amount of finance receivables by Pyne Gould Corporation Limited	85,000	-
<b>Total</b>	<b>82,137</b>	<b>(3,223)</b>
<b>Material transactions outstanding at year end with related parties were:</b>		
Balances owing to/(owing by):		
Debenture stock owing to MARAC Insurance Limited	1,812	1,008
Debenture stock owing to MARAC Securities Limited	804	973
Debenture stock owing to MARAC Retirement Bonds Superannuation Fund	21,348	21,584
Debenture stock owing to MARAC PIE Fund	14,718	-
Underwritten amount of finance receivables owing to Nissan Finance New Zealand Limited	-	5,367
Underwritten amount of finance receivables owing by Pyne Gould Corporation Limited	(85,000)	-
<b>Total</b>	<b>(46,318)</b>	<b>28,932</b>

All transactions with related parties were at arm's length terms and conditions, except for the underwrite from Pyne Gould Corporation Limited.

**23 Related party transactions (cont)****(b) Transactions with key management personnel**

Key management personnel, being directors of the Company and those staff reporting directly to the Chief Executive Officer and their immediate relatives have transacted with the Company during the year as follows:

	2009 \$000	2008 \$000
<b>Debenture investments by key management personnel:</b>		
Maximum balance	5,314	1,817
Closing balance	1,997	1,596
<b>Key management personnel compensation is as follows:</b>		
Short-term employee benefits	1,162	1,169
Share-based payments	115	95
<b>Total</b>	<b>1,277</b>	<b>1,264</b>

**24 Fair Value**

The following methods and assumptions were used to estimate the fair value of each class of financial asset and liability.

**Finance receivables**

The fair value of the Group's finance receivables is calculated using a valuation technique which assumes current market interest rates for loans of a similar nature and term. The current market rate used to fair value finance receivables with a fixed interest rate is 10.72% (2008: 12.74%). Finance receivables with a floating interest rate are deemed to be at current market rates. The current amount of credit provisioning has been deducted from the fair value calculation of finance receivables as a proxy for future losses. Prepayment rates have not been factored into the fair value calculation as they are not deemed to be material.

**Other financial assets and liabilities**

The fair value of all other financial assets and liabilities is considered equivalent to their carrying value due to their short term nature.

**Derivative items**

The fair value of interest rate contracts is based on the quoted market prices of these instruments at balance date.

**Borrowings**

The fair value of debenture stock, deposits, bank borrowings and other borrowings is based on the current market interest rates payable by the Group for debt of similar maturities.

	2009		2008	
	Carrying Value \$000	Fair Value \$000	Carrying Value \$000	Fair Value \$000
<b>Financial assets</b>				
- Cash and cash equivalents	62,462	62,462	8,655	8,655
- Finance receivables	1,136,646	1,142,692	1,011,954	1,006,858
- Finance receivables - Securitised	157,941	160,367	291,532	291,526
- Derivative financial assets	7,704	7,704	68	68
- Other financial assets	680	680	3,185	3,185
<b>Total assets</b>	<b>1,365,433</b>	<b>1,373,905</b>	<b>1,315,394</b>	<b>1,310,292</b>
<b>Financial liabilities</b>				
- Borrowings	1,066,231	1,084,310	901,091	900,120
- Borrowings - Securitised	150,728	165,764	283,042	283,042
- Derivative financial liabilities	11,602	11,602	1,550	1,550
- Other financial liabilities	27,529	27,529	26,346	26,346
<b>Total liabilities</b>	<b>1,256,090</b>	<b>1,289,205</b>	<b>1,212,029</b>	<b>1,211,058</b>

**25 Risk management policies**

The Group is committed to the management of risk. The primary financial risks are those of credit, liquidity and interest rate. The Group's financial risk management strategy is set by the directors. The Group has put in place management structures and information systems to manage individual financial risks, has separated monitoring tasks where feasible and subjects all accounting systems to regular internal and external audit.

**26 Credit risk exposure****Credit risk management framework**

Credit risk is the risk of financial loss to the Group caused by the failure of a customer to meet their contractual obligations that arise from the Group's lending activities. Credit risk is the estimation uncertainty that has the greatest risk of resulting in a material adjustment to the carrying amounts of the Group's assets within the next financial year.

To manage this risk the Credit Committee, which is a sub committee of the Board of Directors ("Board"), has been delegated the task of overseeing a formal credit risk management strategy. The Credit Committee reviews the Group's credit risk exposures and has wide ranging credit policies to manage all aspects of credit risk.

**Reviewing and assessing credit risk**

The credit risk management strategies ensure that:

- Sector and geographical risks are actively managed.
- Industry and product concentrations are actively monitored.
- Maximum total exposure to any one debtor is managed.
- Changes to credit risk are actively monitored with regular credit reviews.

**Lending standards and processes**

Credit policies are in place that govern lending standards and criteria for finance products within each business sector. These policies also address credit assessment and risk grading, documentation standards and legal procedures and compliance with regulatory and statutory requirements.

The Credit Committee has authority from the Board for approval of all credit exposures. Lending authority has been individually provided to General Manager Credit and Operations, for delegation through the business units under a detailed Delegated Discretionary Lending Authority framework. This includes Lending Guidelines for each business operation together with a review and hindsight structure. Lending Discretions are provided to individual officers with due cognisance of their experience and ability. Larger exposures require approval of senior management, ultimately through to the General Manager Credit and Operations or the Credit Committee of the Board.

**Collateral requirements**

Although the Group relies primarily on the integrity of borrowers and their ability to make contracted repayments, the Group also requires appropriate collateral for loans. This collateral is usually by way of first charge over the asset financed and generally includes personal guarantees from borrowers and business owners.

Because of the wide nature of the collateral held against loans it is impracticable to provide an accurate estimate of their fair value.

**(a) Credit impairment provisioning**

Credit impairment provisions are made where events have occurred leading to an expectation of reduced future cash flows from certain receivables. These provisions are made in some cases against an individual loan and in other cases on a collective basis.

All receivables are monitored and have their risk profile assessed based on observed behaviour of the loan and other factors. This risk profiling is regularly refreshed based on current information.

Exposures to credit risk are graded by an internal risk grade mechanism. Grade 1 is the strongest risk grade for undoubted or sovereign risk. Grade 7 represents the highest risk grade where a potential loss is possible. Grades 2 to 6 represent ascending steps in management's assessment of exposures at risk. The Company typically finances new loans in risk grades 2 and 3.

**26 Credit risk exposure (cont)****(a) Credit impairment provisioning (cont)**

The Group classifies finance receivables as Relationship or Transactional. Relationship loans relate to transactions where an ongoing and detailed working relationship with the customer has been developed. In these situations the Company has comprehensive knowledge of the customer's business and performance. Transactional loans relate to transactions which are generally aligned to financing the acquisition of a single asset. These loans are typically introduced by vendors of the asset financed and are smaller in value than Relationship loans. Transactional loans are risk graded based on arrears status. Relationship loans are individually risk graded based on loan status, financial information, security and debt servicing ability.

Relationship loans in grades 4 to 6 and Transactional loans in grades 4 to 7 attract a collective provision. Relationship loans in grade 7 are individually assessed for impairment.

Relationship loans with a risk grade of 1 to 3 may be past due and not attract a provision if the Group has reviewed the security position and it is deemed to be sound.

**Individual provisioning**

For individually significant loans for which the assessed risk grade is considered a "potential loss", an individual assessment is made of an appropriate provision for credit impairment.

Credit impairments are recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). All relevant considerations that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the likely realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process. Furthermore, judgement can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are taken. Changes in judgement could have a material impact on the financial statements.

Individual provisioning in regards to property development lending creates the greatest amount of risk resulting in the possibility of a material adjustment to the carrying amounts of the Group's assets within the next year. Estimating the timing and amount of future cash repayments and proceeds from the realisation of collateral are management's most difficult and subjective judgements. Reduced demand in this recessionary environment has meant that value is difficult to determine. Subjective judgements made by management comprise the time taken for new sales being achieved and the amount received, determining the timing and amount of future cash flows.

Because of the wide nature of the collateral held and the subjective judgements in determining future cash flows on each individually provided loan, it is impracticable to provide management's assumptions in regards to property receivables as a whole.

**Collective provisioning**

For the remainder of the portfolio where no individual provision has been made, collective provisions are assessed with reference to risk profile groupings determined across the various portfolios. These collective provisions are determined with reference to historical data on loss. Other judgemental factors including economic and credit cycle considerations are also taken into account in determining appropriate loss propensities to be applied. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the wider economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy rates.

In accordance with International Accounting Standards, no provision is applied to loans that are newly written and loans that remain within their contractual terms, except where the Group becomes aware of an individual event that might alter its view of the risk of a particular deal or group of deals.

**Bad debts**

Bad debts provided for are written off against individual or collective provisions. Amounts required to bring the provisions to their assessed levels are recognised in the Income Statement. Any future recoveries of amounts provided for are taken to the Income Statement.

**Verification**

In addition to regular internal audit activity in regards to credit standards, the Group employs a comprehensive process of hind sighting loans to ensure that credit policies and the quality of credit processes are maintained.

Disclosures in this credit risk exposure note represent the Group's maximum exposure to credit risk.

## 26 Credit risk exposure (cont)

## (a) Credit impairment provisioning (cont)

	Non-securitised		Securitised		Total	
	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000
<b>(i) Provision allowances for impaired assets</b>						
<b>Provision for individually impaired assets</b>						
Opening individual allowances for impairment	3,903	2,613	-	-	3,903	2,613
Impairment loss for the year						
- charge for the year	10,227	2,057	305	-	10,532	2,057
- write offs	(5,951)	-	-	-	(5,951)	-
- effect of discounting	(1,000)	(767)	-	-	(1,000)	(767)
<b>Closing individual allowances for impairment</b>	<b>7,179</b>	<b>3,903</b>	<b>305</b>	<b>-</b>	<b>7,484</b>	<b>3,903</b>
<b>Provision for collectively impaired assets</b>						
Opening collective allowances for impairment	5,699	4,605	785	-	6,484	4,605
Impairment loss for the year						
- charge for the year	1,321	2,628	1,465	1,041	2,786	3,669
- recoveries	172	778	11	2	183	780
- write offs	(2,539)	(2,312)	(1,342)	(258)	(3,881)	(2,570)
<b>Closing collective allowances for impairment</b>	<b>4,653</b>	<b>5,699</b>	<b>919</b>	<b>785</b>	<b>5,572</b>	<b>6,484</b>
<b>Total provision allowances for impairment</b>	<b>11,832</b>	<b>9,602</b>	<b>1,224</b>	<b>785</b>	<b>13,056</b>	<b>10,387</b>

	Property	Consumer	All other	Total
	Property	Consumer	All other	Total
	\$000	\$000	\$000	\$000
<b>2009</b>				<b>2009</b>
<b>Provision for individually impaired assets</b>				
Opening individual allowances for impairment	1,975	-	1,928	3,903
Impairment loss for the year				
- charge for the year (i)	5,108	-	5,424	10,532
- write offs	(4,866)	-	(1,085)	(5,951)
- effect of discounting	(757)	-	(243)	(1,000)
<b>Closing individual allowances for impairment</b>	<b>1,460</b>	<b>-</b>	<b>6,024</b>	<b>7,484</b>
<b>Provision for collectively impaired assets</b>				
Opening collective allowances for impairment	2,344	1,338	2,802	6,484
Impairment loss for the year				
- charge for the year (i)	(2,330)	5,501	(385)	2,786
- recoveries	-	148	35	183
- write offs	(14)	(3,445)	(422)	(3,881)
<b>Closing collective allowances for impairment</b>	<b>-</b>	<b>3,542</b>	<b>2,030</b>	<b>5,572</b>
<b>Total provision allowances for impairment</b>	<b>1,460</b>	<b>3,542</b>	<b>8,054</b>	<b>13,056</b>

(i) The Company is party to an underwriting deed with its Ultimate Parent Company to underwrite certain impaired assets up to a maximum amount. In assessing the requirements for individual provisions, the Company has identified loans with a carrying amount of \$175 million for which a notice of a provisional shortfall amount under the underwriting deed is required of \$85 million as at 30 June 2009. The benefit of this underwriting deed is included in the determination of the charge for the year.

## 26 Credit risk exposure (cont)

## (a) Credit impairment provisioning (cont)

## (i) Provision allowances for impaired assets (cont)

		Property & Consumer & personal & All other industries (SME)			Total	
		Property & Consumer & personal (\$000)	Consumer & personal (\$000)	All other industries (SME) (\$000)	Total (\$000)	
<b>2008</b>					<b>2008</b>	
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	
<b>Provision for individually impaired assets</b>						
Opening individual allowances for impairment		2,227	-	386	2,613	
Impairment loss for the year						
- charge for the year		485	-	1,572	2,057	
- effect of discounting		(737)	-	(30)	(767)	
<b>Closing individual allowances for impairment</b>		<b>1,975</b>	<b>-</b>	<b>1,928</b>	<b>3,903</b>	
<b>Provision for collectively impaired assets</b>						
Opening collective allowances for impairment		887	2,482	1,236	4,605	
Impairment loss for the year						
- charge for the year		1,392	114	2,163	3,669	
- recoveries		65	597	118	780	
- write offs		-	(1,855)	(715)	(2,570)	
<b>Closing collective allowances for impairment</b>		<b>2,344</b>	<b>1,338</b>	<b>2,802</b>	<b>6,484</b>	
<b>Total provision allowances for impairment</b>		<b>4,319</b>	<b>1,338</b>	<b>4,730</b>	<b>10,387</b>	
		Non-securitized		Securitized	Total	
		2009	2008	2009	2008	2009
	Note	\$000	\$000	\$000	\$000	\$000
<b>(ii) Impaired asset expense</b>						
Expense for individually impaired assets	23 (a)	10,227	2,057	305	-	10,532
Expense for collectively impaired assets	23 (a)	1,321	2,628	1,465	1,041	2,786
<b>Total impaired asset expense</b>		<b>11,548</b>	<b>4,685</b>	<b>1,770</b>	<b>1,041</b>	<b>13,318</b>
<b>(iii) Individually impaired assets</b>						
Opening		20,407	8,511	-	-	20,407
Additions (i)		21,152	12,994	687	-	21,839
Deletions		(18,781)	(1,098)	-	-	(18,781)
<b>Closing gross individually impaired assets</b>		<b>22,778</b>	<b>20,407</b>	<b>687</b>	<b>-</b>	<b>23,465</b>

		Property & Consumer & personal & All other industries (SME)			Total
		Property & Consumer & personal (\$000)	Consumer & personal (\$000)	All other industries (SME) (\$000)	Total (\$000)
<b>2009</b>					<b>2009</b>
		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Individually impaired assets</b>					
Opening		15,152	-	5,255	20,407
Additions (i)		6,059	-	15,780	21,839
Deletions		(15,152)	-	(3,629)	(18,781)
<b>Closing gross individually impaired assets</b>		<b>6,059</b>	<b>-</b>	<b>17,406</b>	<b>23,465</b>

(i) The Company is party to an underwriting deed with its Ultimate Parent Company to underwrite certain impaired assets up to a maximum amount. In assessing the requirements for individual provisions, the Company has identified loans with a carrying amount of \$175 million for which a notice of a provisional shortfall amount under the underwriting deed is required of \$85 million as at 30 June 2009. The benefit of this underwriting deed is included in the determination of impaired assets as at 30 June 2009.

26 Credit risk exposure (cont)

(a) Credit impairment provisioning (cont)

(iii) Individually impaired assets (cont)

	Property & personal	Consumer & personal	All other industries (SME)	Total
2008	\$000	\$000	\$000	2008 \$000
<b>Individually impaired assets</b>				
Opening	7,819	-	692	8,511
Additions	8,171	-	4,823	12,994
Deletions	(838)	-	(260)	(1,098)
<b>Closing gross individually impaired assets</b>	<b>15,152</b>	<b>-</b>	<b>5,255</b>	<b>20,407</b>

	Non-securitised		Securitised		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000
(iv) Restructured assets	2,805	1,691	-	-	2,805	1,691

	Property & personal	Consumer & personal	All other industries (SME)	Total
2009	\$000	\$000	\$000	2009 \$000
Restructured assets	-	2,141	664	2,805

	Property & personal	Consumer & personal	All other industries (SME)	Total
2008	\$000	\$000	\$000	2008 \$000
Restructured assets	-	1,485	206	1,691

	Non-securitised		Securitised		Total	
	2009 \$000	2008 \$000	2009 \$000	2008 \$000	2009 \$000	2008 \$000

(v) Past due but not impaired

Less than 30 days old	55,784	22,433	4,389	6,059	60,173	28,492
31 and less than 60 days old	56,164	17,591	1,870	2,685	58,034	20,276
61 but less than 90 days old	41,898	27,135	2,123	1,357	44,021	28,492
More than 90 days old	118,331	45,154	2,349	1,461	120,680	46,615
<b>Total past due but not impaired</b>	<b>272,177</b>	<b>112,313</b>	<b>10,731</b>	<b>11,562</b>	<b>282,908</b>	<b>123,875</b>

More than 90 days as a % of gross finance receivables	10.41%	4.46%	1.49%	0.50%	9.32%	3.58%
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26 Credit risk exposure (cont)

b) Concentrations of credit risk (cont)

	Non-securitised		Securitised		Total	
	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000
<b>(iii) By industry</b>						
Agricultural, forestry and fishing	79,026	54,868	15,359	31,353	94,385	86,221
Government and public authorities	22,888	20,740	2,437	5,264	25,325	26,004
Financial, investments and insurance	31,339	24,297	2,685	5,956	34,024	30,253
Construction	69,713	75,467	9,813	25,814	79,526	101,281
Transport and storage	81,208	85,918	7,743	17,717	88,951	103,635
Wholesale and retail trade	214,270	195,009	11,749	29,919	226,019	224,928
Manufacturing and printing	39,761	41,738	4,083	9,157	43,844	50,895
Property	365,987	373,287	387	840	366,374	374,127
Consumer & personal	232,454	140,630	103,685	165,512	336,139	306,142
<b>Total financial receivables</b>	<b>1,136,646</b>	<b>1,011,954</b>	<b>157,941</b>	<b>291,532</b>	<b>1,294,587</b>	<b>1,303,486</b>

(iv) By geographic region

Auckland	524,516	446,528	59,640	110,664	584,156	557,192
Wellington	120,545	126,154	8,342	15,094	128,887	141,248
Rest of North Island	284,173	265,975	40,614	70,477	324,787	336,452
Canterbury	112,168	61,321	27,497	53,102	139,665	114,423
Rest of South Island	95,244	111,976	21,848	42,195	117,092	154,171
<b>Total financial receivables</b>	<b>1,136,646</b>	<b>1,011,954</b>	<b>157,941</b>	<b>291,532</b>	<b>1,294,587</b>	<b>1,303,486</b>

(c) Maximum exposure to credit risk by internal risk grading

	Non-securitised		Securitised		Total	
	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000
Grade 1 - Undoubted	146	615	-	-	146	615
Grade 2 - Strong (i)	272,238	172,445	798	3,178	273,036	175,623
Grade 3 - Sound	760,165	644,194	152,001	275,055	912,166	919,249
Grade 4 - Satisfactory	57,828	110,746	4,024	8,675	61,852	119,421
Grade 5 - Uncertain	20,160	46,649	663	2,757	20,823	49,406
Grade 6 - At risk	2,758	9,196	68	1,061	2,826	10,257
Grade 7 - Loss	23,351	28,109	387	806	23,738	28,915
<b>Total maximum exposure to credit risk</b>	<b>1,136,646</b>	<b>1,011,954</b>	<b>157,941</b>	<b>291,532</b>	<b>1,294,587</b>	<b>1,303,486</b>

	Property	Consumer & personal	All other industries (SME)	Total
	\$000	\$000	\$000	\$000
<b>2009</b>				<b>2009</b>
Grade 1 - Undoubted	-	-	146	146
Grade 2 - Strong (i)	256,919	122	15,995	273,036
Grade 3 - Sound	92,368	334,601	485,197	912,166
Grade 4 - Satisfactory	10,512	1,220	50,120	61,852
Grade 5 - Uncertain	294	161	20,368	20,823
Grade 6 - At risk	222	35	2,569	2,826
Grade 7 - Loss	6,059	-	17,679	23,738
<b>Total maximum exposure to credit risk</b>	<b>366,374</b>	<b>336,139</b>	<b>592,074</b>	<b>1,294,587</b>

**26 Credit risk exposure (cont)****(c) Maximum exposure to credit risk by internal risk grading (cont)**

(i) The Company is party to an underwriting deed with its Ultimate Parent Company to underwrite certain impaired assets up to a maximum amount. In assessing the requirements for individual provisions, the Company has identified loans with a carrying amount of \$175 million for which a notice of a provisional shortfall amount under the underwriting deed is required of \$85 million as at 30 June 2009. The benefit of this underwriting deed is included in the analysis of risk gradings as at 30 June 2009 noted above.

2008	Property	Consumer	All other	Total
	& personal	& personal	industries	
	(SME)	(SME)	(SME)	
	\$000	\$000	\$000	2008
	\$000	\$000	\$000	\$000
Grade 1 - Undoubted	615	-	-	615
Grade 2 - Strong	165,582	418	9,623	175,623
Grade 3 - Sound	122,370	304,452	492,427	919,249
Grade 4 - Satisfactory	31,690	1,148	86,583	119,421
Grade 5 - Uncertain	33,270	16	16,120	49,406
Grade 6 - At risk	1,489	-	8,768	10,257
Grade 7 - Loss	19,111	109	9,695	28,915
<b>Total maximum exposure to credit risk</b>	<b>374,127</b>	<b>306,143</b>	<b>623,216</b>	<b>1,303,486</b>

	Non-securitised		Securitised		Total	
	2009	2008	2009	2008	2009	2008
	\$000	\$000	\$000	\$000	\$000	\$000

**(d) Commitments to extend credit**

Undrawn facilities available to customers	74,570	49,369	-	-	74,570	49,369
Conditional commitments to fund at future dates	33,996	110,009	-	-	33,996	110,009

**27 Liquidity risk**

Liquidity risk is the risk that the Group may encounter difficulty in raising funds at short notice to meet its commitments and arises from any mismatch of the maturity of monetary assets and liabilities. Responsibility for liquidity management is delegated to the Asset and Liability Committee (ALCO).

The Group manages liquidity and funding risk by:

- daily liquidity reporting and scenario analysis to quantify the Group's current and forecast position.
- maintaining a diverse and stable funding base.
- retaining borrowing facilities committed to the Group by registered banks.
- holding a portfolio of liquid assets.
- ensuring the liquidity management framework is compliant with local regulatory requirements.

**Contractual liquidity profile of monetary assets and liabilities**

2009	On demand \$000	1-6 Months \$000	6-12 Months \$000	1-2 Years \$000	2-5 Years \$000	5+ Years \$000	Total \$000
<b>Financial assets</b>							
Finance receivables	-	515,981	195,054	245,804	327,617	9,134	1,293,590
Finance receivables - Securitised	-	54,136	44,799	56,050	28,960	-	183,945
Derivative financial assets	7,704	-	-	-	-	-	7,704
Other financial assets	62,462	680	-	-	-	-	63,142
<b>Total financial assets</b>	<b>70,166</b>	<b>570,797</b>	<b>239,853</b>	<b>301,854</b>	<b>356,577</b>	<b>9,134</b>	<b>1,548,381</b>
<b>Financial liabilities</b>							
Borrowings	38,012	364,410	328,176	177,515	225,569	-	1,133,682
Borrowings - Securitised	-	6,418	151,422	-	-	-	157,840
Derivative financial liabilities	11,602	-	-	-	-	-	11,602
Other financial liabilities	868	29,092	645	562	106	-	31,273
<b>Total financial liabilities</b>	<b>50,482</b>	<b>399,920</b>	<b>480,243</b>	<b>178,077</b>	<b>225,675</b>	<b>-</b>	<b>1,334,397</b>
<b>Unrecognised loan commitments</b>	74,570	-	-	-	-	-	-
<b>Undrawn committed bank facilities</b>							
	25,250	-	88,000	72,000	-	-	-
<b>2008</b>							
<b>Financial assets</b>							
Finance receivables	-	399,015	219,440	187,190	206,309	-	1,011,954
Finance receivables - Securitised	-	74,108	64,831	94,300	58,293	-	291,532
Derivative financial assets	68	-	-	-	-	-	68
Other financial assets	8,655	6,784	-	-	-	-	15,439
<b>Total financial assets</b>	<b>8,723</b>	<b>479,907</b>	<b>284,271</b>	<b>281,490</b>	<b>264,602</b>	<b>-</b>	<b>1,318,993</b>
<b>Financial liabilities</b>							
Borrowings	-	276,550	218,951	245,834	159,756	-	901,091
Borrowings - Securitised	-	3,042	280,000	-	-	-	283,042
Derivative financial liabilities	1,550	-	-	-	-	-	1,550
Other financial liabilities	-	26,346	-	-	-	-	26,346
<b>Total financial liabilities</b>	<b>1,550</b>	<b>305,938</b>	<b>498,951</b>	<b>245,834</b>	<b>159,756</b>	<b>-</b>	<b>1,212,029</b>
<b>Unrecognised loan commitments</b>	49,369	-	-	-	-	-	-
<b>Undrawn committed bank facilities</b>							
	135,639	-	-	-	-	-	-

The tables above show the cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity (refer also Note 2(e) - Going concern, and Note 32 - Subsequent events in relation to bank borrowings).

**27 Liquidity risk (cont)****Expected maturity profile of monetary assets and liabilities**

<b>2009</b>	<b>On demand \$000</b>	<b>1-6 Months \$000</b>	<b>6-12 Months \$000</b>	<b>1-2 Years \$000</b>	<b>2-5 Years \$000</b>	<b>5+ Years \$000</b>	<b>Total \$000</b>
<b>Financial assets</b>							
Finance receivables	-	380,198	314,933	310,785	278,953	-	1,284,869
Finance receivables - Securitised	-	60,983	45,182	49,455	20,577	-	176,197
Derivative financial assets	7,704	-	-	-	-	-	7,704
Other financial assets	62,462	680	-	-	-	-	63,142
<b>Total financial assets</b>	<b>70,166</b>	<b>441,861</b>	<b>360,115</b>	<b>360,240</b>	<b>299,530</b>	<b>-</b>	<b>1,531,912</b>
<b>Financial liabilities</b>							
Borrowings	38,880	192,399	237,355	285,005	392,208	50,039	1,195,886
Borrowings - Securitised	-	6,418	151,422	-	-	-	157,840
Derivative financial liabilities	11,602	-	-	-	-	-	11,602
Other financial liabilities	868	29,092	645	562	106	-	31,273
<b>Total financial liabilities</b>	<b>51,350</b>	<b>227,909</b>	<b>389,422</b>	<b>285,567</b>	<b>392,314</b>	<b>50,039</b>	<b>1,396,601</b>
<b>Unrecognised loan commitments</b>	74,570	-	-	-	-	-	-
<b>Undrawn committed bank facilities</b>							
	25,250	-	88,000	72,000	-	-	-

The table above shows management's expected maturities of existing financial assets and financial liabilities. Expected maturities of financial assets are based on management's best estimate having regard to current market conditions and past experience. Historical debenture reinvestment levels have been applied to borrowings. Other financial liabilities reflect contractual maturities.

The above does not reflect a forward looking view of how the Company expects actual financial assets and liabilities to perform in the future, as the above does not include new lending and borrowing.

**28 Interest rate risk**

Interest rate risk is the risk that market interest rates will change and impact on the Group's financial results by affecting the margin between interest earning assets and interest bearing liabilities. The Group monitors market interest rates on a daily basis and regularly reviews interest rate exposure. Interest rate risk is mitigated by management's constant monitoring of the interest rate repricing profiles of finance borrowings and finance receivables and where appropriate the establishment of derivative instruments.

**Contractual repricing analysis**

The interest rate risk profile of financial assets and liabilities that follows has been prepared on the basis of maturity or next repricing date, whichever is earlier.

<b>2009</b>	<b>Effective Int Rate %</b>	<b>0-6 Months \$000</b>	<b>6-12 Months \$000</b>	<b>1-2 Years \$000</b>	<b>2-5 years \$000</b>	<b>Total \$000</b>
<b>Financial assets</b>						
Finance receivables	11.75%	415,121	280,876	262,958	177,691	1,136,646
Finance receivables - Securitised	11.80%	46,484	38,466	48,126	24,865	157,941
Other financial assets	-	63,142	-	-	-	63,142
<b>Total financial assets</b>		<b>524,747</b>	<b>319,342</b>	<b>311,084</b>	<b>202,556</b>	<b>1,357,729</b>
<b>Financial liabilities</b>						
Borrowings	7.50%	521,257	246,336	79,185	219,453	1,066,231
Borrowings - Securitised	3.97%	150,728	-	-	-	150,728
Other financial liabilities	-	27,529	-	-	-	27,529
<b>Total financial liabilities</b>		<b>699,514</b>	<b>246,336</b>	<b>79,185</b>	<b>219,453</b>	<b>1,244,488</b>
Effect of derivatives held for risk management		93,620	(81,640)	(50,460)	38,480	-
<b>Net financial assets</b>		<b>(81,147)</b>	<b>(8,634)</b>	<b>181,439</b>	<b>21,583</b>	<b>113,241</b>
<b>2008</b>						
<b>Financial assets</b>						
Finance receivables	12.65%	455,100	267,918	148,997	139,939	1,011,954
Finance receivables - Securitised	11.71%	74,108	64,831	94,300	58,293	291,532
Other financial assets	-	11,840	-	-	-	11,840
<b>Total financial assets</b>		<b>541,048</b>	<b>332,749</b>	<b>243,297</b>	<b>198,232</b>	<b>1,315,326</b>
<b>Financial liabilities</b>						
Borrowings	9.33%	614,550	146,951	124,834	14,756	901,091
Borrowings - Securitised	9.25%	283,042	-	-	-	283,042
Other financial liabilities	-	27,896	-	-	-	27,896
<b>Total financial liabilities</b>		<b>925,488</b>	<b>146,951</b>	<b>124,834</b>	<b>14,756</b>	<b>1,212,029</b>
Effect of derivatives held for risk management		380,820	(129,200)	(184,840)	(66,780)	-
<b>Net financial assets</b>		<b>(3,620)</b>	<b>56,598</b>	<b>(66,377)</b>	<b>116,696</b>	<b>103,297</b>

The tables above illustrate the periods in which the cash flows from interest rate swaps are expected to occur and affect profit or loss.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non standard interest rate scenarios. Standard scenarios which are considered on a monthly basis include a 100 basis point parallel fall or rise in the yield curve.

There is no material impact on the Income Statement or Equity in terms of fair value change from an increase or decrease in market interest rates. Further there is no material cashflow impact on the Income Statement from a 100 basis point change in interest rates.

**29 Contingent liabilities and commitments**

	<b>2009</b>	<b>2008</b>
	<b>\$000</b>	<b>\$000</b>
Letters of credit, guarantees and performance bonds	8,206	6,012
<b>Total contingent liabilities</b>	<b>8,206</b>	<b>6,012</b>

**30 Staff share ownership arrangements**

In the year, the Ultimate Parent Company issued 65,912 shares at a weighted average fair value of \$3.57 per share (Jun 2008: 14,097 shares at \$4.10). The price of the shares is set by the directors after considering the current market price. The Trustees transferred 35,000 shares to staff at the end of the respective period

The total expense recognised in the year was \$115,246 (Jun 2008: \$184,450).

**31 Amalgamation**

On 30 April 2009 Nissan Finance New Zealand Limited amalgamated with the Company, with the Company continuing as the amalgamated company.

**32 Subsequent events****Ratings downgrade**

Subsequent to balance date, on 13 August 2009, the Company's credit rating was downgraded by Standard & Poors to BB+ (negative). Further details of this matter and its impact on the Company's bank facility arrangements are set out in Note 2(e) - Going concern.



## Audit report

### To the shareholder of MARAC Finance Limited

We have audited the financial statements on pages 40 to 69. The financial statements provide information about the past financial performance and financial position of the company and group (collectively known as the “Group”) as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 43 to 47.

#### Directors’ responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Group as at 30 June 2009 and the results of their operations and cash flows for the year ended on that date.

#### Auditor’s responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

#### Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the Group’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other audit related services to the Group. Partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. There are, however, certain restrictions on borrowings which the partners and employees of our firm can have with the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.



**Bank financing arrangements**

In forming our unqualified opinion we have considered the adequacy of the disclosures made in note 2(e) concerning the downgrading of the Company's credit rating, and the related impact on the Company's bank facility agreements. As set out in note 2(e), the Directors believe that the Company has a range of options available to it, and consider that these matters will be satisfactorily resolved. The validity of the going concern assumption on which the financial statements are prepared may depend on the successful conclusion of these matters. If the matters were unable to be satisfactorily resolved, this could have a significant impact on the liquidity of the Company, and the recoverable amount of certain assets.

**Unqualified opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 40 to 69:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the Group as at 30 June 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 28 August 2009 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink that reads 'KPMG'.

Auckland

## Glossary

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**AIL** means approved issuer levy.

**Assumed Liabilities** has the meaning given to that term on page 21.

**Auditor** means KPMG.

**Banking Syndicate** means MARAC's banking syndicate, at the date of this Prospectus comprising ANZ National Bank Limited, Bank of New Zealand, Commonwealth Bank of Australia, Westpac Banking Corporation and The Hongkong and Shanghai Banking Corporation Limited.

**basis points** means a unit that is equal to 1/100th of 1%, so that 100 basis points equals 1%.

**Board** means the Board of Directors of MARAC.

**Cash and Securities** means, at any date, the aggregate of cash, bank endorsed commercial bills and government securities held by MARAC.

**Company** means MARAC Finance Limited.

**Completion Date** means the date on which both the PGC Capital Raising and the sale of the Ex-MARAC Loans were completed.

**Crown Deed of Guarantee** means:

- (a) the Crown Deed of Guarantee (Non-Bank Deposit Taker) entered into by MARAC and Her Majesty the Queen in right of New Zealand dated 10 November 2008; or
- (b) from 1 January 2010, the Crown Deed of Guarantee (Non-Bank Deposit Taker) entered into by Her Majesty the Queen in right of New Zealand and MARAC dated 8 December 2009.

**Crown Guarantee** means MARAC's guarantee under the New Zealand deposit guarantee scheme, on the terms and subject to the conditions set out in the then current Crown Deed of Guarantee, and detailed on pages 13 and 25 to 27.

**default event** in respect of the New Zealand deposit guarantee scheme, has the meaning given to that term on page 26.

**EBIT** means, in respect of the relevant period, net profit of MARAC derived from continuing trading operations, before Interest and Financing Costs and taxation for that period.

**Ex-MARAC Loans** means the MARAC property loans having a face value at the time of sale of \$175 million, including accrued interest, which were sold by MARAC to MARAC Financial Services Limited on 29 October 2009.

**GAAP** means generally accepted accounting practice.

**Guardian Trust** means The New Zealand Guardian Trust Company Limited.

**indebtedness** in respect of the New Zealand deposit guarantee scheme, has the meaning given to that term on page 25.

**Interest and Financing Costs** means, in respect of the relevant period, all interest and financing costs incurred by MARAC, including discounts or similar allowances on the issue or disposal of debt instruments; finance charges under finance leases; dividends paid or repayable on redeemable shares; other expenses and amounts treated as interest or financing costs under GAAP; and realised losses and profits in relation to borrowed moneys denominated in foreign currency and in relation to swaps and foreign exchange and other hedging transactions, for that period.

**Investment Statement** means the investment statement relating to the Offer detailed in this Prospectus.

**junior indebtedness** means any indebtedness owed by MARAC Financial Services Limited to Pyne Gould Corporation Limited.

**Largest Single Borrower** means, at any time, the single borrower and/or group of related parties to whom MARAC has made available (whether drawn or undrawn) the largest aggregate principal amount of facilities.

**Loan Note** means the \$50 million loan note issued by MARAC Financial Services Limited to MARAC as part of the consideration for the sale of the Ex-MARAC Loans from MARAC to MARAC Financial Services Limited.

**Loan Note Guarantee** means the guarantee given by Pyne Gould Corporation Limited to MARAC in respect of certain residual obligations of MARAC Financial Services Limited arising in connection with the sale of the Ex-MARAC Loans pursuant to the Loan Note.

**MARAC** means MARAC Finance Limited.

**Material Contracts** means the contracts identified as such at pages 20 to 22.

**NBDTs** means non-bank deposit takers.

**NRWT** means non-resident withholding tax.

**NZIFRS** means the New Zealand equivalents to the International Financial Reporting Standards.

**Offer** means the offer of Secured Debenture Stock detailed in this Prospectus.

**PGC Capital Raising** means Pyne Gould Corporation Limited's fully underwritten pro-rata renounceable rights offer to raise \$237 million and a placement to institutional and habitual investors to raise \$30 million completed on 28 October 2009.

**Prior Charges** means those securities granted by MARAC in accordance with the Trust Deed that rank ahead of secured debenture stockholders, within stated limits and only in those circumstances identified at page 16.

**Prospectus** means this prospectus dated 30 November 2009.

**qualifying creditors** in respect of the New Zealand deposit guarantee scheme, has the meaning given to that term on page 25.

**Receivables** means, at any date, all indebtedness owing to MARAC including loans, leases and any other finance receivables less any provision for bad or doubtful debts in relation to the same.

**Receivables under 90 days** means, at any date, all Receivables of MARAC for which repayment is expected within 90 days, but excluding those Receivables which are subject to any provision or write off or are otherwise impaired to the extent of that impairment or, for the avoidance of doubt, for which there is no expectation of payment within 90 days.

**Reserve Bank** means the Reserve Bank of New Zealand.

**Reserve Bank Act** means the Reserve Bank of New Zealand Act 1989.

**Retail Borrowings** means, at any date, the principal money indebtedness of MARAC, which consists of debentures, stock, notes, bonds or other securities issued to, or with the intention of resale to, members of the New Zealand public, whether pursuant to the Trust Deed or otherwise.

**Retail Borrowings under 90 days** means, at any date, that part of MARAC's Retail Borrowings for which repayment is due within 90 days.

**RWT** means resident withholding tax.

**Secured Bonds** means the NZDX listed secured bonds issued by MARAC in July 2008 in the amount of \$104.2 million.

**Secured Debenture Stock** means secured debenture stock constituted by, issued pursuant to and subject to, the terms and conditions contained in the Trust Deed and offered by MARAC to the public of New Zealand, including pursuant to this Prospectus.

**Securities Act** means the Securities Act 1978.

**Securities Regulations** means the Securities Regulations 2009.

**Securitisation Facility** means the securitisation facility established on 15 August 2007, which subject to the limit of the bank facility, supports the provides MARAC with the ability to sell up to \$300 million of qualifying receivables into a special purpose Securitisation Trust.

**Securitisation Trust** means a special purpose securitisation trust established for the purposes of the Securitisation Facility, being MARAC ABCP Trust 1.

**Syndicated Bank Facility** means MARAC's syndicated bank facility with the Banking Syndicate in the amount of \$200 million at the date of this Prospectus.

**Tangible Net Worth** means Total Tangible Assets less Total Liabilities.

**Total Liabilities** means, at any date, all liabilities and provisions which are regarded as liabilities under GAAP, of MARAC.

**Total Tangible Assets** means, at any date, all assets except assets which according to GAAP would be considered intangible assets but excluding the aggregate amount of the subordinated loans made by MARAC to the Securitisation Trust for the operation of the Securitisation Facility (described on page 25).

**Trust Deed** means the Trust Deed between MARAC, its charging subsidiaries (if any) from time to time and Guardian Trust dated 9 March 1984, as amended by Deed of Variation dated 1 March 2002, Trust Deed Amendment (PPSA) dated 22 October 2002 and Deed of Variation of Trust Deed dated 16 June 2008.

**Trustee** means The New Zealand Guardian Trust Company Limited.

**Underwrite Facility** means the Underwriting Deed dated 19 December 2008, as amended by a Deed of Variation dated 30 June 2009 and a Deed of Confirmation relating to Underwrite Deed dated 18 September 2009, between Pyne Gould Corporation Limited and MARAC.

**Undrawn Committed Facility Amount** means, at any date, in relation to MARAC, an amount equal to the aggregate principal amount of the committed bank facilities provided to MARAC in accordance with the Syndicated Bank Facility (**Committed Facilities**) less the aggregate amount of principal outstanding under the Committed Facilities, but excluding certain overdraft, trade finance and performance bond facilities provide by ANZ National Bank Limited and The Hongkong and Shanghai Banking Corporation Limited.

**Undrawn Securitisation Liquidity** means, at any date, the lesser of (a) receivables owned by MARAC which qualify as eligible receivables for the Securitisation Facility (detailed on page 25); and (b) the aggregate facility limit of committed standby liquidity facilities maintained by the Securitisation Trust (detailed on page 25) less the aggregate amount of borrowed moneys owing on those facilities for the Securitisation Trust and less the aggregate principal amount of borrowed moneys owing under any commercial paper programmes or facilities in respect of which those facilities provide liquidity support for the Securitisation Trust.

**Wholesale Borrowings under 90 days** means, at any date, the principal money indebtedness owing to banks and other financial institutions pursuant to borrowings made in the wholesale market which are due to be repaid within 90 days following the relevant date and which are not able to be re-borrowed.

The following terms have the meanings given to them in the Trust Deed: *Adjusted Total Tangible Assets, Authorised Investments, Bank Stock, Bank Stockholder, Extraordinary Resolution, Market Worth, Major Security Stockholders, Principal Moneys, Security Stock and Tangible Assets.*

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# Directory

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## DIRECTORS

**Samuel Richard Maling, LL.B.**  
Chairman  
Barrister  
Christchurch

**Richard Frank Elworthy, B.Com.**  
Company Director  
Christchurch

**Bruce Robertson Irvine, B.Com., LL.B.**  
Chartered Accountant  
Christchurch

**George Charles Desmond Kerr, B.Com.**  
Company Director  
Arrowtown

**Bryan William Mogridge, B.Sc.**  
Company Director  
Auckland

**Stephen Christopher Montgomery, B.A.**  
Investment Manager  
Christchurch

## MANAGEMENT

**Chief Executive Officer**  
Jeff Greenslade

**Chief Financial Officer**  
Sean Kam

**Chief Investment Officer**  
Craig Stephen

**Chief Risk Officer**  
Grant Atkinson

**Group Head of Product Development & Distribution**  
Alan Williams

**General Manager – Commercial**  
David Battersby

**General Manager – Motor and Consumer**  
Chris Flood

**Retail Investment Manager**  
Andrew Ford

**Funding Manager**  
Stuart Mainwaring

Communications to Directors and Management may be made through the Company's Auckland office, the address of which is provided opposite.

## MARAC FINANCE LIMITED

### Auckland (Registered Office)

MARAC House  
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Auckland 1149

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Fax 03-363 6210

## ADVISERS INVOLVED IN THE OFFER

### Auditor

KPMG  
KPMG Centre  
18 Viaduct Harbour Avenue  
Auckland 1010

### Solicitors

Lane Neave Lawyers  
119 Armagh Street  
Christchurch 8011

### Trustee

The New Zealand Guardian Trust Company Limited  
48 Shortland Street  
Auckland 1010

MARAC<sup>®</sup>

*We see what you see.*

0800 26 27 22

[www.marac.co.nz](http://www.marac.co.nz)