PGG Wrightson

THIS IS AN IMPORTANT DOCUMENT AND IT REQUIRES YOUR IMMEDIATE ATTENTION.

14 JUNE 2011

Explanatory Memorandum

Special Meeting of PGG Wrightson shareholders to be held at the Nightmarch Room, Riccarton Park Function Centre, 165 Racecourse Road, Upper Riccarton, Christchurch on Tuesday 28 June 2011 at 9.30am.

Helping grow the country

CONTENTS

Purpose of this Memorandum

A special meeting of the shareholders of PGG Wrightson Limited (the ***Company*** *or* ***PGW****) has been called and will be held on 28 June 2011 (the* ***Meeting****). This Memorandum supplements and forms part of the Notice of Meeting sent to the Company's shareholders on 14 June 2011.*

Specifically, this Memorandum details the transactions to be considered by shareholders at the Meeting and the resolutions to be voted on by shareholders at the Meeting in relation to approving those transactions.

PART ONE

Approval of Ngai Tahu Capital Limited's investment in Agria Asia Investments Limited (Resolution 1)

BACKGROUND

1. On 24 January 2011, Agria (Singapore) Pte Limited (**Agria Singapore**) launched a partial takeover offer (the **Agria Takeover Offer**) in respect of 38.3% of the shares it did not already own in the Company. The Agria Takeover Offer completed successfully on 2 May 2011. Agria Singapore is therefore since 2 May 2011 the registered owner of 50.01% of the shares in the Company.

2. Agria Singapore is 100% owned by Agria Asia Investments Limited (**Agria Asia**).

3. Agria Asia is in turn owned 88.05% by Agria Group Limited (a wholly owned subsidiary of Agria Corporation (a company listed on the NYSE)) (**Agria Group**) and 11.95% by New Hope International (Hong Kong) Limited (**New Hope**).

4. On 15 April 2011, Agria Group entered into a conditional sale and purchase agreement with Ngai Tahu Capital Limited (**Ngai Tahu Capital**) in respect of the sale of approximately 7.24% of the shares in Agria Asia (depending on the $NZ/$US exchange rate on completion of the Agria Takeover Offer) (the **Ngai Tahu Share Acquisition**) for a consideration of NZ$15,000,000 (the **SPA**).

5. On 17 April 2011, Agria Group, Agria Asia, Agria Singapore, New Hope and Ngai Tahu Capital entered into a shareholders' agreement relating to Agria Asia and Agria Singapore (the **Shareholders Agreement**).

6. The SPA and the Shareholders Agreement are still subject to the condition that the transaction recorded in the SPA be approved by an ordinary resolution of the shareholders of the Company.

7. Following completion of the SPA, if approved by ordinary resolution of the shareholders of the Company, Agria Group will hold 80.81% of the shares in Agria Asia, New Hope will retain its 11.95% shareholding in Agria Asia and Ngai Tahu Capital will become the holder of 7.24% of the shares in Agria Asia.

APPROVALS AND THE INDEPENDENT REPORT

The Takeovers Code

8. Rule 6 of the Takeovers Code (**Code**) contains the fundamental rule, part of which provides that a person (including associates) who holds 20% or more of the voting rights in a code company may not hold or control an increased percentage of the voting rights (the **Fundamental Rule**) unless that person does so under an exception contained in rule 7 of the Code. Ngai Tahu Capital does not currently hold any shares in the Company. However, Ngai Tahu Capital has become an associate of Agria Singapore, Agria Group and New Hope by virtue of the Shareholders Agreement, and would be deemed to have become the holder or controller of the voting rights in the Company held or controlled by Agria Group and New Hope. Accordingly, pursuant to the Code and the Takeovers Panel's guidelines, the Ngai Tahu Share Acquisition is considered to be an upstream acquisition of indirect control over the shares in the Company held by Agria Singapore.

9. Rule 7 of the Code sets out exceptions to the Fundamental Rule. One of the exceptions is contained in rule 7(c), which permits Ngai Tahu Capital to acquire shares in Agria Asia, if the acquisition is approved by an ordinary resolution of the Company.

10. Therefore, shareholders' approval for the Ngai Tahu Share Acquisition (as provided for in the SPA) is required in accordance with Rule 7(c) of the Takeovers Code.

11. Rule 15 of the Code requires the Notice of Meeting called to approve the acquisition of voting shares to contain the information provided in Appendix One of this Memorandum and in paragraphs 12, 13 and 14 below.

Other requirements of the Code

12. If the Ngai Tahu Share Acquisition is approved by the shareholders, it will be permitted under Rule 7(c) of the Code as an exception to Rule 6 of the Code.

13. Ngai Tahu Capital has stated that there is no agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between Ngai Tahu Capital, on the one part, and any other person on the other part (other than the SPA and the Shareholders Agreement and as set out in Appendix One to this Memorandum) relating to the acquisition, holding or control of the voting securities to be acquired by Ngai Tahu Capital pursuant to the SPA, or to the exercise of voting rights in the Company. Relevant details of the Shareholders Agreement are set out in Appendix Two to this Memorandum.

The Independent Adviser's Report

14. In accordance with Rule 18 of the Code, the Company's Directors, other than Alan Lai and Tao Xie, have obtained an independent adviser's report from Mr. Peter A Simmons of Simmons Corporate Finance Limited, on the merits of the proposed Ngai Tahu Share Acquisition, having regard to the interests of the Company's shareholders, other than Agria Singapore which may not vote on this matter.

15. The independent adviser's report accompanies the Notice of Meeting and notes in the summary of the evaluation of merits of the Ngai Tahu Share Acquisition, that:

    (a) it will have negligible impact on the Company's non-associated shareholders (i.e. shareholders not associated with Ngai Tahu Capital, Agria Group, New Hope and Agria Singapore) (the **Non-associated Shareholders**);

    (b) it will have no impact on the Company's financial position;

    (c) it will have no dilutionary impact on shareholding levels in the Company;

    (d) it will have no impact on the Company's share price or the liquidity of the Company's shares;

    (e) it will have no impact on the attraction of the Company as a takeover target;

    (f) it will only provide Ngai Tahu Capital with a minority interest in Agria Asia which already has indirect control over 50.01% of the Company's shares;

    (g) it will provide Ngai Tahu Capital with the opportunity to have a representative appointed to the PGW Board; and

    (h) given the Ngai Tahu Share Acquisition will have negligible impact on the Non-associated Shareholders, it is concluded that Mr. Peter A Simmons of Simmons Corporate Finance Limited sees no compelling reason for Non-associated Shareholders to vote against the resolution.

16. The independent adviser's report forms part of the Notice of Meeting and shareholders are encouraged to read it. The Directors (other than Alan Lai and Tao Xie, in respect of the matters in which they have an interest and in respect of which they have played no part) agree with the report's conclusions.

Statement of the Directors

17. In accordance with Rule 19 of the Code, the Directors of the Company, other than Alan Lai and Tao Xie, have provided a written statement that they recommend approval of the Ngai Tahu Share Acquisition in accordance with the terms of the SPA, as provided in Resolution 1. A copy of this statement is attached as Appendix Three. Alan Lai and Tao Xie have abstained from making a recommendation because of their interest in the matter the subject of that Resolution.

Resolution 1

18. Resolution 1 is proposed as an ordinary resolution to approve the acquisition by Ngai Tahu Capital of 7.24% of the shares in Agria Asia, for the purposes of Rule 7(c) of the Code.

19. Agria Singapore is prohibited under the Code from voting on Resolution 1.

PART TWO
Approval of the sale by PGG Wrightson Limited of all the shares in PGG Wrightson Finance Limited to Heartland Building Society, and related transactions (Resolution 2)

BACKGROUND

The PWF Sale

1. On 13 June 2011, the Company and Heartland New Zealand Limited (**Heartland**) entered into an agreement for sale and purchase (the **PWF SPA**) whereby the Company will sell and Heartland will, subject to the satisfaction of certain conditions, cause its wholly-owned subsidiary, Heartland Building Society (**HBS**), to purchase, all of the outstanding ordinary shares of the Company's wholly-owned subsidiary, PGG Wrightson Finance Limited (**PWF**), including those ordinary shares that result from the automatic conversion of PWF's preference shares into PWF ordinary shares owing to the sale by the Company of its ordinary shares in PWF to HBS (such sale and purchase, the **PWF Sale**).

2. Pursuant to the PWF SPA, the purchase price payable to the Company by HBS for the PWF ordinary shares will be the value of the net assets of PWF, adjusted by certain agreed factors, including the deduction of PWF's intangible assets, net deferred tax assets, costs associated with the termination of PWF's existing bank facilities, employee costs and costs relating to the termination of PWF's existing interest rate swaps, and the addition of an amount reflecting the value of PWF's software systems. The factors affecting the calculation of PWF's intangible assets are more fully described in Appendix II of the Northington Report (as defined in paragraph 32 of this Part Two, below). The purchase price will be calculated as at a moment prior to completion of the PWF Sale, using the net assets of PWF as at that time, which is expected to occur on 31 August 2011. The purchase price is estimated, as of the date of this Memorandum, to be approximately $102 million, and in any event the Company expects the purchase price will not exceed $110 million and will not be less than $90 million.

3. The PWF Sale is expected to complete on 31 August 2011, subject to the satisfaction of certain conditions, including:

   (a) *Crown Approval:* Each of PWF and HBS has obligations to depositors that are presently guaranteed by the Crown, under Deeds of Guarantee. Under the terms of these Deeds, completion of the PWF Sale cannot occur without Crown approval. Further, it is a condition to completion of the PWF Sale that following the PWF Sale, the obligations of PWF to its depositors that are guaranteed by the Crown immediately prior to the PWF Sale will continue to be guaranteed by the Crown (albeit under HBS's Crown Deed of Guarantee) following completion of the PWF Sale. This will also require Crown approval.

   (b) *Financing:* Completion of the PWF Sale is conditional on Heartland raising at least $55 million of new equity. Under the PWF SPA, this condition is required to be satisfied by twelve noon on the day prior to completion of the PWF Sale, anticipated to be 30 August 2011. Should this condition not be satisfied, Heartland would be entitled to cancel the PWF SPA.

   (c) *Defeasance:* Immediately following completion of the PWF Sale, HBS will assume responsibility for performing all of PWF's obligations with respect to its outstanding debt securities, bonds and other investment products. This assumption by HBS, known as a defeasance, will require the approval of PWF's debt and security holders, which will be sought at meetings scheduled for July and August. The defeasance will also require the approval of the trustees for PWF and HBS.

   (d) *Other Conditions:* The PWF Sale is also subject to a range of standard conditions, such as obtaining necessary consents from the parties' banks.

4. The PWF SPA provides that if the PWF Sale has not been completed by 31 August 2011, either the Company or Heartland may terminate the PWF SPA, on five days' written notice.

5. In connection with the PWF SPA, the Company and HBS will also enter into a transitional services agreement (the **TSA**), pursuant to which the Company will, for a period of time following completion of the PWF Sale, provide HBS with certain services to facilitate the transition of PWF into HBS ownership and operation.

Ancillary Matters to the PWF Sale

The Excluded Loans

6. As a condition to Heartland's entry into the PWF Sale, Heartland has required that the Company retain certain loans, made by PWF, which Heartland does not wish to acquire through its purchase of PWF. These loans are mainly impaired or restructured and will, prior to completion of the PWF Sale, be sold by PWF to a newly-established subsidiary of the Company, at their net book value. The purchase price for these loans, approximately $85 million to $100 million (depending on settlement and refinancing arrangements that may occur prior to completion of the PWF Sale), will be funded by PGW from the proceeds of the PWF Sale. The sale and purchase of these loans will be accomplished through a sale and purchase agreement between PWF and the Company's new subsidiary (the **Excluded Loans SPA**).

The Guaranteed Loans

7. As a term of Heartland's entry into the PWF Sale, Heartland has required that certain of the loans made by PWF be guaranteed by the Company for a period of three years from the date the PWF Sale is completed (expected to be 31 August 2011), pursuant to a deed of guarantee (the **Deed of Guarantee**). These loans amount in total to approximately $30 million. Under the Deed of Guarantee, in addition to the Company guaranteeing the loans, HBS can require PGW to purchase any guaranteed loan that has become impaired (due to, for example, non-payment by a borrower leading to default), at the full face value of the loan, plus interest. PGW also has the right to require HBS to sell any impaired loan subject to the Deed of Guarantee to PGW, again at the full face value of the loan, plus interest.

The Purchaser Loan

8. PWF is presently party to an agreement with ASB Bank (**ASB**) (the **Risk Sharing Agreement**), pursuant to which PWF has sold to ASB a proportion of the income stream of certain loans made by PWF to its customers. Termination of the Risk Sharing Agreement is a condition to completion of the PWF Sale. In order to terminate the Risk Sharing Agreement, PWF will be required to make a payment to ASB. This payment will be funded by PWF from a loan from Heartland. Following completion of the PWF Sale, this loan will be inter-company debt as between PWF (now in HBS's ownership) and Heartland. PGW will have no liability, actual or contingent, in relation to this loan.

The Distribution Agreement

9. Alongside the PWF SPA, the Excluded Loans SPA and the Deed of Guarantee, the Company and HBS will, with effect from the business day following completion of the PWF Sale, enter into a distribution and services agreement (the **Distribution Agreement**).

10. Under the Distribution Agreement PGW has agreed that HBS is its preferred supplier of credit facilities and debt securities (**Approved Products and Services**) to PGW customers. The Approved Products and Services comprise:

    (a) all credit facilities for the purpose of financing livestock purchases, working capital, farm development, plant and machinery, and farmland; and

    (b) debt facilities comprising call deposits, term deposits, savings accounts, and transactional banking.

11. The Distribution Agreement provides that the Approved Products and Services can be amended by agreement of the Company and HBS, in light of their continuing business relationship.

12. The principal obligations of PGW under the Distribution Agreement include:

    (a) using all reasonable endeavours to promote to PGW customers the Approved Products and Services and facilitate the origination of applications by PGW customers for those Approved Products and Services;

    (b) agreeing not to refer PGW customers to a competitor of HBS for products and services in competition with the Approved Products and Services (unless a customer has indicated a preference for a competitor's products and services), and not engaging in the business of promoting or providing credit facilities and debt securities to PGW customers in New Zealand, provided that PGW may continue to provide financial terms, such as deferred payment terms, in the ordinary course of business; and

    (c) making available to HBS certain shared resources (e.g. premises) to allow HBS to meet its obligations under the Distribution Agreement.

13. The principal obligations of HBS under the Distribution Agreement include:

    (a) using all reasonable endeavours to make available Approved Products and Services to referred PGW customers (on terms and conditions no less favourable than those it offers to other HBS customers), having regard to prevailing market conditions, applicable legal requirements, and HBS's prudent lending guidelines;

    (b) paying PGW an agreed rate of commission for each new customer referred to HBS by PGW (and in certain other circumstances, as detailed in paragraph 14 of this Part Two, below); and

    (c) paying PGW a monthly fee (solely on a cost recovery basis) in consideration for PGW making available to HBS the agreed shared resources (including office space, car parks, telephones and analogous services). HBS will make use of these shared resources in marketing its financial products and services to PGW customers, through PGW outlets.

14. Commissions payable by HBS to PGW under the Distribution Agreement vary depending on the type of product provided to the customer (e.g. an investment product, or a credit facility) and also vary depending on the relevant customer's existing relationship with HBS. In general, customers newly introduced by PGW to HBS require that commission payments be made by HBS to PGW, while customers already in a business relationship with HBS may require no commission payments be made. Commissions will be paid based on a percentage of the value of the financial product that the relevant PGW customer takes up from HBS. The exact commission rates are commercially sensitive, but reflect the outcome of arms-length commercial negotiations between HBS and PGW. In addition, the Distribution Agreement provides for the commission rates to be reviewed after 6 months of operation, to ensure they reflect the parties' commercial objectives.

15. The Distribution Agreement will come into effect on the business day following completion of the PWF Sale and will continue until terminated. Termination can be effected:

    (a) by either PGW or HBS giving three months' notice after the agreement has been in force for at least 12 months; or

    (b) immediately upon the occurrence of an agreed termination event, which includes such matters as the failure by one party to remedy a breach of the agreement, an insolvency event relating to one party, or a change in control of one party (other than involving a takeover under the Takeovers Code).

16. The Company is seeking a waiver from NZX in relation to future transactions between the Company and HBS under the Distribution Agreement, to avoid the need, if any, to obtain further shareholder approval for the entry into those future transactions, to the extent that those transactions are, on a per annum basis, of an aggregate level such that shareholder approval would be required under the Listing Rules. Although amendments to the Distribution Agreement are possible, with the consent of both HBS and PGW, it is PGW's position that, other than amendments to the scope of the Approved Products and Services, commission rates and the amount of the fees charged by PGW to HBS for the use of certain PGW resources, the Distribution Agreement will remain substantively unchanged. Any fundamental change to the Distribution Agreement would likely require further shareholder approval, regardless of the waiver being sought from NZX.

17. PGW expects that, as shareholder approval of the entry into the Distribution Agreement will be obtained, the waiver being sought is likely to be granted subject to the following conditions:

    (a) that any transaction or related series of transactions entered into pursuant to the terms of the Distribution Agreement does not have a gross cost to PGW in any financial year (ignoring any returns or benefits in connection with that agreement) in excess of 2% of PGW's Average Market Capitalisation (as that term is defined in the Listing Rules);

    (b) that PGW provide notification to the market, and independent certifications to NZX, following an agreement being reached in respect of any particular transaction, or transactions, which exceeds a qualified threshold;

    (c) that PGW provide periodic notification of any transactions entered into pursuant to the Distribution Agreement for which, notification and a certificate has not been provided pursuant to paragraph 17(b); and

    (d) that PGW undertake ongoing disclosure of the terms of the Distribution Agreement and/ or any transactions entered into pursuant to it, in its annual report and/ or in any Offering Document or Prospectus that PGW issues during the period that PGW seeks to rely on the waiver.

The Heartland Capital Raise

18. In connection with the PWF Sale, and in light of the continuing relationship between PWF and Heartland represented by the Distribution Agreement, PGW has agreed to subscribe for $10 million of new Heartland ordinary shares (the **Heartland Capital Subscription**), in connection with a $55 million (minimum) capital raising to be undertaken by Heartland prior to completion of the PWF Sale (the **Heartland Capital Raise**). The terms of issue and pricing of the Heartland Capital Subscription will be equivalent to those offered to a major participant in the Heartland Capital Raise and will be based on a mechanism linked to observed market prices for Heartland shares during a defined period leading up to the allotment date.

The PWF Loan Sale

19. In the event the PWF Sale did not complete on or about 31 August 2011, Heartland has agreed, by deed (the **Loan Sale Deed**), to purchase $50 million of PWF loans, at face value, subject to certain conditions. The Loan Sale Deed will only be relevant if the PWF Sale does not complete on or about 31 August 2011.

Transaction Steps and Cashflows

20. The Transactions described above (together, the **PWF Transactions**) will involve the following steps:

    (a) First, all necessary consents to the PWF Transactions will be obtained, including Company shareholder consent, PWF debt and security holder consents and Crown and trustee approval.

    (b) Second, on the business day prior to completion of the PWF Sale, the loans to be sold by PWF to a subsidiary of the Company will be sold, pursuant to the Excluded Loans SPA.

(c) Next, on or about the business day prior to completion of the PWF Sale, the Heartland Capital Subscription will occur and the Heartland Capital Raise will be completed (although it is possible that the Heartland Capital Subscription and the Heartland Capital Raise may occur earlier or, potentially, following completion of the steps described in the following paragraphs (d), (e) and (f)).

(d) Next, at 12.01 a.m. on the completion date, completion of the first stage of the PWF Sale will occur, whereby the Company will sell the ordinary shares it owns in PWF to HBS.

(e) Next, at 12.02 a.m., completion of the second stage of the PWF Sale will occur, whereby the PWF ordinary shares that resulted from the automatic conversion of PWF's preference shares due to the first stage of the PWF Sale, will also be sold by the Company to HBS.

(f) Finally, at 12.03 a.m., or later, the defeasance will occur (as described in paragraph 3(c) of this Part Two, above).

21. In terms of the financial aspects of the above steps, approximately $102 million is expected to be paid by HBS to the Company in consideration for the PWF ordinary shares. Of this $102 million, approximately $85 million to $100 million (depending on the purchase price of the excluded loans – see paragraph 6 of this Part Two, above) will be lent by the Company to the Company's subsidiary that will purchase the excluded loans (see paragraph 6 of this Part Two, above), and paid by that subsidiary to PWF (at this stage in HBS ownership) under the Excluded Loans SPA. Of the remaining funds, if any, up to $10 million will be used by the Company to subscribe for ordinary shares in Heartland (see paragraph 13 of this Part Two, above), provided that if insufficient purchase price funds are available to fund this subscription, PGW will pay for part or all of this subscription using its cash reserves.

About Heartland New Zealand Limited and Heartland Building Society

22. HBS is a building society wholly-owned by Heartland New Zealand Limited (through 20 wholly-owned subsidiaries), established under the Building Societies Act 1965.

23. Under the recent "Heartland Bank Merger", which completed in January of this year, the assets and engagements of CBS Canterbury and Southern Cross Building Society have been transferred to HBS, along with 100% of the shares in MARAC Finance Limited.

About PGG Wrightson Finance Limited (PWF)

24. PWF is a wholly owned subsidiary of PGW and is a specialist rural finance company.

25. PWF provides farmers in New Zealand with a range of finance products and transactional banking services, delivered through a network of rural finance managers.

APPROVALS AND THE INDEPENDENT APPRAISAL REPORT

Listing Rule Requirements

26. The PWF Transactions are subject to NZSX Listing Rule 9.2 (Transactions with Related Parties). Rule 9.2.1 prevents a listed entity from entering into a material transaction with a related party unless the material transaction is approved by an ordinary resolution of the listed entity's shareholders.

27. The PWF Transactions include the entry into two "material transactions" under the Listing Rules because:

(a) the PWF Sale constitutes a sale of assets of PGW that have an aggregate net value in excess of 10% of the weighted average market capitalisation of PGW during the 20 business days prior to the PWF Transactions being announced to the market (Rule 9.2.2(a)); and

(b) pursuant to the Distribution Agreement, PGW will provide services in respect of which the gross cost to PGW (ignoring any returns or benefits PGW may receive) could exceed an amount equal to 1% of the weighted average market capitalisation of PGW during the 20 business days prior to the PWF Transactions being announced to the market (Rule 9.2.2(e)).

28. PGW and Heartland (and accordingly HBS) are related parties by virtue of the fact that Pyne Gould Corporation Limited's (**PGC**) shareholding in both entities exceeded 10% of the ordinary shares on issue in the six month period prior to the Proposed Transaction. PGC held an 18.3% stake in PGW before the completion of the partial takeover offer by Agria on 3 May 2011, and a 72.2% share of the issued equity of Heartland prior to the completion of PGC's in-specie distribution of its Heartland shareholding on 30 May 2011.

29. Accordingly, approval of, among other things, the PWF Sale and entry into the Distribution Agreement is being sought at the Special Meeting of PGW shareholders for the purposes of Listing Rule 9.2.1.

30. For the purposes of the resolution sought to approve the PWF Transactions, the **Transaction Documents** comprise the PWF SPA, the TSA, the Excluded Loans SPA, the Distribution Agreement, the Deed of Guarantee, the Loan Sale Deed, a deed implementing the Heartland Capital Subscription, and other ancillary agreements implementing the transactions contemplated by those agreements and deeds.

31. A refusal by the Company's shareholders to approve the PWF Transactions will not result in any break fee or similar financial penalty being payable by either the Company or Heartland.

The Independent Appraisal Report

32. In accordance with Rule 9.2.5 of the Listing Rules, the Company's Directors, other than Bruce Irvine and George Gould, have obtained an independent appraisal report from Mr. Greg Anderson of Northington Partners Limited (the **Northington Report**), on the merits of the PWF Transactions, having regard to the interests of the Company's shareholders, other than PGC and its Associated Persons (as that term is defined in the Listing Rules) and Associated Persons of Heartland, all of which may not vote on these matters.

33. The Northington Report accompanies the Notice of Meeting and concludes that the proposed PWF Transactions are fair from the point of view of PGW shareholders. The factors considered by Northington Partners Limited in forming this conclusion are set out in detail in the Northington Report.

34. Shareholders are encouraged to read the Northington Report. The Directors (other than Bruce Irvine and George Gould, in respect of the matters in which they have an interest and in respect of which they have played no part) agree with the Northington Report's conclusions.

Statement of the Directors

35. The Directors of the Company, other than Bruce Irvine and George Gould, have provided a written statement that they recommend approval of the PWF Transactions, as provided in Resolution 2. A copy of this statement is attached as Appendix Four. Bruce Irvine and George Gould have abstained from making a recommendation because of their interest in the matters the subject of those Resolutions.

RESOLUTIONS

Resolution 2

36. Resolution 2 is proposed as an ordinary resolution to approve the PWF Transactions.

37. PGC and its Associated Persons and Associated Persons of Heartland are prohibited under the Listing Rules from voting on Resolution 2.

APPENDIX ONE

Information required under Rule 15 of the Code in relation to the Ngai Tahu Share Acquisition

Identity of acquirer, details of voting securities being acquired, and consideration

Ngai Tahu Capital Limited (**Ngai Tahu Capital**) is proposing to acquire 7,529,648 shares (**Shares**) in Agria Asia Investments Limited (**Agria Asia**), equivalent to 7.24% of the issued shares in Agria Asia, from Agria Group Limited (**Agria Group**). Ngai Tahu Capital will pay NZ$15,000,000 for the Shares at least two days before settlement of the sale and purchase for the Shares.

Ngai Tahu Capital does not currently hold any shares in the Company.

Agria Asia owns 100% of the shares in Agria (Singapore) Pte Limited (**Agria Singapore**), which in turn owns 379,068,619 shares in PGG Wrightson Limited (the **Company**), equivalent to 50.01% of the issued shares in the Company.

If the acquisition of the Shares is approved by the Company's shareholders entitled to vote, Ngai Tahu Capital will become the holder of 7.24% of the shares in Agria Asia and will be deemed to acquire control as an associate over the remaining 92.76% of the shares in Agria Asia, by virtue of the shareholders agreement between Agria Group, Agria Asia, Agria Singapore, New Hope International (Hong Kong) Limited (**New Hope**) and Ngai Tahu Capital, dated 17 April 2011, relating to Agria Asia and Agria Singapore (**Shareholders Agreement**).

Therefore, if the acquisition of the Shares is approved by the Company's shareholders entitled to vote, Ngai Tahu Capital, as an associate of Agria Group and New Hope, will acquire indirect control over 50.01% of the voting rights in the Company.

Reasons for the transaction

Under the proposed transaction Agria Group will transfer to Ngai Tahu Capital a relevant interest in Agria Asia and indirectly in Agria Singapore and the Company in consideration for NZ$15,000,000.

The involvement of Ngai Tahu Capital is seen by the parties involved in the transaction as an important factor in the process of developing and enhancing the performance of the Company.

Ngai Tahu Holdings Corporation Limited (**Ngai Tahu Holdings**) (the parent company of Ngai Tahu Capital) is an inter-generational investor with a particular focus on South Island commercial, tourism, seafood, property and rural ventures. It is one of New Zealand's quiet achievers and is committed to supporting growth in the rural sector through global partnerships and relationships as a result of the proposed transaction.

The proposed transaction makes good commercial sense to Ngai Tahu Holdings and is a further opportunity for Ngai Tahu Holdings to diversify its portfolio of investments and grow and build global relationships.

Ngai Tahu Holdings believes the proposed transaction further supports its emerging rural strategy which is in its early and trial stage. Ngai Tahu Holdings is working on the development of an environmentally sustainable rural business model that reflects the values of the Ngai Tahu culture operating under the strictest of environmental practices and philosophies. Pursuant to this strategy, Ngai Tahu Holdings wishes to broaden its exposure to New Zealand's rural sector and an investment in the Company alongside Agria Group and New Hope is an opportunity to do this. The Agria Takeover Offer states that in Agria's opinion, the Company needs to refocus on the core businesses of AgriServices and AgriTech to achieve its full potential and Ngai Tahu Holdings is interested in participating in the continued development of the Company. For its part, Agria Asia would in principle be supportive of potential participation by Ngai Tahu in Agria Asia and its subsidiaries in the future, if such subsidiaries elect to seek external equity investment. Agria Asia also supports the development of investment and partnership opportunities for Ngai Tahu in China with the other shareholders of Agria Asia.

The proposed stake is less than 2% of Ngai Tahu's portfolio and creates a number of significant long-term opportunities and relationships – particularly in the Chinese market. Ngai Tahu already has a strong presence in China through its tourism and seafood businesses and the proposed transaction will further enhance that strategy.

APPENDIX TWO

Relevant details of Shareholders Agreement in relation to the acquisition, holding or control of the voting securities in Agria Asia Investments Limited to be acquired by Ngai Tahu Capital Limited, or to the exercise of voting rights in PGG Wrightson Limited

1. The parties to the Shareholders Agreement dated 17 April 2011 are Agria Asia Investments Limited (**Agria Asia**), Agria Group Limited (**Agria Group**), New Hope International (Hong Kong) Limited (**New Hope**), Ngai Tahu Capital Limited (**Ngai Tahu**) and Agria (Singapore) Pte. Limited (**Agria Singapore**) (together the **Shareholders**).

2. The provisions of the Shareholders Agreement that relate to the acquisition, holding or control of the voting securities in Agria Asia or to the exercise of voting rights in PGG Wrightson Limited (**Company**) are as follows:

   (a) Shareholding: clause 2.3 of the Shareholders Agreement provides for Ngai Tahu to hold 7,271,658 shares in Agria Asia comprising approximately 7.24% of the total shares in Agria Asia. This shareholding was subject to adjustment if the exchange rate used on completion of the Takeover Offer was different from NZ$1:US78 cents. As a result of the exchange rate on completion of the Takeover Offer being NZ$1:US0.80767 cents, Ngai Tahu became entitled, subject to approval of the shareholders of the Company, to acquire in consideration for NZ$15,000,000, 7,529,648 shares in Agria Asia being 7.24% of the total shares of Agria Asia;

   (b) Appointment of director of the Company: clause 4.2 provides that the Shareholders undertake to take all action required to ensure that Agria Singapore appoints and maintains the appointment of a nominated representative of Ngai Tahu (subject to him or her being eligible and qualified for appointment under the Companies Act 1993 and the NZSX Listing Rules of NZX Limited) as a director of the Company;

   (c) Management of Agria Asia and Agria Singapore: clause 5.1 provides that management of Agria Asia and Agria Singapore vests in the respective boards of directors of those companies and that each board delegates to the Agria Group Management Team day to day management of the Group in the ordinary course of business. This is subject to clause 5.2 which provides that the prior approval of all Shareholders is required for Agria Asia or Agria Singapore to do any of the things listed in the Schedule to this Appendix;

   (d) Issue of new shares in Agria Asia: clause 9 relates to the issue of shares and provides for all new shares in Agria Asia to be offered to all Shareholders on a pro rata basis except where the written consent of the relevant Shareholder is first obtained;

   (e) Transfer of shares in Agria Asia: with respect to the transfer of shares, clause 10 contains pre-emptive rights which require any proposing transferor to give a transfer notice to the directors of Agria Asia setting out the shares proposed to be transferred (**Transfer Shares**) and the proposed purchase price (**Transfer Price**). The Transfer Shares are then offered for purchase to the other Shareholders on a pro rata basis. If there is a disagreement as to the Transfer Price then the price will be determined by an independent expert. Shares which are not purchased by the other Shareholders may be sold within a period of 3 months at a price not less than the Transfer Price;

   (f) Appointment of directors of Agria Asia and Agria Singapore: Schedule 2 of the Shareholders Agreement provides for the rights of appointment to the boards of directors of Agria Asia and Agria Singapore as follows:

      (i) Agria Group – 4 directors;

      (ii) New Hope – 1 director;

      (iii) Ngai Tahu – 1 director;

      (iv) Livestock Improvement Corporation Limited as third party lender – 1 director.

   Each director is entitled to 1 vote. The Chair does not have a casting vote.

SCHEDULE to APPENDIX TWO

CRITICAL BUSINESS MATTERS

With respect to Agria Asia and Agria Singapore, as applicable:

1. (**New Directors**) Appoint a Director except in accordance with Schedule 2.
2. (**Remuneration**) Authorise or vary the remuneration per annum payable to a director.
3. (**Bonuses**) Pay any profit or other bonus to a director subject to clause 5.1(a) of the agreement.
4. (**Financial Transactions**) Borrow or accept a financial accommodation, create any mortgage, charge, pledge or other encumbrance over an asset or undertaking, or give or enter into any guarantee, letter of comfort or performance bond, excluding always any of the foregoing which are pursuant to clause 3 of the Shareholders Agreement, where the total amount for all such financial transactions in any 12 month period is in excess of NZ$50,000,000, subject to an obligation for Agria Group to consult with the other Shareholders if the amount exceeds NZ$15,000,000.
5. (**Acquisitions and disposals**) Effect a Trade Sale or acquire any company or business of more than NZ$20 million.
6. (**Assets**) Sell or buy assets (either tangible or intangible) having a value in aggregate or in an individual amount of more than NZ$20 million in a Financial Year.
7. (**Liquidation**) Take a step to dissolve or liquidate Agria Asia, Agria Singapore or the Company.
8. (**Capital expenditure**) Commit to or incur capital expenditure of more than NZ$5 million per project or a total of NZ$5 million in a Financial Year.
9. (**Related party transactions**) Enter into, terminate, amend or vary any contract or other arrangement with, or make any payment to (including remuneration of personal expenses), a Shareholder or any associate of such persons.
10. (**Change in nature of business**) Cease to carry on, or materially alter the scale of operations of, the Business or commence any business or operational activities other than the Business. "Business" is defined to include acting on behalf of Agria Group, New Hope and Ngai Tahu as the ultimate holding company of shares in the Company.
11. (**Listing**) Apply to a Stock Exchange for a listing or for quotation of any Shares.
12. (**Reorganisation Event**) Undertake or undergo a Reorganisation Event.
13. (**Finance and operating leases**) Enter into any finance or operating lease costing more than NZ$5 million per annum.
14. (**Contracts**) Enter into, terminate, amend or vary a material contract (other than in relation to a transaction referred to in paragraphs 4, 5, 6, 8, or 15 where the amount involved is less than the de minimis thresholds over which consent of all Shareholders is required) except in the ordinary course of business and on arms length terms.
15. (**Loans**) Make a loan, give credit or other financial accommodation to a person of more than NZ$20 million, other than to Agria Asia and any of its wholly owned Subsidiaries.
16. (**Financial Assistance**) Make a loan or give other financial assistance to a director or an associate of a director or vary the terms of a loan or other financial assistance previously given to a director or an associate of a director. Additionally, neither the Agria Management Team or the Shareholders as a group shall make a loan or give other financial assistance to a Director or an Associate Director if such loan or other financial assistance shall in any way be determined to be a violation or concern with respect to Agria Asia's or Agria Group's compliance with the Sarbanes-Oxely Act of 2002.
17. (**Disputes**) Commence or conduct any material dispute or litigation (including with any tax authority) other than debt collection in the ordinary course of business except for any disputes between Agria Asia and the Shareholders or their related entities.
18. (**Transaction Documents**) Terminate, amend, vary or waive a right under a Transaction Document or agree to do any of those things.
19. (**Shareholder resolutions**) Pass a special resolution of Shareholders.
20. (**Committees of Directors**) Appoint, dissolve or alter the composition of a committee of the Board.
21. (**Dividends**) Declare, make or pay a dividend or other distribution not in accordance with the current policy in place or, amend or vary the current dividend policy in place.
22. (**Partnerships and joint ventures**) Enter into, amend or vary a partnership or joint venture, except in the ordinary course of business.
23. (**Articles**) Amend or vary the Articles of Agria Asia or Agria Singapore.
24. (**Issue, Buy back or redemption of Shares**) Effect, or propose, an issue, buy back or redemption of Shares.
25. (**Variation of class rights**) Effect, or propose, a variance of the rights attaching to the Shares.
26. (**Migration**) Change the jurisdiction of incorporation or registration of Agria Asia or Agria Singapore.
27. (**Major transaction**) Enter into a major transaction as defined in section 129 of the Companies Act.
28. (**Merger or amalgamation**) Enter into a merger or amalgamation of Agria Asia or Agria Singapore with another company or business.

APPENDIX THREE

STATEMENT OF RECOMMENDATION OF DIRECTORS – APPROVAL OF THE NGAI TAHU SHARE ACQUISITION

Reference is made to the proposed acquisition of 7.24% of the shares in Agria Asia Investments Limited (**Agria Asia**) by Ngai Tahu Capital Limited (**Ngai Tahu Capital**) in accordance with the sale and purchase agreement (**SPA**) between Ngai Tahu Capital and Agria Group Limited.

In accordance with Rules 15(i) and 19 of the Takeovers Code Approval Order 2000, the Directors of PGG Wrightson Limited (other than Messrs Alan Lai and Tao Xie, who are interested in the proposed acquisition) recommend approval of the proposed acquisition for the following reasons:

(a) Ngai Tahu is a substantial and reputable organisation with an extensive portfolio of diversified business interests. Ngai Tahu Capital also has a sound track record and stated objective of making investment decisions based on a long-term and intergenerational perspectives whilst also achieving shorter-term commercial objectives. With these credentials, the Directors of PGG Wrightson Limited consider that Ngai Tahu Capital is well placed to make a positive contribution to PGG Wrightson Limited through the proposed investment in Agria Asia.

(b) The reasons set out in the Independent Adviser's Report in relation to the proposed acquisition.

Messrs Alan Lai and Tao Xie abstain from making a recommendation for the reason that they have an interest in the proposed acquisition.

Recommending Directors

Sir John Anthony Anderson

George Arthur Churchill Gould

William David Thomas

Keith Raymond Smith

Sir Selwyn John Cushing

Bruce Robertson Irvine

Abstaining Directors

Guanglin (Alan) Lai

Tao Xie

APPENDIX FOUR

STATEMENT OF RECOMMENDATION OF DIRECTORS – APPROVAL OF THE PWF TRANSACTIONS

Reference is made to the PWF Transactions, as that term is defined in the Explanatory Memorandum accompanying the Notice of Meeting.

The Directors of PGG Wrightson Limited (other than Messrs Bruce Irvine and George Gould, who are interested in the PWF Transactions) recommend approval of the PWF Transactions for the following reasons:

(a) the PWF Transactions are in the best interests of the Company and its shareholders;

(b) the reasons set out in the Independent Appraisal Report in relation to the proposed acquisition.

Messrs Bruce Irvine and George Gould abstain from making a recommendation for the reason that they have an interest in the PWF Transactions.

Recommending Directors

Sir John Anthony Anderson

Guanglin (Alan) Lai

Tao Xie

William David Thomas

Keith Raymond Smith

Sir Selwyn John Cushing

Abstaining Directors

Bruce Robertson Irvine

George Arthur Churchill Gould

Simmons
CORPORATE FINANCE

PGG Wrightson Limited

Independent Adviser's Report

In Respect of the Acquisition of Shares in Agria Asia Investments Limited by Ngai Tahu Capital Limited

May 2011

www.simmonscf.co.nz

Index

1. Introduction

1.1 Background

PGG Wrightson Limited (**PGG Wrightson** or the **Company**) is listed on the main board equity security market (**NZSX**) operated by NZX Limited (**NZX**) with a market capitalisation of $379 million as at 27 May 2011 and unaudited total equity of $634 million as at 31 December 2010.

PGG Wrightson is New Zealand's leading provider of agricultural services to growers, farmers and processors in New Zealand and internationally. Its operations are structured into 2 major business units:

- AgriServices – merchandising, livestock, insurance, real estate, irrigation and pumping and PGG Wrightson Finance
- AgriTech – seeds, nutrition and grain.

The Company was formed in October 2005 through the merger of rural services companies Pyne Gould Guiness Limited and Wrightson Limited. It employs more than 2,100 people and had annual revenue in excess of $1 billion in the year to 30 June 2010.

A detailed profile of the Company was set out in the Company's Target Company Statement dated 7 February 2011 that was sent to shareholders and hence is not replicated in this report so as to avoid repetition. The Target Company Statement can be found on the Company's website (www.pggwrightson.co.nz) in the *Investors Centre / Media Announcements 2011* section.

1.2 Agria Takeover Offer

On 24 January 2011, Agria (Singapore) Pte Limited (**Agria Singapore**) launched a partial takeover offer (the **Agria Takeover Offer**) in respect of 38.3% of the shares it did not already own in PGG Wrightson. The offer price was $0.60 cash per share.

Agria Singapore held 19.01% of the Company's shares prior to the Agria Takeover Offer. It received acceptances in respect of a further 59.15% of the Company's shares. The Agria Takeover Offer was declared unconditional on 23 April 2011. Agria Singapore was required to scale back acceptances so that its final shareholding in the Company was 50.01%, being 379,068,619 shares.

Payment for the acquisition of shares under the Agria Takeover Offer was made on 2 May 2011 and totalled approximately $141 million.

1.3 Agria Asia Share Placements

Agria Asia Investments Limited (**Agria Asia**) holds 100% of the shares in Agria Singapore.

Agria Asia was originally a wholly owned subsidiary of Agria Group Limited (**Agria Group**). Agria Group is a wholly owned subsidiary of Agria Corporation (a company listed on the New York Stock Exchange).

On 14 April 2011, Agria Singapore, Agria Group, Agria Asia and New Hope International (Hong Kong) Limited (**New Hope**) entered into a subscription agreement (the **New Hope Subscription Agreement**) whereby New Hope subscribed for 12,430,185 shares in Agria Asia (11.95% of the shares on issue) for a total consideration of US$20.0 million.

On 17 April 2011, Agria Group, Agria Asia, Agria Singapore and New Hope entered into a subscription agreement (the **Agria Subscription Agreement**) whereby Agria Group subscribed for 91,608,170 shares in Agria Asia (88.05% of the shares on issue) for a total consideration of US$147.4 million.

We refer to Agria Singapore, Agria Asia, Agria Group and Agria Corporation as the **Agria Entities**.

1.4 Sale of Shares to Ngai Tahu Capital

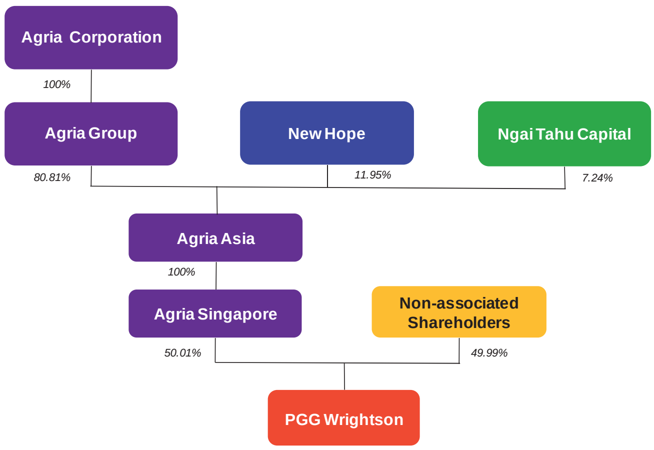
On 15 April 2011, Agria Group entered into a conditional sale and purchase agreement (the **SPA**) with Ngai Tahu Capital Limited (**Ngai Tahu Capital**) in respect of the sale of 7,529,648 shares in Agria Asia (7.24% of the shares on issue) for a consideration of NZ$15.0 million (the **Share Acquisition**).

The SPA is conditional on:

- the Agria Takeover Offer being successful. The Agria Takeover Offer was declared unconditional on 23 April 2011
- Agria Group, Agria Asia, Agria Singapore, New Hope and Ngai Tahu Capital (the **Parties**) entering into a shareholders' agreement relating to Agria Asia and Agria Singapore (the **Shareholders Agreement**). The Parties entered into the Shareholders Agreement on 17 April 2011
- the Share Acquisition being approved by an ordinary resolution of PGG Wrightson's shareholders who are entitled to vote.

1.5 Relationships Following Completion

Following the completion of the transactions discussed above, the relationships between PGG Wrightson, Ngai Tahu Capital, the Agria Entities and New Hope will be as follows:



An overview of the Agria Entities is set out in section 3 and an overview of Ngai Tahu Capital is set out in section 4.

1.6 Regulatory Requirements

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights (together with its associates) beyond 20% and
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(c) of the Code, enables a person and that person's associates to increase its control of voting rights beyond 20% by an acquisition of shares if the acquisition is approved by an ordinary resolution of the code company.

As a consequence of the Shareholders Agreement, Ngai Tahu Capital, Agria Singapore, Agria Group and New Hope are considered to be associates for the purposes of the Code.

The acquisition of shares in Agria Asia by Ngai Tahu Capital is considered under the Code to be an upstream acquisition of indirect control over the shares in PGG Wrightson held by Agria Singapore.

An upstream acquisition is defined as:

> *An acquisition that results in the acquirer of the upstream target becoming a controller of voting rights in a code company.*

While Ngai Tahu Capital is only acquiring a 7.24% shareholding in Agria Asia, for the purposes of the Code the Share Acquisition is classified as an upstream acquisition:

- Agria Singapore holds a 50.01% interest in PGG Wrightson following the completion of the Agria Takeover Offer
- Agria Singapore is wholly owned by Agria Asia
- Agria Group and New Hope currently own all of the shares in Agria Asia
- Ngai Tahu Capital, Agria Group and New Hope are considered to be associates by virtue of the Shareholders Agreement
- the Share Acquisition will result in Ngai Tahu Capital joining Agria Group and New Hope as associates in acquiring indirect control over 50.01% of the voting rights in the Company.

Accordingly, PGG Wrightson is required to seek shareholder approval of the Share Acquisition in accordance with Rule 7(c) of the Code. PGG Wrightson is holding a special meeting of shareholders on 28 June 2011 at which the Company's shareholders not associated with Ngai Tahu Capital, Agria Group, New Hope or Agria Singapore (the **Non-associated Shareholders**) will vote on an ordinary resolution in respect of the Share Acquisition.

Ngai Tahu Capital does not currently hold any shares in PGG Wrightson.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an acquisition under Rule 7(c).

This Independent Adviser's Report is to be included in the notice of meeting pursuant to Rule 15(h).

1.7 Purpose of the Report

The directors of PGG Wrightson not associated with Agria Singapore (being the directors other than Alan Lai and Tao Xie) (the **Independent Directors**) have engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the Share Acquisition in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 2 May 2011 to prepare the Independent Adviser's Report.

Simmons Corporate Finance issues this Independent Adviser's Report to the Independent Directors to assist the Non-associated Shareholders in forming their own opinion on whether to vote for or against the resolution in respect of the Share Acquisition.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the Share Acquisition in relation to each shareholder. This report on the merits of the Share Acquisition is therefore necessarily general in nature.

The Independent Adviser's Report is not to be used for any other purpose without our prior written consent.

This Independent Adviser's Report is not required to evaluate the merits of the Agria Takeover Offer, which has now been completed. For the avoidance of doubt, this report is not an Independent Adviser's Report prepared under Rule 21 of the Code in respect of the Agria Takeover Offer.

2. Evaluation of the Merits of the Share Acquisition

2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the Share Acquisition, having regard to the interests of the Non-associated Shareholders.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel guidance note on the role of independent advisers dated August 2007
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transactions
- overseas precedents
- the ordinary meaning of the term *merits*.

We are of the view that an assessment of the merits of the Share Acquisition should focus on:

- the rationale for the Share Acquisition
- the terms of the Share Acquisition
- the impact of the Share Acquisition on PGG Wrightson's financial position
- the impact of the Share Acquisition on the control of the Company
- other benefits and disadvantages to Ngai Tahu Capital of the Share Acquisition
- the benefits and disadvantages for the Non-associated Shareholders of the Share Acquisition.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

2.2 Summary of Evaluation of Merits

The need for PGG Wrightson shareholder approval of the Share Acquisition only arises because the Share Acquisition represents an upstream acquisition on the basis that Ngai Tahu Capital, Agria Singapore, Agria Group and New Hope are considered to be associates for the purposes of the Code. However, the substance of the transaction is that Ngai Tahu Capital is simply acquiring a 7.24% shareholding in Agria Asia.

The Share Acquisition will have negligible impact on the Non-associated Shareholders:

- it will have no impact on the Company's financial position
- it will have no dilutionary impact on their shareholding levels in PGG Wrightson
- it will have no impact on the Company's share price or the liquidity of the Company's shares
- it will have no impact on the attraction of PGG Wrightson as a takeover target.

Ngai Tahu Capital will have no direct shareholding in the Company. It will only have a minority interest in Agria Asia which already has indirect control over 50.01% of PGG Wrightson's shares.

Given that the Share Acquisition has negligible impact on the Non-associated Shareholders, we see no compelling reason for Non-associated Shareholders to vote against the resolution.

2.3 Rationale for the Share Acquisition

The substance of the Share Acquisition is that Ngai Tahu Capital will acquire a 7.24% shareholding in Agria Asia. It will hold a minority interest in a company that owns 100% of another company that holds 50.01% of the shares in PGG Wrightson.

The Share Acquisition allows Ngai Tahu Capital to co-invest alongside Agria Group and New Hope in PGG Wrightson via Agria Asia. Ngai Tahu Capital's NZ$15.0 million investment in Agria Asia equates to approximately 4% of PGG Wrightson's current market capitalisation.

2.4 Key Terms of the Share Acquisition and the Shareholders Agreement

Purchase Price

Agria Group will sell 7,529,648 shares to Ngai Tahu Capital for NZ$15.0 million (NZ$1.992 per share).

The purchase price of NZ$1.992 per share (US$1.609 per share) is the same price paid by Agria Group and New Hope for the shares they subscribed for under the Agria Subscription Agreement and the New Hope Subscription Agreement respectively.

Conditions

The Share Acquisition is conditional on:

- the Agria Takeover Offer being successful. The Agria Takeover Offer was declared unconditional on 23 April 2011
- the Parties entering into the Shareholders Agreement. The Parties entered into the Shareholders Agreement on 17 April 2011
- the Share Acquisition being approved by an ordinary resolution of PGG Wrightson's shareholders who are entitled to vote.

PGG Wrightson shareholder approval of the Share Acquisition is the last remaining condition to be met. The SPA requires the condition to be met by 31 August 2011.

Governance

The Shareholders Agreement provides Ngai Tahu Capital with the right to appoint one out of 7 directors on the Agria Asia and Agria Singapore boards. Agria Group, as the majority shareholder, has the right to appoint the chair.

Under the terms of the Shareholders Agreement, the Agria Asia shareholders undertake to take all action required to ensure that Agria Singapore appoints and maintains the appointment of a nominated representative of Ngai Tahu Capital as a director of PGG Wrightson, subject to that person being eligible and qualified for appointment.

Management

Management of Agria Asia and Agria Singapore vests in the companies' boards and is delegated to Agria Group's management.

2.5 Impact of the Share Acquisition on PGG Wrightson's Financial Position

The Share Acquisition involves Ngai Tahu Capital acquiring existing shares in Agria Asia from Agria Group. Ngai Tahu Capital will not be investing capital in PGG Wrightson nor acquiring any PGG Wrightson shares. Therefore the Share Acquisition will have no effect on PGG Wrightson's financial position.

2.6 Impact of the Share Acquisition on the Control of PGG Wrightson

No Change in Shareholding Levels

PGG Wrightson's top 10 shareholders as at 27 May 2011 are set out below.

10 Largest Shareholders

Shareholder	No. of Shares Held	%
Agria Singapore	379,068,619	50.01%
Pyne Gould Corporation Limited	72,171,074	9.52%
HSBC Nominees (New Zealand) Limited	20,727,919	2.73%
National Nominees New Zealand Limited	18,802,002	2.48%
Accident Compensation Corporation	13,806,967	1.82%
AMP Investments Strategic Equity Growth Fund	12,111,689	1.60%
Citibank Nominees (New Zealand) Limited	11,007,219	1.45%
New Zealand Superannuation Fund Nominees Limited	8,739,726	1.15%
NZ Guardian Trust Investment Nominees Limited	8,465,645	1.12%
HSBC Nominees (New Zealand) Limited	7,426,033	0.98%
	552,326,893	72.87%
Others (15,130 shareholders)	205,658,746	27.13%
Total	757,985,639	100.00%

Source: NZX Data

The Share Acquisition will have no effect on the number of PGG Wrightson shares on issue or the composition of the Company's shareholder base.

Board of Directors

PGG Wrightson currently has 8 directors, of whom Alan Lai and Tao Xie are Agria Singapore representatives.

As stated in section 2.4, the Shareholders Agreement requires that the Agria Asia shareholders undertake to take all action required to ensure that Agria Singapore appoints and maintains the appointment of a nominated representative of Ngai Tahu Capital as a director of PGG Wrightson.

We are advised by the Company that it is aware of the term in the Shareholders Agreement in respect of a Ngai Tahu Capital representative on the Company's board. However, at this point in time, Agria Singapore has not put forward any nominations for additional directors to be appointed to the PGG Wrightson board as the Shareholders Agreement will only commence once the Share Acquisition is approved by the Non-associated Shareholders and the Share Acquisition is completed.

Operations

We are advised by the Company that the Share Acquisition in itself is not expected to have any impact on PGG Wrightson's operations.

Following the success of the Agria Takeover Offer, the Agria Entities may well have a greater influence over the Company's operations, but this is not dependent on the Share Acquisition.

2.7 Benefits and Disadvantages for Ngai Tahu Capital

We view the primary benefit of the Share Acquisition to Ngai Tahu Capital is that it will enable Ngai Tahu Capital to co-invest with Agria Group and New Hope in an entity that holds a majority interest in PGG Wrightson.

For comparative purposes, based on its NZ$15.0 million investment in Agria Asia, Ngai Tahu Capital would hold a minority interest of approximately 4% if it were to instead invest directly in PGG Wrightson.

We note that Ngai Tahu Capital will only hold a minority interest in Agria Asia and will not have any significant control over the governance or operations of Agria Asia or Agria Singapore. It will however have the opportunity to have a representative appointed to the PGG Wrightson board.

2.8 Benefits and Disadvantages for the Non-associated Shareholders

No Impact on Share Price

As the Share Acquisition does not involve Ngai Tahu Capital acquiring shares in PGG Wrightson, we are of the view that the Share Acquisition will have no impact on PGG Wrightson's share price or the liquidity of the Company's shares.

No Dilutionary Impact

As the Share Acquisition involves Ngai Tahu Capital acquiring shares in Agria Asia rather than PGG Wrightson, there will be no dilutionary impact on the Non-associated Shareholders' levels of shareholding in the Company. The Non-associated Shareholders will continue to collectively hold 49.99% of the shares in the Company if the Share Acquisition is approved.

Likelihood of Takeover Offers does not Change

As the Share Acquisition only impacts on the shareholdings in Agria Asia, it will not have any impact on the attraction of PGG Wrightson as a takeover target either to Agria Singapore or to any other parties.

Non-associated Shareholder Approval is Required

Pursuant to Rule 7(c) of the Code, the Non-associated Shareholders must approve by ordinary resolution the Share Acquisition.

The Share Acquisition will not proceed unless the Non-associated Shareholders approve the ordinary resolution.

2.9 Implications of the Resolution not Being Approved

In the event that the resolution is not approved, then one of the conditions of the SPA will not be met and the Share Acquisition cannot proceed under the current terms of the SPA.

The SPA requires the Share Acquisition to be approved by the Non-associated Shareholders by 31 August 2011. If approval has not been received by that date, then either Agria Group or Ngai Tahu Capital may terminate the SPA and the parties will be released from performing their obligations under the agreement.

2.10 Voting For or Against the Resolution

Voting for or against the resolution in respect of the Share Acquisition is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

3. Overview of the Agria Entities

3.1 Agria Group Structure

The structure of the Agria Entities (in so far as they relate to PGG Wrightson) is set out in section 1.3.

A profile of the Agria Entities is set out in the PGG Wrightson Target Company Statement dated 7 February 2011 that was sent to shareholders in respect of the Agria Takeover Offer. In order to avoid repetition, it is not duplicated in detail in this report. Instead, an overview of the relevant Agria Entities is set out below.

3.2 Agria Corporation

Agria Corporation is a company incorporated in the Cayman Islands. It is listed on the New York Stock Exchange with a market capitalisation of US$72 million.

The company operates as an agriculture company in the People's Republic of China and is based in Beijing. It engages in the research and development, production and sale of upstream agriculture products in various categories, including corn seeds, sheep products and seedling and date products. The company also distributes corn seeds produced by other seed companies. In addition, it is involved in buying, raising and selling sheep and goats as well as the production and sale of frozen sheep semen and sheep embryos.

As at 31 December 2009, the company had access to approximately 28,600 acres of farmland and owned approximately 5,700 sheep and 1,600 goats.

A summary of Agria Corporation's recent financial results is set out below.

Agria Corporation Financial Results

	Year to 31 Dec 07 US$m	Year to 31 Dec 08 US$m	Year to 31 Dec 09 US$m
Revenue	91.8	68.6	25.9
EBITDA	44.5	8.4	(9.3)
Net income	19.5	(110.1)	(19.8)
Total assets	271.9	299.6	293.9
Total liabilities	(17.9)	(34.8)	(43.0)
Total equity	254.0	264.8	250.9

EBITDA: Earnings before interest, tax, depreciation and amortisation

Source: Capital IQ

3.3 Agria Group

Agria Group is a company incorporated in the British Virgin Islands. It is 100% owned by Agria Corporation.

3.4 Agria Asia

Agria Asia is a company incorporated in the British Virgin Islands on 26 November 2008.

It is a special purpose vehicle whose exclusive purpose is to hold 100% of the shares in Agria Singapore and the convertible redeemable notes previously issued by PGG Wrightson.

Agria Asia is currently owned by Agria Group and New Hope. Under the SPA, Agria Group is seeking to sell 7,529,648 shares in Agria Asia to Ngai Tahu Capital.

3.5 Agria Singapore

Agria Singapore is a company incorporated in Singapore on 12 August 2009. It is wholly owned by Agria Asia.

Agria Singapore is a special purpose vehicle whose exclusive purpose is to hold shares in PGG Wrightson.

4. Overview of Ngai Tahu Capital

4.1 Ngai Tahu Capital

Ngai Tahu Capital is the private equity and venture capital arm of Ngai Tahu Holdings Corporation Limited (**Ngai Tahu Holdings**).

Ngai Tahu Capital was incorporated on 29 January 1997. It is wholly owned by Ngai Tahu Holdings.

Ngai Tahu Capital's investment portfolio includes an 8.0% shareholding in Ryman Healthcare Limited and a variety of private equity investments.

4.2 Ngai Tahu Holdings

Ngai Tahu Holdings is the investment company of Te Rūnanga o Ngāi Tahu. It manages a diversified portfolio of investments across 4 subsidiary companies:

- Ngai Tahu Capital
- Ngai Tahu Property Limited
- Ngai Tahu Seafood Limited
- Ngai Tahu Tourism Limited.

Accordingly to the Charter of Te Rūnanga o Ngāi Tahu, the role of Ngai Tahu Holdings is to use, on behalf of Ngāi Tahu Charitable Trust, the assets of the trust allocated to it and "prudently to administer them and its liabilities by operating as a profitable and efficient business".

4.3 Te Rūnanga o Ngāi Tahu

Ngāi Tahu is the iwi comprised of Ngāi Tahu Whānui – the collective of the individuals who descend from the 5 primary hapū of Ngāi Tahu:

- Kāti Kuri
- Ngāti Irakehu
- Kāti Huirapa
- Ngāi Tūāhuriri
- Ngāi Te Ruahikihiki

and the iwi of Ngāti Māmoe and Waitaha.

Te Rūnanga o Ngāi Tahu was established by the Te Rūnanga o Ngāi Tahu Act 1996 to be the vehicle for protecting and advancing the Ngāi Tahu iwi's collective interests and ensure that the benefits of the settlement are enjoyed by Ngāi Tahu Whānui now and in the future.

A summary of Te Rūnanga o Ngāi Tahu's recent financial performance and position is set out below.

Te Rūnanga o Ngāi Tahu Financial Performance

	Year to 30 Jun 08 NZ$m	Year to 30 Jun 09 NZ$m	Year to 30 Jun 10 NZ$m
Revenue	179.5	166.1	145.8
Profit from ongoing trading operations [1]	35.2	23.9	38.8
Profit after taxation	64.2	19.7	27.2

1 Before interest, government grants, revaluations, taxation and tribal activities

Source: Te Rūnanga o Ngāi Tahu audited financial statements

Te Rūnanga o Ngāi Tahu Financial Position

	As at 30 Jun 08 NZ$m	As at 30 Jun 09 NZ$m	As at 30 June 10 NZ$m
Current assets	93.3	60.0	55.5
Non current assets	551.5	597.4	659.7
Total assets	644.8	657.4	715.2
Current liabilities	(131.0)	(81.6)	(24.7)
Non current liabilities	(0.2)	(49.1)	(120.3)
Total liabilities	(131.2)	(130.7)	(145.0)
Total equity	513.6	526.7	570.2

Source: Te Rūnanga o Ngāi Tahu audited financial statements

5. Sources of Information, Reliance on Information, Disclaimer and Indemnity

5.1 Sources of Information

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of special meeting
- the Agria Takeover Offer dated 24 January 2011
- the PGG Wrightson Target Company Statement dated 7 February 2011
- the New Hope Subscription Agreement between Agria Group, Agria Asia, Agria Singapore and New Hope dated 14 April 2011
- the SPA between Agria Group and Ngai Tahu Capital dated 15 April 2011
- the Agria Subscription Agreement between Agria Group, Agria Asia, Agria Singapore and New Hope dated 17 April 2011
- minutes of the PGG Wrightson Takeover Offer Response Committee between 24 December 2010 and 13 April 2011
- Te Rūnanga o Ngāi Tahu annual reports for the years ended 30 June 2009 and 2010
- data in respect of PGG Wrightson, Ngai Tahu Capital, Agria Group, Agria Asia, Agria Singapore and New Hope from various sources including NZX Data and Capital IQ.

During the course of preparing this report, we have had discussions with and/or received information from the Independent Directors and executive management of PGG Wrightson and PGG Wrightson's legal advisers.

The Independent Directors of PGG Wrightson have confirmed that we have been provided for the purpose of this Independent Adviser's Report with all information relevant to the Share Acquisition that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this Independent Adviser's Report.

In our opinion, the information set out in this Independent Adviser's Report is sufficient to enable the Independent Directors and the Non-associated Shareholders to understand all the relevant factors and to make an informed decision in respect of the Share Acquisition.

5.2 Reliance on Information

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by PGG Wrightson and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of PGG Wrightson. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

5.3 Disclaimer

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of PGG Wrightson will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of PGG Wrightson and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this report or to review, revise or update the report.

We have had no involvement in the preparation of the notice of special meeting issued by PGG Wrightson and have not verified or approved the contents of the notice of special meeting. We do not accept any responsibility for the contents of the notice of special meeting except for this report.

5.4 Indemnity

PGG Wrightson has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. PGG Wrightson has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.

6. Qualifications and Expertise, Independence, Declarations and Consents

6.1 Qualifications and Expertise

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

6.2 Independence

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with PGG Wrightson, Ngai Tahu Capital, Agria Group, Agria Asia, Agria Singapore or New Hope or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to this transaction.

Simmons Corporate Finance has not had any part in the formulation of the Share Acquisition or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the Share Acquisition. We will receive no other benefit from the preparation of this report.

6.3 Declarations

An advance draft of this report was provided to the Independent Directors for their comments as to factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

6.4 Consents

We consent to the issuing of this report in the form and context in which it is to be included in the notice of special meeting to be sent to PGG Wrightson's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.

Peter Simmons
Director
Simmons Corporate Finance Limited
30 May 2011

Proposed Sale of Shares in PGG Wrightson Finance Limited

Appraisal Report

On the fairness of the Proposed Transaction for PGG Wrightson Shareholders

June 2011

northington PARTNERS
investment banking • corporate finance

Table of Contents

ABBREVIATIONS AND DEFINITIONS

Abbreviations used in this report are as follows:

Adjusted NTA or Purchase Price	The NTA of PWF adjusted to take account of various items (as set out in Appendix II of this report)
Completion Date	The target date for the Proposed Transaction to take legal effect, being 31 August 2011
Crown Retail Guarantee	A guarantee given by the Crown pursuant to the Crown Retail Guarantee Scheme established pursuant to the Crown Retail Deposit Guarantee Scheme Act 2009
Debt Transfer	The termination of PWF's rights and obligations in respect of the PWF Debt Securities and the assumption of those rights and obligations by HBS
Distribution Agreement	A distribution and services agreement entered into between PGW and HBS pursuant to which PGW will promote the financial products of HBS to PGW customers in exchange for commission payments
Excluded Loans	Certain (mainly impaired) loans retained by PGW and not included as part of the Proposed Transaction
Excluded Loans Purchase Price	The book value of the Excluded Loans recorded three business days prior to the Completion Date
FY	Financial Year
HBS	Heartland Building Society
HBS Debt Securities	Bonds and Deposits issued by HBS
HNZ	Heartland New Zealand Limited
GFC	Global Financial Crisis
Master Trust Deed	A trust deed dated 29 October 2010 pursuant to which the HBS Debt Securities are issued
NBDT	Non bank deposit taker, being a person, other than a registered bank, that offers debt securities to the public within the meaning of the Securities Act 1978, and is in the business of borrowing and lending money, or providing financial services or both
NBDT Regulations	Prudential regulations introduced by RBNZ relating to (among other things) the governance and capital adequacy requirements of NBDTs
NTA	Net Tangible Assets
NZDX	The debt security market operated by NZX
NZSX	The main board equity security market operated by NZX
NZX	NZX Limited
Northington Partners	Northington Partners Limited
PGC	Pyne Gould Corporation Limited
PGW or Company	PGG Wrightson Limited
Proposed Transaction	The potential sale by PGW of all the shares in PWF to HBS
PWF	PGG Wrightson Finance Limited
PWF Bonds	Secured bonds issued by PWF pursuant to a Trust Deed dated 21 April 2005
PWF Debentures	Secured deposits and debentures issued by PWF pursuant to a Trust Deed dated 7 October 2004

PWF Debt Securities	Collectively, the PWF Bonds, PWF Debentures and PWF Deposits
PWF Deposits	Unsecured deposits of PWF
Sale and Purchase Agreement	An agreement dated 13 June 2011 relating to the sale of PGW's shares in PWF
SPV	A special purpose vehicle established by PGW for the purpose of purchasing the Excluded Loans
RBNZ	Reserve Bank of New Zealand
Recourse Loans	Certain loans which are covered by a Deed of Guarantee and Indemnity, providing HBS with recourse to recoup any losses on the prescribed loans from PGW

EXECUTIVE SUMMARY

BACKGROUND

PGG Wrightson Limited ("**PGW**" or "**Company**") is a New Zealand based company listed on the New Zealand Stock Exchange ("**NZSX**"). The Company is a specialist provider to the agricultural sector and offers a wide range of products, services and solutions to growers, farmers and processors in New Zealand and internationally. PGG Wrightson Finance Limited ("**PWF**") is a wholly-owned subsidiary of PGW and specialises in the provision of financial services to the rural sector.

PGW is contemplating the sale of all the shares in PWF to Heartland Building Society ("**HBS**"), a wholly-owned subsidiary of NZSX listed Heartland New Zealand Limited ("**HNZ**") (the "**Proposed Transaction**"). HNZ is an entity that was formed in January 2011 following the merger of Canterbury Building Society, MARAC Finance Limited, and Southern Cross Building Society. Until recently, HNZ was majority owned by Pyne Gould Corporation Limited ("**PGC**")[1], which also currently owns approximately 9.5% of the ordinary shares in PGW[2].

On 13 June 2011, PGW and HBS formally committed to progress the Proposed Transaction by signing a binding agreement for the sale and purchase of shares in PWF ("**Sale and Purchase Agreement**"). Subject to receiving all relevant regulatory and stakeholder approvals and the satisfaction of other conditions set out in the Sale and Purchase Agreement, the target date for the Proposed Transaction to take legal effect is 31 August 2011.

Key terms of the Proposed Transaction are as follows (more detailed terms are set out in Section 1.1):

- PGW will sell the PWF business to HBS for an amount equal to the net tangible assets ("**NTA**") of PWF, adjusted to take account of certain agreed items ("**Adjusted NTA**" or "**Purchase Price**"). Part of the consideration for the Purchase Price will be provided by PGW retaining certain (mainly impaired) loans ("**Excluded Loans**"). The difference between the Adjusted NTA and the book value of the Excluded Loans will be effectively paid by HBS to PGW in cash;

- PGW has granted HBS full recourse for a period of three years in relation to a prescribed set of loans with a current book value of $30.0 million ("**Recourse Loans**"). This arrangement allows HBS to recover any future losses suffered on these loans from PGW[3];

- PWF's secured bonds ("**PWF Bonds**"), secured debenture stock ("**PWF Debentures**") and unsecured deposits ("**PWF Deposits**") (collectively, the "**PWF Debt Securities**") will effectively be transferred into bonds and deposits issued by HBS ("**HBS Debt Securities**");

- PGW will subscribe for $10.0 million of new ordinary shares in HNZ, as part of a capital raising of at least $55.0 million that will be carried out by HNZ to support the Proposed Transaction. The price of the shares allotted to PGW will be determined using a mechanism linked to observed

---

[1] PGC owned approximately 72% of the shares on issue in HNZ immediately following the merger. PGC's shares in HNZ have subsequently been distributed (in late May 2011) on an in-specie basis to PGC shareholders and PGC no longer has a direct shareholding in HNZ.

[2] Subsequent to the recent takeover offer for PGW by Agria (Singapore) Pte Ltd ("**Agria**") becoming unconditional, PGC's shareholding in PGW has reduced from 18.3% to the current level of 9.5%.

[3] The arrangement also allows HBS to avoid any losses on the Recourse Loans by putting them back to PGW in return for payment of the face value of the loan.

market prices for HNZ shares during a defined period leading up to the allotment. Another institutional investor will also participate in the capital raising for $10.0 million of HNZ shares at the same price;

- A distribution and services agreement will be entered into between PGW and HBS ("**Distribution Agreement**") pursuant to which PGW will promote the financial products of HBS to PGW customers in return for commission payments.

As discussed in more detail in Section 1.2, the Proposed Transaction:

- Is subject to the NZX Listing Rules and requires the approval of the Company's shareholders by ordinary resolution. The Listing Rules apply because HNZ is a "related party" of PGW by virtue of PGC's former shareholdings in both PGW and HNZ.

- Must be separately approved by extraordinary resolution of the holders of each class of debt security comprising the PWF Debt Securities.

The independent directors of PGW have engaged Northington Partners to produce a report which examines the Proposed Transaction from the point of view of the PGW shareholders. The purpose of the report is to provide PGW shareholders with relevant information to assist them in their determination of whether to approve or reject the Proposed Transaction.

A full description of the scope of our report and the basis of the assessment is set out in Section 1.2. In relation to the Listing Rules requirements, the key focus of the report is a determination of whether the terms and conditions of the Proposed Transaction are fair to the PGW shareholders who are entitled to vote on the proposition.

SUMMARY OF OUR ASSESSMENT

We conclude that the Proposed Transaction is fair from the point of view of PGW shareholders. The main factors considered in forming this conclusion are as follows:

- The negotiated Purchase Price for PWF is based on the NTA of the business. We believe that this value benchmark appropriately reflects the issues and uncertainty that PWF currently faces, especially in relation to securing long-term funding to support its ongoing lending operations (partially reflecting PWF's sub investment grade credit rating). The operating environment for all participants in the Non-Bank Deposit Taker sector remains difficult, and the assessed value of PWF reflects the risks that will continue to affect its future performance.

- The Proposed Transaction has been structured so that PGW retains full exposure to a portfolio of PWF loans, the majority of which are currently impaired (i.e. the Excluded Loans). The Excluded Loans portfolio is made up of 18 individual loans with an estimated net value as at the Completion Date of approximately $90.0 million. In addition to the Excluded Loans, PGW will also provide HBS with full recourse over a further eight loans with a current book value of about $30.0 million. On the face of it, these arrangements are detrimental to PGW because it will bear the full cost of any further write-offs in relation to the selected loans.

- However, it is very likely that HBS would have required a significant discount to the Purchase Price without these arrangements and PGW believes that such a discount would significantly overstate the risk of further future losses. It is therefore in PGW's best interest to accept the on-going exposure to the identified loans in return for achieving a Purchase Price close to NTA. We also note that PGW will have the same downside risk exposure to these loans if the Proposed Transaction does not proceed.

- The Purchase Price is consistent with prices achieved from other transactions in the sector. All of the recent transactions that we have reviewed have taken place at a price equal to NTA or at a discount to NTA. Although we do not have access to the details, transactions like these often also include some element of recourse to the vendor for certain future loan losses.

- PGW has held informal discussions with other market participants since mid-2009 in relation to ascertaining potential interest in acquiring PWF. Although most of the discussions did not reach an advanced stage, all of the market feedback indicated interest at a price representing a discount to NTA. Assuming a competitive process was run today, we would not expect that the indicative bids would exceed the Purchase Price that has been negotiated with HBS.

- We believe that PGW's commitment to participate in the capital raising that HNZ will complete as part of the Proposed Transaction should be viewed as a separate component of the overall transaction. Because the investment of $10.0 million will take place on an arm's length basis on the same terms as another significant third party investor and at a price directly linked to the market value of HNZ, the commitment to participate should not be directly incorporated into the assessment of the fairness of the sale of the PWF shares.

- The terms and conditions of the Distribution Agreement were subject to significant arms' length negotiations, are broadly consistent with the terms and conditions we have observed in similar distribution arrangements, and appear commercially reasonable to both parties based on their respective objectives in entering into the agreement.

1.0 SUMMARY OF THE PROPOSED TRANSACTION AND SCOPE OF THIS REPORT

1.1 SUMMARY OF PROPOSED TRANSACTION

On 13 June 2011, PGW and HBS formally committed to progress the Proposed Transaction by signing the Sale and Purchase Agreement[4]. Among other things, the Sale and Purchase Agreement sets out the terms of the Proposed Transaction and the steps and conditions required to implement it.

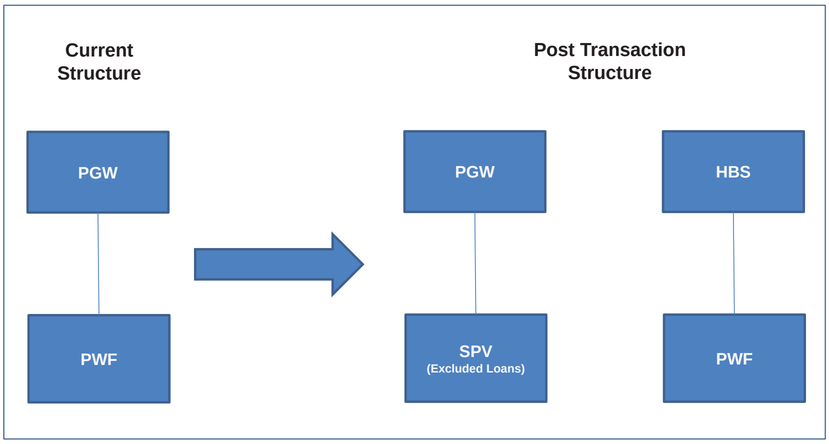
1.1.1 Transaction Steps and Structure

The Proposed Transaction involves the following principal steps:

- The establishment by PGW of a special purpose vehicle ("**SPV**");
- The transfer by PWF of the Excluded Loans to the SPV. This will result in a debt being owed by the SPV back to PWF, equal to the book value of the Excluded Loans recorded three business days prior to the Completion Date ("**Excluded Loans Purchase Price**");
- The sale by PGW of its shares in PWF to HBS[5], and the payment by HBS of the Purchase Price to PGW; and
- The payment of a portion of the Purchase Price received by PGW to the SPV sufficient to allow the SPV to pay the Excluded Loans Purchase Price to PWF.

An illustrative example of the Proposed Transaction steps is set out in Section 5.1.1 of this report (which provides a summary of the calculation of the Purchase Price and the anticipated money flows). Set out in Figure 1 below is a representation of the anticipated post transaction corporate structure.

Figure 1: Post Transaction Corporate Structure



Source: PGW Management

---

[4] Technically, the Sale and Purchase Agreement was entered into between PGW and HNZ. However, upon satisfaction of a key condition relating to the Crown Retail Guarantee (see Section 1.1.5 below), HNZ has agreed to procure that HBS purchase the shares in PWF. Accordingly, we have treated HBS as the purchaser of PWF's shares for the purposes of this report.

[5] The shares sold by PGW will include those shares resulting from the automatic conversion of PWF's preference shares into PWF ordinary shares if the Proposed Transaction is approved and implemented.

Other key terms of the Proposed Transaction include:

- HBS and PGW will enter into a Deed of Guarantee and Indemnity in relation to the Recourse Loans, with current book value of approximately $30.0 million. This arrangement provides HBS with a guarantee from PGW in relation to the future payment of principal and interest on the Recourse Loans for a prescribed period of three years;
- As noted below in Section 1.1.4, the Proposed Transaction is conditional on HNZ raising at least $55.0 million in new equity capital. PGW has agreed to participate in the capital raising for $10.0 million of ordinary shares in HNZ, based on the same price and terms as those to be agreed by another institutional investor which is also investing $10.0 million. We understand that:
  - the subscription price will be based on a mechanism linked to observed market prices for Heartland shares during a defined period leading up to the allotment date; and
  - HNZ's current intention is that the remainder of the required capital will be raised using an underwritten Share Purchase Plan offer to existing HNZ shareholders and possible further placements to institutional investors.
- PGW and HBS will enter into the Distribution Agreement pursuant to which PGW will promote HBS's financial products to PGW customers. PGW will be paid commissions by HBS in respect of PGW customers who avail themselves of certain HBS financial products.

We also note that if the Proposed Transaction does not proceed, PWF has the option (subject to both parties receiving all necessary consents) of requiring HBS to purchase PWF loans with face value of $50.0 million. Because this has been negotiated to provide PWF with a fallback liquidity option outside of the terms of the Proposed Transaction itself, this part of the overall agreement between the parties is not addressed further in our report.

1.1.2 Debt Security Holders

If the Proposed Transaction is successful, PWF's rights and obligations in respect of the PWF Debt Securities will be terminated and assumed by HBS through the issue of the HBS Debt Securities ("**Debt Transfer**"). Pursuant to the Debt Transfer process:

- The PWF Bonds will be de-listed from the NZDX and will become unsecured bonds issued by HBS ("**HBS Bonds**"). Once issued, HBS will apply for the HBS Bonds to be listed on the NZDX;
- The PWF Debentures will be terminated and replaced with unsecured debentures issued by HBS ("**HBS Debentures**"); and
- The PWF Deposits will be terminated and replaced with unsecured deposits issued by HBS ("**HBS Deposits**").

As a result of the Debt Transfer, the Trust Deed relating to the PWF Bonds and the separate Trust Deed relating to the PWF Debentures and PWF Deposits will be discharged and will be of no further effect. All PWF Debt Securities will become HBS Debt Securities issued pursuant to a Master Trust Deed dated 29 October 2010 between HBS and Trustees Executors Limited ("**Master Trust Deed**").

Pursuant to the Master Trust Deed:

- The HBS Debt Securities will be issued with substantially the same key terms and conditions as the PWF Debt Securities, with the only material difference relating to the security position of the HBS Debt Securities. In particular, the PWF Bonds and PWF Debentures that are currently "secured" claims on PWF will be replaced by "unsecured" HBS Bonds and HBS Debentures.

- The applicable payment terms, interest rate and maturity of the HBS Debt Securities will be the same as those existing for the PWF Debt Securities, and there will be no material change in the way customers use or operate their accounts.

- The HBS Debt Securities will be guaranteed by HBS, HBS's existing subsidiaries and, after the Debt Transfer, PWF.

1.1.3 Other Outcomes Resulting from the Proposed Transaction

If the Proposed Transaction is successful:

- Those debt securities comprising the PWF Debt Securities which immediately before the date of the Debt Transfer are covered by PWF's Crown Retail Guarantee will, from the Debt Transfer Date, be covered by the terms of HBS's Crown Retail Guarantee.

- A sale and purchase agreement between PWF and ASB Bank Limited ("**ASB**") dated 21 May 2008 ("**Risk Sharing Agreement**") will be terminated. The Risk Sharing Agreement established a facility under which PWF could sell, and ASB had to purchase, a proportion of the income stream of certain qualifying loans made by PWF to its customers. The sold portion of loans transferred pursuant to the facility (book value of $54.5 million as at 31 May 2011) must be re-purchased at book value by PWF from ASB upon termination of the Risk Sharing Agreement. With the exception of $15.3 million of the re-purchased loans that are impaired and will become Excluded Loans, the repurchased loans will form part of PWF's assets that are included in the Proposed Transaction. To assist PWF meet its repurchase obligations, HBS will provide PWF with a loan equal in amount to the book value of the repurchased loans.

- PWF's term bank facility with a facility limit of $100.0 million (undrawn as at 31 May 2011) and overdraft facility with a facility limit of $1.0 million (undrawn as at 31 May 2011) will be terminated.

1.1.4 Proposed Transaction Conditions

The Proposed Transaction is subject to a number of specific terms and general conditions, including (but not limited to):

- The receipt of all necessary approvals (see Section 1.1.5 below);

- HNZ raising new equity capital of at least $55.0 million; and

- PWF receiving duly executed employment agreements from a material percentage of certain classes of PGW employees.

1.1.5 Required Approvals for the Proposed Transaction

A number of key approvals are required to successfully complete the Proposed Transaction, including (but not limited to):

- **Crown Approvals**: The Treasury (on behalf of the Crown) approving the Proposed Transaction and agreeing that the HBS Debt Securities will, following the Debt Transfer, have the benefit of the

Crown retail deposit guarantee ("**Crown Retail Guarantee**") established pursuant to the Crown Retail Deposit Guarantee Scheme Act 2009 and extended in August 2009 until 31 December 2011.

- **Security Holder Approvals**: The PGW shareholders and the holders of PWF Debt Securities separately passing resolutions necessary to approve the Proposed Transaction and the necessary implementation steps.

- **NZX Waiver or Shareholder Approval**: HNZ obtaining a waiver from NZX in relation to compliance with certain Listing Rules or, failing such a waiver being granted, HNZ's shareholders passing an ordinary resolution to approve the Proposed Transaction.

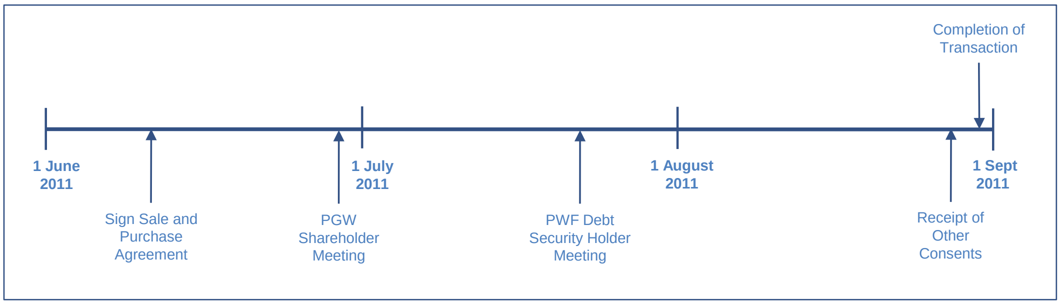
- **Bank Approvals**: Bank approvals in relation to the termination of PWF's Risk Sharing Agreement and bank facilities, together with any approvals required in relation to the Proposed Transaction under HNZ's bank facilities.

- **Trustee Approvals**: Relevant approvals from the Trustee in respect of the two Trust Deeds governing the issue of the PWF Debt Securities, as well as from the HBS Trustee.

1.1.6 Indicative Timetable

The indicative high-level timeline and steps to complete the Proposed Transaction are presented in Figure 2 below.

Figure 2: Indicative Proposed Transaction Timetable



Source: PGW Management and Sale and Purchase Agreement

1.2 REGULATORY REQUIREMENTS AND SCOPE OF THIS REPORT

1.2.1 Application of the NZSX Listing Rules

The Proposed Transaction is subject to NZSX Listing Rule 9.2 (Transactions with Related Parties). Rule 9.2.1 prevents a listed entity from entering into a material transaction with a related party unless the material transaction is approved by an ordinary resolution of the listed entity's shareholders. The Proposed Transaction represents a "material transaction" under the Listing Rules because:

- It constitutes a sale of assets of PGW that have an aggregate net value in excess of 10% of the weighted average market capitalisation of PGW during the 20 business days prior to the Proposed Transaction being announced to the market (Rule 9.2.2(a)); and

- Pursuant to the Distribution Agreement, PGW will provide services in respect of which the gross cost to PGW (ignoring any returns or benefits PGW may receive) could exceed an amount equal to

1% of the weighted average market capitalisation of PGW during the 20 business days prior to the Proposed Transaction being announced to the market (Rule 9.2.2(e)).

PGW and HNZ are related parties by virtue of the fact that PGC's shareholding in both entities exceeded 10% of the ordinary shares on issue in the six month period prior to the Proposed Transaction. PGC held an 18.3% stake in PGW before the completion of the partial takeover offer by Agria on 3 May 2011, and a 72.2% share of the issued equity of HNZ prior to the completion of PGC's in-specie distribution of its HNZ shareholding on 30 May 2011.

1.2.2 Requirements of the NZSX Listing Rules

As noted above, the Listing Rules require that the Proposed Transaction is approved by an ordinary resolution of PGW's shareholders. All shareholders are entitled to vote on the resolution except PGC and any other party that is an associated person of PGC (as defined by the Listing Rules) and any associated person of HNZ.

Listing Rule 9.2.5 requires that the notice of meeting sent to PGW shareholders outlining the Proposed Transaction must be accompanied by an Appraisal Report. This report represents the Appraisal Report required by the Listing Rules and, pursuant to Listing Rule 1.7.2, sets out our opinion on whether or not the consideration and the terms and conditions of the Proposed Transaction are fair to the PGW shareholders not associated with PGC and the grounds for that opinion.

For Listing Rules purposes, we also certify that:

- We believe that PGW's shareholders entitled to vote on the resolution in relation to the Proposed Transaction will be provided with sufficient information on which to make an informed decision. The main sources of information are this report and the Explanatory Memorandum containing the Notice of Meeting;
- We have been provided with all of the information that we believe is required for the purposes of preparing this report; and
- The material assumptions on which our opinion has been based are clearly set out in the body of this report.

1.2.3 Basis of Assessment

The key component of the Appraisal Report required by the Listing Rules is an assessment of the "fairness" of the transaction from the point of view of the non-associated shareholders in PGW. The exact meaning of the word "*fair*" is not prescribed in the Listing Rules and there is no well accepted, authoritative New Zealand reference that clearly establishes what should be considered for an assessment of this nature.

Statutory requirements within the Australian market are defined in somewhat more detail. The Australian Securities and Investments Commission has issued a policy statement regarding "Independent Expert Reports to Shareholders", which sets out some fundamental requirements for a report that is completed as part of a takeover offer for a public company. According to the policy statement, an offer is "fair" if the value of the consideration to be paid under the offer is equal to or greater than the value of the securities that are subject to the offer. We believe that this definition provides a useful starting point for assessing the fairness of both components of the Proposed Transaction to which the Listing Rules apply.

Sale of the PWF Business (Listing Rule 9.2.2(a))

In our view, the fairness of this aspect of the Proposed Transaction from the point of view of non-associated PGW shareholders can be determined by comparing the Purchase Price offered for the PWF business with the underlying value of the PWF business. In essence, this approach is the same as determining whether the Purchase Price offered by HBS is consistent with the consideration that would be expected if PWF was offered for sale via a contestable open market process.

Based on this assessment framework, our analysis and conclusions on the fairness of the Purchase Price for the sale of the PWF business to HBS is set out in Section 5.1 of this report.

Distribution Agreement (Listing Rule 9.2.2(e))

We suggest that the fairness of this aspect of the Proposed Transaction from the point of view of non-associated PGW shareholders can be determined by examining the terms and conditions of the Distribution Agreement and assessing whether or not they reflect the terms and conditions that could be expected if the agreement was negotiated on an arms' length basis with a non-associated party.

Our analysis and conclusions on the fairness of the Distribution Agreement is set out in Section 5.2 of this report.

1.2.4 Reliance on this Report

This report represents one source of information that PGW shareholders may wish to consider when forming their own view on the Proposed Transaction. It is not possible to contemplate all stakeholders' personal circumstances or investment objectives and our assessment is therefore general in nature. The appropriate course of action for each stakeholder is dependent on their own unique situation.

1.2.5 Primary Sources of Information and Limitations

The sources of information that we have relied on in preparing this report are set out in Appendix I.

This report is subject to all of the limitations and restrictions set out in Section 6.4. In particular, in preparing this report, Northington Partners has relied on information supplied by PGW, PWF and HBS has assumed the honesty and accuracy of this information. Northington Partners accepts no responsibility for inaccurate information supplied by PGW, PWF or HBS.

Our assessment is reliant on a number of key assumptions that have been outlined in this report. Should any of these assumptions not be accurate, our assessment and our conclusions could be materially affected.

2.0 ANALYSIS AND OUTLOOK FOR THE BANK AND NON BANK DEPOSIT TAKER SECTORS

2.1 ECONOMIC OVERVIEW

The New Zealand economy returned to growth in the second half of 2009 after a period of stress following the onset of the global financial crisis ("**GFC**") in 2008. Although growth continued in 2010, the economic recovery has been slow and patchy. Following growth of 0.6% and 0.2% in the March and June quarters respectively, the economy recorded no growth in the second half of the year (a decline in economic activity of 0.2% in the September quarter was offset by growth of 0.2% in the December quarter).

From the financial services sector perspective, key features of the New Zealand economy during 2010 included:

- New Zealand's banking system remained relatively strong, with all locally incorporated banks comfortably meeting regulatory requirements for core funding. Non-performing loans appeared to plateau, and bank profitability continued to improve.

- There was strong demand for New Zealand commodities from Asia, particularly dairy products and logs, driving up the level of exports.

- Domestic demand remained subdued, business confidence softened, and households and businesses restrained spending in an effort to reduce debt levels.

- Government debt remained modest compared to other OECD economies, notwithstanding an increase in public debt levels as a result of the September 2010 earthquake in Canterbury, modest levels of fiscal stimulus introduced following the GFC, and lower levels of tax revenue collected through continuing softness in economic activity.

Most economic commentators expect activity levels to decline in the March 2011 quarter due to the disruptions caused from the 22 February 2011 earthquake in Canterbury, with consumer spending, business activity, and tourism likely to be materially affected. The impacts of the earthquake are expected to see growth remain relatively weak over much of 2011, but with an improved position in 2012 as the rebuild gets underway and unemployment levels decrease as a result.

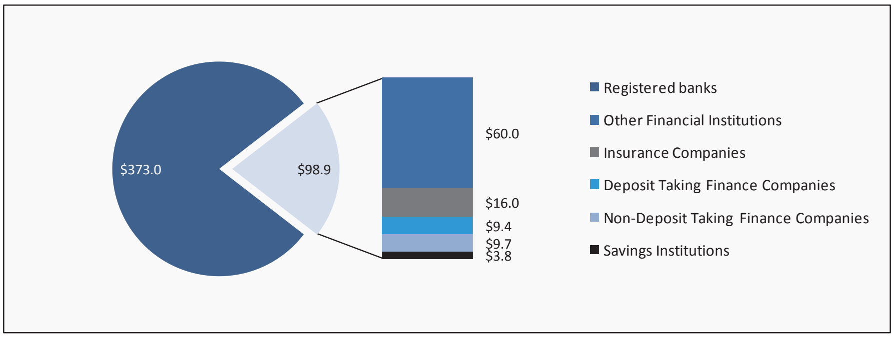
2.2 FINANCIAL SERVICES SECTOR

2.2.1 Overview

The Reserve Bank of New Zealand ("**RBNZ**") issues a *Financial Stability Report* in May and November of each year. In the Financial Stability Report issued in November 2010, New Zealand's financial system assets were valued at approximately $472 billion. Registered banks dominate the financial services sector, holding assets valued at approximately $373 billion, or 79% of total system assets. The non-bank deposit taker ("**NBDT**") sector (comprising deposit taking finance companies, building societies, credit unions and the PSIS) represented approximately 3% of total system assets, holding assets valued at approximately $13.2 billion.

A breakdown of New Zealand's financial system assets is set out in Figure 3 below.

Figure 3: New Zealand Financial System Assets



Source: RBNZ Financial Stability Report, November 2010

The focus in this section of this report is on the bank and NBDT sectors of the industry. Although currently PWF and HBS are both NBDTs, HBS has stated its intention to apply for a banking licence in 2011. Accordingly, a summary of the bank sector is included for completeness and to allow for a comparison with the NBDT sector.

2.2.2 Recent Market and Regulatory Changes

New Zealand has experienced significant changes in its market environment in the aftermath of the GFC. These changes include:

- The introduction by the New Zealand Government in October 2008 of the Crown Retail Guarantee scheme, designed to promote financial stability and maintain confidence in the financial system in line with the initiatives of most other developed economies. In August 2009, the scheme was extended until 31 December 2011.
- The collapse of more than 60 NBDTs (mainly finance companies) since May 2006, which has affected a substantial number of investors and resulted in asset losses of more than $5 billion.
- A greater understanding by investors, depositors and the public in general about the strength and relative risks of different financial institutions.
- A much sharper distinction drawn between banks and non-bank institutions, increasing the value of the bank “brand” relative to that of NBDTs.
- Greater competition for retail deposits as banks have looked to secure a greater share of funding from this source.
- Elevated funding costs arising from the higher cost of retail deposits and for long-term wholesale debt in offshore markets.
- The emergence of significant loan losses as a result of the weak economy.

In addition, there have been significant changes in the financial system’s regulatory landscape. A significant component of this stems from global efforts to strengthen financial regulation. The Basel Committee on Banking Supervision has recently announced updates to their guidelines for capital and banking regulations (known as “Basel III” guidelines), which include:

- Increasing the Tier 1 Capital ratio from 4.0% to 6.0% of risk-weighted assets. Of this 6.0%, banks are required to have a "core" Tier 1 ratio of 4.5%, comprising high quality capital including retained earnings and common equity capital.

- The addition of a "capital conservation buffer" of 2.5% of risk-weighted assets and a "countercyclical capital buffer" of up to an additional 2.5%, represented by common equity (or other full loss absorbing capital). The aim of this buffer is to force banks to start building up extra capital when supervisors see excessive credit in the system.

Although New Zealand is not compelled to incorporate the Basel III guidelines, the RBNZ has stated that it is generally supportive of the strengthening of international capital standards and believes there is a strong case to consider many of the proposed standards[6].

In addition to the RBNZ's recent efforts to enhance the resilience of the New Zealand financial system by developing a new liquidity regime for banks, the regulatory environment for NBDTs has also undergone a major change. A summary of recent changes ("**NBDT Regulatory Changes**") is as follows:

- In September 2008, the Reserve Bank of New Zealand Amendment Act 2008 introduced the RBNZ as prudential regulator of the NBDT sector.

- With effect from 1 September 2009, NBDTs were required to establish and maintain an appropriate risk management policy (the RBNZ issued guidelines in July 2009 to assist NBDTs meet this requirement).

- With effect from 1 March 2010, NBDTs with consolidated liabilities in excess of $20 million have been required to obtain a credit rating from a rating agency approved by the RBNZ.

- With effect from 1 December 2010, NBDTs must:

    - Include at least one quantitative liquidity requirement in their Trust Deed;

    - Meet minimum capital ratio requirements (8% for NBDTs holding a credit rating from an approved rating agency and 10% for NBDTs without a credit rating);

    - Adhere to minimum governance standards, including in relation to a requirement for an independent Chairman of the Board and two independent directors; and

    - Comply with new restrictions on the extent of related party exposures, which cannot exceed 15% of the NBDT's tier-one capital.

These changes in the market and regulatory environment, together with the expiry of the Crown Retail Guarantee scheme on 31 December 2011, imply a significant period of adjustment and consolidation for the financial system, concentrated in the NBDT sector.

[6] RBNZ Financial Stability Report, November 2010.

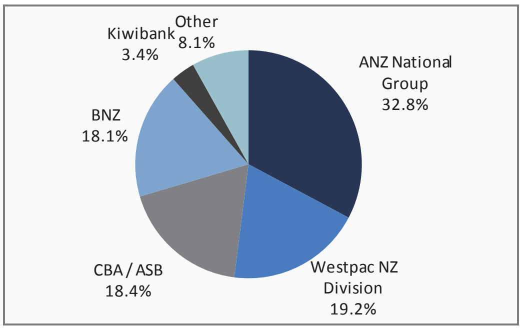
2.3 PROFILE OF THE BANK SECTOR

2.3.1 Key Players and Market Shares

There are currently 20 registered banks in New Zealand. The assets of the five major banks, ANZ National Bank Limited ("**ANZ National**"), Bank of New Zealand ("**BNZ**"), Commonwealth Bank of Australia/ASB Bank Limited ("**CBA/ASB**"), Westpac New Zealand Limited ("**Westpac NZ**") and Kiwibank Limited ("**Kiwibank**"), constitute approximately 92% of the total assets of all registered banks in New Zealand. With the exception of Kiwibank, the largest New Zealand banks are all subsidiaries of listed Australian banks.

Figure 4 below provides a breakdown of the market share of New Zealand's registered banks by total assets as at 31 December 2010.

Figure 4: New Zealand Registered Banks' Market Share by Total Assets (31 December 2010)

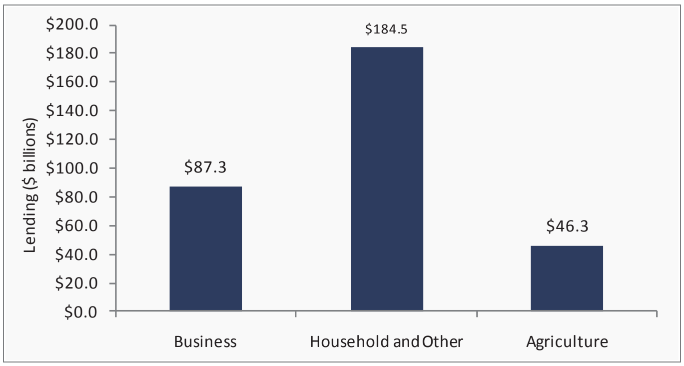


Source: RBNZ Financial Stability Report, May 2011

2.3.2 Lending by Sector

As illustrated in Figure 5 below, lending to the household sector dominates bank lending, followed by business lending and agricultural sector lending.

Figure 5: Bank Lending by Sector (31 March 2011)

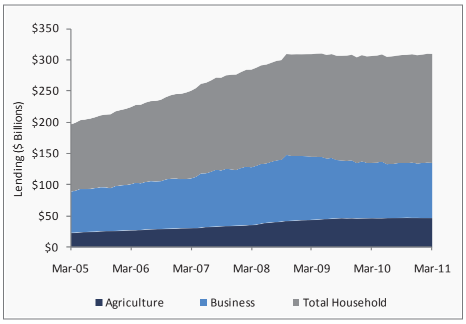


Source: RBNZ Statistical Table C7 (updated 29 April 2011)

Lending in the household sector is largely home loan mortgages, with many of these also supporting small businesses. Business lending is typically senior debt, as well as working capital facilities. Within the agricultural sector, lending is typically rural mortgages, with loans also to finance stock and seasonal working capital needs.

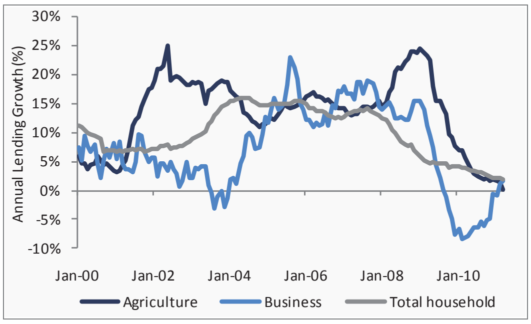
As illustrated in Figure 6 and Figure 7 below, the rate of growth in bank lending to the household, business and agricultural sectors has been in decline since late 2008 as a result of both declining credit demand and the tightening by banks of their lending standards. The decline in credit growth in the agricultural sector was particularly pronounced, falling from approximately 25% in 2009 to around 2% over 2010 and approximately 1% in the March quarter of 2011. Lending to the household sector grew at a modest 3.3% per annum over 2010 but slipped to around 2% in the March quarter of 2011. Although lending to the business sector remained in decline throughout 2010 (driven mainly be reduced lending for property and business services), small credit growth was recorded in February and March 2011.

Figure 6: Registered Bank Lending by Sector



Source: RBNZ Statistical Table C7 (updated 29 April 2011)

Figure 7: Registered Bank Lending Growth by Sector

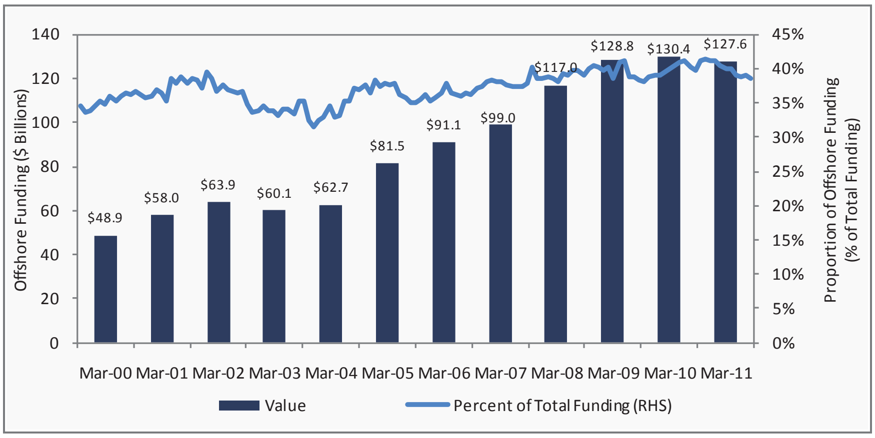


Source: RBNZ Financial Stability Report, May 2011

2.3.3 Funding

As set out in Figure 8 below, offshore funding constituted approximately 39% of total funding for New Zealand registered banks as at March 2011.

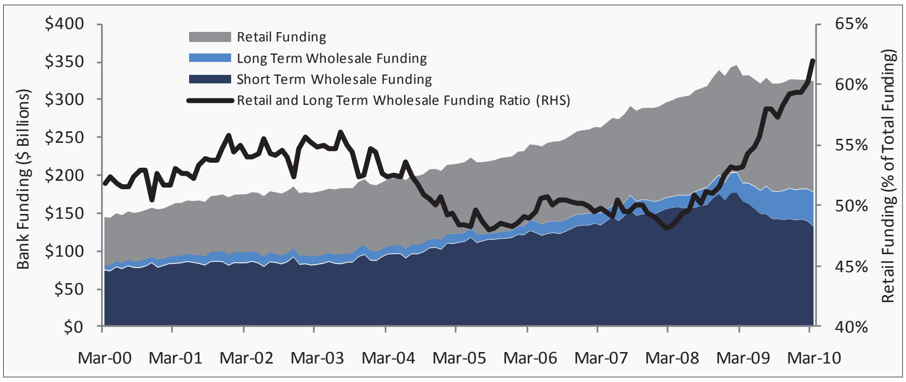
Figure 8: Offshore Bank Funding (March 2011)



Source: RBNZ Financial Stability Report, May 2011

Prior to the GFC, much of this offshore wholesale funding was sourced from short-term money markets as opposed to long-term bond markets. In response to the GFC, banks have looked to increase the proportion of offshore funding from long-term sources and to increase the share of retail deposits in their funding base (increasing their core funding ratio). Figure 9 below illustrates the composition of bank funding, which highlights the significant growth in retail and long term wholesale funding since early 2008, and the ratio of retail and long term wholesale funding to total loans and advances.

Figure 9: Composition of Bank Funding

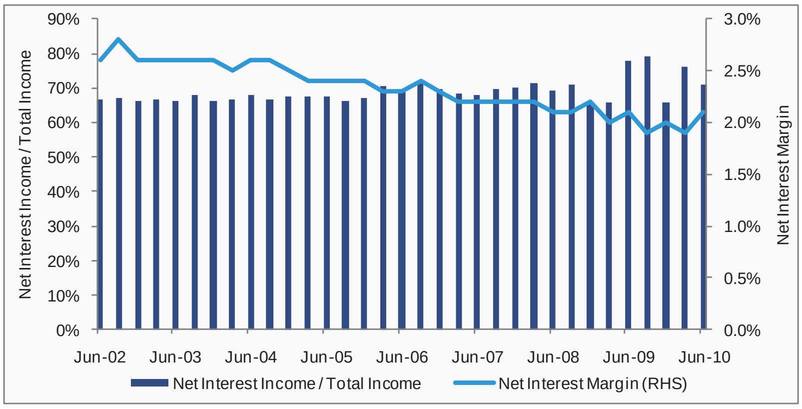


Source: RBNZ Financial Stability Report, May 2010

2.3.4 Sector Performance

As presented in Figure 10, net interest margins in the New Zealand banking sector have largely trended down from around 2003.

Figure 10: New Zealand Banks' Net Interest Margins



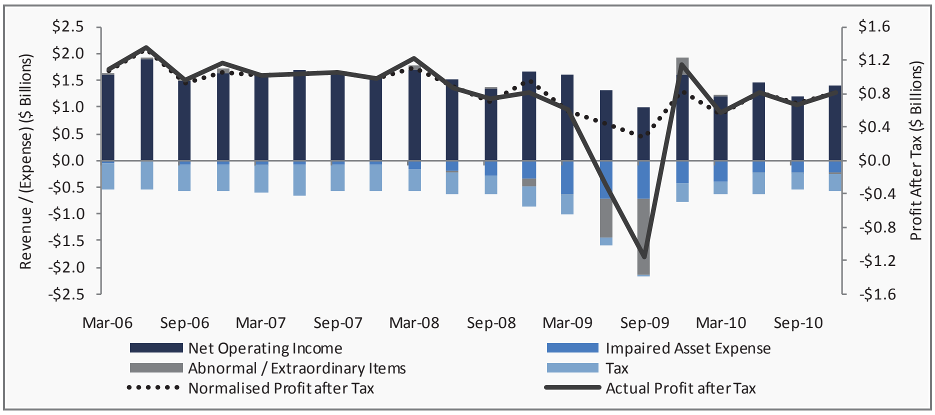
Source: RBNZ Financial Stability Report, November 2010

Initially, the decline reflected an environment of high credit growth and strong competition in which banks reduced margins but maintained profitability through increased volumes of business. Following the GFC, the declines reflect the increased funding costs faced by the banks as a result of strong domestic competition for retail deposits and the lengthening in the maturity of wholesale funding. The elevated funding costs which banks now face are likely to persist for some time. However, during 2010 the banks were able to pass through more of these costs to borrowers, resulting in a slight improvement in net interest margins. The extent to which net interest margins will continue to improve is likely to depend mainly on the strength of competition within the banking sector as lending growth resumes.

Profitability in the banking sector was eroded significantly in early-mid 2009 as a result of reduced income from slower credit growth, higher funding costs, increased impairment expenses, and for some banks provisioning for associated costs of litigation with Inland Revenue over structured finance transactions. Profits rebounded in the fourth quarter of 2009 reflecting mainly a decline in loan loss provisioning, a trend which continued through most of 2010 resulting in reasonably steady levels of profitability.

An illustration of New Zealand banks' aggregate quarterly income, expenses and profitability from March 2006 to December 2010 is set out in Figure 11 below.

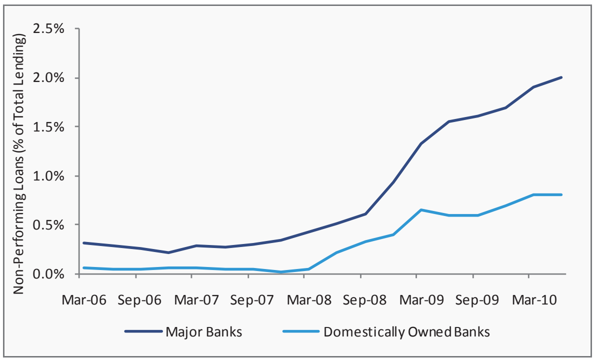
Figure 11: New Zealand Banks' Revenue, Expenses and Profitability



Source: RBNZ Financial Stability Report, May 2011

The recent increase in impairment expenses recorded by the banks reflects deterioration in asset quality as a result of the weak economic conditions. As indicated in Figure 12 below, non-performing loans for New Zealand's major banks increased from 0.3% of total lending in June 2007 to 2.0% in June 2010.

Figure 12: Registered Non-Performing Loans (% of Total Lending)



Source: RBNZ Financial Stability Report, November 2010

The four major Australian owned banks have been hit the hardest by non-performing loans, reflecting their different composition of earnings compared to the domestically owned retail banks that specialise in residential mortgages (and which showed lower impairment rates than corporate lending).

According to the RBNZ, most of the key drivers of the loan losses have abated since the middle of 2009 and the level of nonperforming loans may have peaked in some sectors, most notably the household sector. Support for this view can be seen in recent announcements by the major banks for the six months to 31 March 2011, which have continued to show a decrease in the level of impairment provisioning. However, the subdued and patchy nature of the economic recovery and the effects of the Christchurch earthquake suggest any improvement in non-performing loans is likely to be slow and will be sensitive to conditions within individual sectors.

2.3.5 Outlook and Trends

In the short-term, commentators expect the profitability of the banking system to improve as the economy recovers, credit growth picks up (albeit at more modest rates of growth compared to pre-GFC levels) and impairment expenses continue to decline.

Further out, we expect a decline in competitive intensity of the banking sector and further recovery of interest margins as a result of a number of factors, including:

- The high entry barriers posed by tighter regulation and increased prudential requirements;
- Significantly lower levels of domestic lending competition from the NBDT sector;
- Australian-owned banks looking to reduce their credit exposure to specific areas of the New Zealand economy;
- Some Australian-owned banks placing a greater priority on an expansion of their activities in Asian markets; and
- Most major banks looking to pass on their higher funding costs to customers.

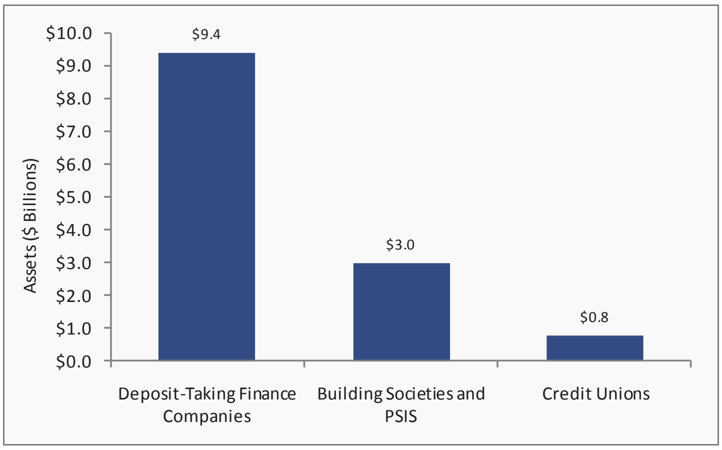
2.4 PROFILE OF THE NON-BANK DEPOSIT-TAKER SECTOR

New Zealand's NBDT sector is fragmented, with currently around 35 NBDTs operating with a registered prospectus[7]. Many of these NBDTs are focused on a particular geographical region and/or have specialist knowledge and expertise in specific industries.

As at June 2010, total assets in the NBDT sector totalled $13.2 billion, accounting for 2.8% of the combined assets of banks and non-bank lending institutions. Of this, the majority of assets were carried within deposit-taking finance companies which held $9.4 billion in total assets (including the now-failed Allied Nationwide Finance Limited, South Canterbury Finance Limited and Equitable Mortgages Limited). The remaining assets were held by credit unions and building societies. Figure 13 below provides a breakdown of the allocation of assets within the NBDT sector as at 30 June 2010.

[7] Source: www.interest.co.nz

Figure 13: NBDT Asset Allocation (as at 30 June 2010)

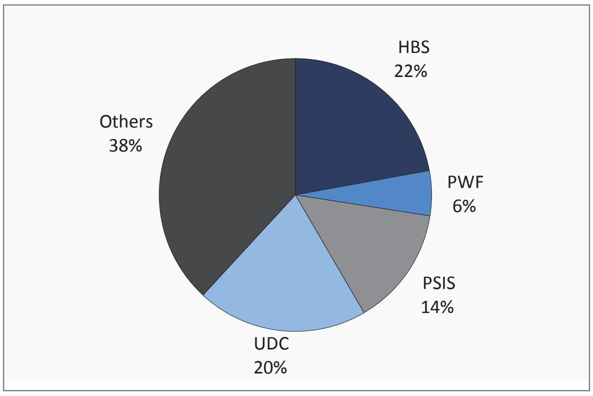


Source: RBNZ Financial Stability Report, November 2010

2.4.1 Key Players and Market Shares

As at 30 June 2010, the four largest NBDTs by total assets represented approximately 62% of the entire NBDT sector, as illustrated in Figure 14 below.

Figure 14: NBDTs' Market Share by Total Assets* as at 30 June 2010



Source: RBNZ Financial Stability Report, November 2010, company annual reports

* Excluding total assets of companies in receivership or statutory management as at 30 June 2010

Details on PWF and HBS are covered in Section 3.0 and Section 4.0 of this report, respectively. Summary details for UDC, PSIS and Fisher & Paykel Finance, being the other three significant NBDTs, are summarised in Table 1 below.

Table 1: Other Significant NBDTs

Name	Description
UDC	▸ Owned by ANZ National Bank. ▸ Total assets of approximately $2.1 billion as at 30 September 2010. ▸ Specialises in providing asset finance to businesses (vehicles and equipment) and individuals (vehicles). Further details can be obtained at: www.udc.co.nz

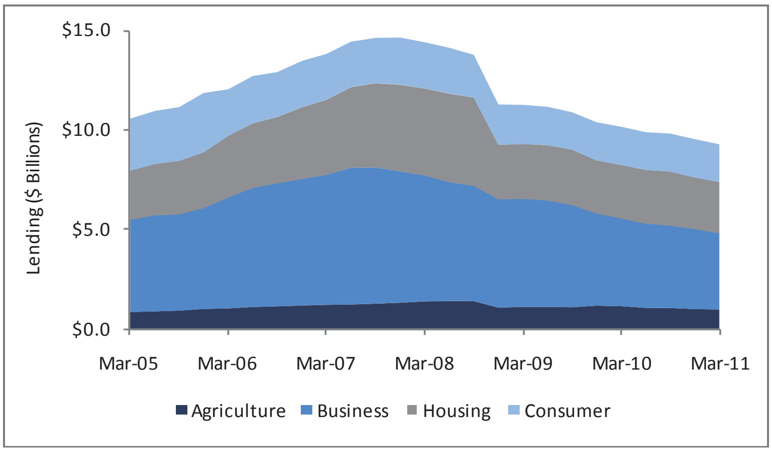
Name	Description
PSIS	‣ A co-operative that shares a similar structure to that of a building society. ‣ Total assets of approximately $1.4 billion as at 31 March 2010. ‣ Specialises in personal and residential property lending. Further details can be obtained at: www.psis.co.nz
Fisher & Paykel Finance	‣ A subsidiary of NZX listed entity Fisher and Paykel Appliance Holdings Limited. ‣ Net receivables of $601 million as at 31 March 2011. ‣ Provides specialist financial services to Fisher & Paykel merchants and other retailers. Further details can be obtained at: www.fpf.co.nz

Source: Annual Reports

2.4.2 Lending by Sector

As illustrated in Figure 15 below, during the period from 2005 to 2007, the NBDT sector exhibited a significant increase in lending to the housing and property development markets. As a result of the property market slow-down and the GFC, several finance companies collapsed. As at March 2011, total NBDT lending stood at approximately $9.3 billion. Lending to the business sector constituted the single biggest exposure (41.7% of total lending), followed by lending to the housing sector (27.6%), consumers (20.3%) and agriculture (10.5%).

Figure 15: NBDT Lending by Sector



Source: RBNZ Aggregate Statistical Returns (updated 29 April 2011)

Within the business and consumer segments, UDC and HBS dominate, with lending predominantly over plant and equipment and motor vehicles.

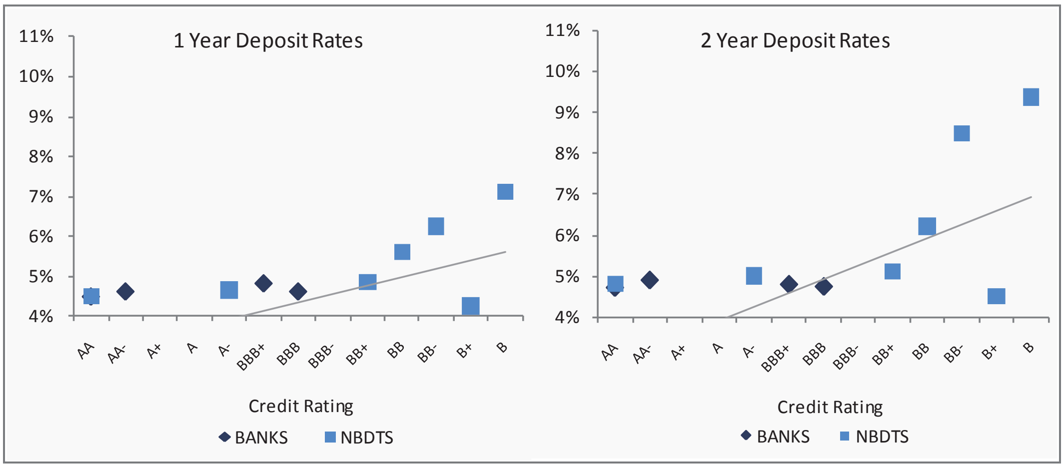
2.4.3 Funding Sources

Traditionally, NBDTs have relied heavily on retail funding. However, the recent failures in the finance company sector, together with the GFC, have negatively impacted investor confidence in the NBDT sector and resulted in a substantial fall in deposit re-investment rates and new issues of retail deposits.

Most surviving NBDTs are seeking to diversify their funding to maintain financial stability and to better manage liquidity. Those NBDTs of sufficient size and financial strength are seeking to achieve and maintain an investment grade credit rating to attract retail depositors as a core source of funding.

Retail funding represents a much higher proportion of NBDTs' total funding compared to the banks. As Figure 16 illustrates, as a general rule there is a clear cost advantage in having a higher credit rating for both registered banks and NBDTs, and banks typically enjoy a lower cost of funds than the NBDTs due to their higher ratings.

Figure 16: Average 1 Year and 2 Year Deposit Rates as at 4 May 2011 (Minimum $10,000 Deposit)



Source: www.interest.co.nz

2.4.4 Target Markets

As a result of higher funding costs compared to the banks, NBDTs have traditionally targeted segments of the lending market where borrowers may not fit the banks' lending criteria, which are generally higher risk and where they do not need to compete with the banks on price.

Table 2: Typical Target Markets for Banks and NBDTs

	Target Market	
Lending Sector	**NBDTs**	**Banks**
Property	Residential, commercial and industrial properties with a focus towards second or third mortgages and loans that do not comply with bank lending criteria, e.g. development projects.	Residential, commercial and industrial properties with a focus towards first mortgages.
Agriculture	Focus towards loans to stock and seasonal working capital needs.	Focus towards rural mortgages, e.g. mortgages over farms.
Commercial Finance	Financing for working capital needs, purchase of new machinery or equipment, and seasonal lending to businesses.	Financing for purchase of major assets and long-term debt financing to businesses.
Consumer Finance	Personal loans for general consumption such as cars, holidays and household goods to individuals and households with no credit history or a low credit score rating.	Personal loans for general consumption such as cars, holidays and household goods to individuals and households.

Source: Northington Partners' analysis

Although some overlap and certain exceptions exist, Table 2 above sets out a typical categorisation of the NBDT target markets compared to the banks. In some instances, the comparison is more valid on a historical rather than current basis (e.g. property development financing, where few (if any) NBDTs of significant size are currently active).

2.4.5 Sector Performance

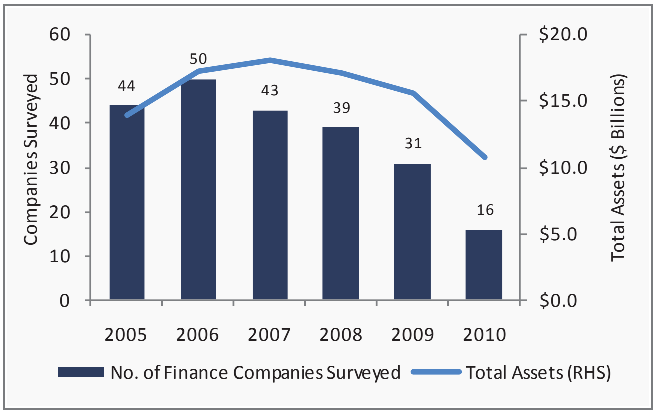
Profitability in the NBDT sector has declined significantly as a result of a deteriorating property market and generally weak economic conditions post the GFC. The economic downturn has resulted in higher impaired asset expenses, lower lending volumes and reduced interest margins. Non-performing loans have been particularly concentrated in deposit-taking finance companies, which is the largest part of the NBDT sector.

In 2009, finance companies and savings institutions surveyed by KPMG experienced a decline in net profit of 484% and 135%, respectively, relative to 2008 levels[8]. Impaired asset expenses increased 5.45% and 0.95%, respectively, over the same period. Although many NBDTs returned to profitability in 2010 as a result of improved net interest margins and a reduction in bad debt expenses, savings institutions showed the strongest performance. Some finance companies also returned to profit, but many continued to work through legacy issues with asset quality which impacted profitability (particularly those exposed to the property development market).

Beginning with the receivership of National Finance 2000 in May 2006, the NBDT sector has seen the collapse of more than 60 finance companies affecting over $6 billion in retail deposits. The most significant collapse was that of South Canterbury Finance, which was placed in receivership in August 2010 owing investors (most of whom were covered by the Deposit Guarantee Scheme) approximately $1.7 billion.

Figure 17 illustrates the reduction in the number and total assets of finance companies surveyed by KMPG over the last six years[9].

Figure 17: Finance Companies Surveyed and Total Assets



Source: KPMG Financial Institutions Performance Survey Review (2005 – 2010)

[8] Source: KPMG Financial Institutions Performance Survey (2009).

[9] Source: KPMG Financial Institutions Performance Survey (2005-2010) for companies with a minimum threshold of $50 million in total assets (2005 to 2009) and $100 million in total assets (2010).

2.4.6 Outlook and Trends

The outlook for the NBDT sector is for further adjustment and consolidation through the exit of a number of weaker players. The Crown Retail Guarantee scheme currently provides short-term certainty for investors in the limited number of NBDTs who have been accepted into the extended scheme. However, the expiry of the scheme on 31 December 2011 will expose a number of those remaining NBDTs to the impact of:

- New stringent prudential requirements;
- Higher funding costs; and
- Loss of investor confidence, particularly for firms that are heavily exposed to property lending.

The RBNZ May 2010 Financial Stability Report made the following observation:

"Inevitably, some of the weaker institutions within the current scheme may struggle to retain funding. In addition some institutions may find that the existing business models are no longer viable once the more stringent regulatory settings are taken to account."

3.0 PROFILE OF PWF

3.1 GENERAL OVERVIEW

PWF is a wholly-owned subsidiary of PGW and specialises in the provision of financial services to the rural sector. Although PWF as a legal entity was only formed recently following the 2006 merger of Wrightson Finance Limited and PGG Finance Limited, PGW can trace its origins to 1851 and its rural lending activities back more than a century. Further information on the history of PWF can be obtained from the company's website: www.pggwrightsonfinance.co.nz.

Table 3 below summarises key legal matters for PWF as at 31 March 2011.

Table 3: Key Legal Matters for PWF (as at 31 March 2011)

Item	Description
Commenced Trading	2006 (following the merger of Wrightson Finance Limited and PGG Finance Limited)
Legal Status	Limited Liability Company
Number of Shareholders	One, being PGW
Credit Rating (S&P)	BB (Stable)
Crown Retail Guarantee scheme	Yes

Source: PWF Website

3.2 LOAN BOOK OVERVIEW

A summary of PWF's loan book net receivables by lending category and sector concentration as at 31 December 2010 is set out below.

Table 4: PWF Net Receivables by Lending Category and Sector Concentration (as at 31 December 2010)

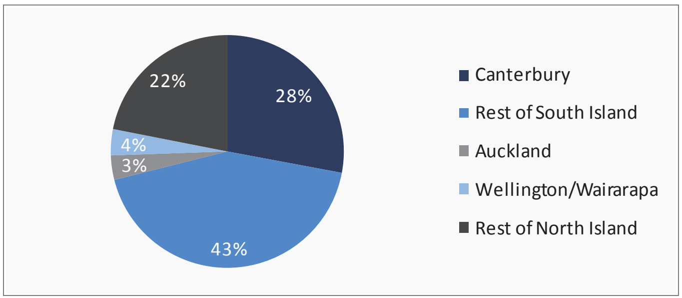
Lending Category	Value ($000s)	% of Total	Sector Concentration	Value ($000s)	% of Total
Residential/Commercial Mortgages	-	-	Sheep and Beef	275,225	56.0%
Business	-	-	Dairy	126,723	25.8%
Rural	463,771	94.3%	Arable	25,476	5.2%
Motor Vehicle	-	-	Horticulture/Viticulture	19,460	4.0%
Property Development	-	-	Deer	16,887	3.4%
Other	28,075	5.7%	Other	28,075	5.7%
Total	**491,846**	**100.0%**	**Total**	**491,846**	**100.0%**

Source: PWF Half Year Report December 2010

PWF's loan receivables are heavily focused in the South Island, which comprised approximately 71% of the loan book as at 31 December 2010. Consistent with PWF's focus on rural lending, the vast majority of the company's exposure to the North Island is concentrated outside of the two largest centres of Auckland and Wellington.

Figure 18 summarises the loan book receivables by geography for PWF as at 31 December 2010.

Figure 18: PWF Net Receivables by Geography (31 December 2010)



Source: PWF Half Year Report December 2010

Almost all of PWF's lending is done on a secured basis, with loans secured by first mortgage comprising the large majority of net receivables. Table 5 provides a summary of PWF's lending by security type as at 31 December 2010.

Table 5: PWF Net Receivables by Security Type (31 December 2010)

Security Type	Value ($000s)	% of Total
First Mortgage	425,757	86.6%
Second Mortgage	25,552	5.2%
First GSA or SSA	31,549	6.4%
Other Security	7,731	1.6%
Unsecured	1,257	0.2%
Total	**491,846**	**100.0%**

Source: PWF Management

3.3 FUNDING OVERVIEW

PWF Debentures are the main source of funding for PWF, comprising over half of total available funding. A summary of the sources of funds utilised and available to PWF as at 31 March 2011 is set out below.

Table 6: PWF Sources of Available Funding (31 March 2011)

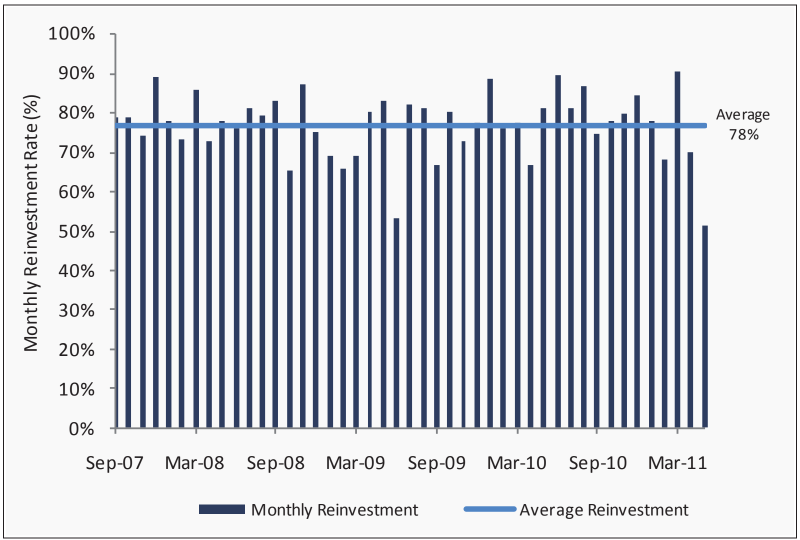
Funding Source	Value ($000s)	% of Total
Deposits	58,605	11.3%
Debentures	265,086	51.1%
Bonds	94,078	18.1%
Retail Funding	**417,769**	**80.5%**
Drawn Bank Facilities	0	0.0%
Undrawn Bank Facilities	101,000	19.5%
Wholesale Funding	**101,000**	**19.5%**
Total Available Funding	**518,769**	**100.0%**

Source: PWF Management

A principal focus of PWF's retail funding strategy over recent years has been retaining the existing depositor and debenture holder base. Figure 19 below sets out the monthly deposit and debenture reinvestment rates for PWF between September 2007 and May 2011. The key feature of the data is the relatively high reinvestment rates that have been maintained by PWF throughout this period, at a time when the reinvestment rates for many other NBDTs decreased dramatically in response to the high failure rate of entities operating in the finance company sector.

During a period in which many other NBDTs were unable to maintain reinvestment rates above 50%, depositors and debenture holders of PWF have rolled over their investments at an average rate of 78%. Reinvestment rates have however fallen over the last two months. Part of the fall reflects the withdrawal of deposits that were originally attracted at special premium interest rates that are no longer offered.

Figure 19: PWF Historical Reinvestment Rates



Source: PWF Management

3.4 FINANCIAL SUMMARY

3.4.1 Historical Financial Performance

Table 7 below summarises the historical financial performance of PWF for the period FY2007 to FY2010, together with the half year ending 31 December 2010.

Table 7: PWF Statement of Historical Financial Performance

Item	FY2007 ($000)	FY2008 ($000)	FY2009 ($000)	FY2010 ($000)	HY2011 ($000)
Interest Income	37,877	49,678	56,685	58,730	28,517
Interest Expense	(25,064)	(34,322)	(37,758)	(30,357)	(16,258)
Net Interest Income	**12,813**	**15,356**	**18,927**	**28,373**	**12,259**
Other Income	-	338	916	925	476
Net Impairment Losses	480	(266)	(2,877)	(8,949)	(5,685)
Operating Expenses	(4,745)	(6,852)	(6,708)	(7,056)	(4,436)
EBITDA	**8,548**	**8,576**	**10,258**	**13,293**	**2,614**
Depreciation and Amortisation	(102)	(163)	(148)	(198)	(99)

Item	FY2007 ($000)	FY2008 ($000)	FY2009 ($000)	FY2010 ($000)	HY2011 ($000)
Operating Profit	**8,446**	**8,413**	**10,110**	**13,095**	**2,515**
Non-Operating Items	-	-	-	-	(126)
Fair Value Adjustments	(207)	245	1,002	(338)	84
Profit Before Income Tax	**8,239**	**8,658**	**11,112**	**12,757**	**2,473**
Income Tax Expense	(2,787)	(2,839)	(3,334)	(3,824)	(1,144)
Profit After Income Tax	**5,452**	**5,819**	**7,778**	**8,933**	**1,329**
Change in Fair Value of Hedges	-	(52)	5,146	(2,992)	(165)
Comprehensive Income After Tax	**5,452**	**5,767**	**12,924**	**5,941**	**1,164**

Book Value of Shareholders' Equity	40,625	53,892	66,816	100,375	100,175
ROE[1]	13.4%	10.8%	11.6%	8.9%	2.7%
Operating Expenses / Net Interest Income[2]	37.0%	44.6%	35.4%	24.9%	36.2%

Source: PWF Annual Reports and Half Year Report December 2010

(1) Calculated as Profit after Income Tax divided by Book Value of Shareholders' Equity

(2) Calculated as Operating Expenses divided by Net Interest Income

The main features of PWF's historical financial performance can be summarised as follows:

- Interest income increased over the historical period principally as a result of increases in the size of PWF's loan book (the timing of loan repayments accounted for the increase in interest income in FY2010 notwithstanding that the loan book decreased by approximately $30 million as at 30 June 2010 compared to the previous year end).

- Net interest income increased during the period FY2007 to FY2009 broadly in line with increases in the size of PWF's loan book as the ratio of interest bearing liabilities to loan receivables remained relatively constant. The significant increase in net interest income from $18.93 million in FY2009 to $28.37 million in FY2010 was attributed to a combination of:

  - An increase in average net interest margin (resulting from a decrease in funding costs on reinvested deposits and debentures compared to locked-in interest rates charged on existing loans and higher interest rates required for new lending to reflect the post-GFC credit environment); and

  - A decrease in the ratio of interest bearing liabilities to loan receivables following the approximate $34 million equity capital raising conducted in FY2010.

- Operating expenses increased from $4.7 million in FY2007 to $7.1 million in FY2010. However, the cost to income ratio fell from a peak of 44.6% in FY2008 to a low of 24.9% in FY2010 as income growth exceeded the growth in operating expenses. The cost to income ratio increased to 36.2% in HY2011, close to the 35.4% level experienced in FY2009, reflecting increased costs associated with compliance with the NBDT Regulations and a decrease in annualized net interest income.

- Impairment expenses rose significantly from modest levels in FY2008 to a peak of approximately $9 million in FY2010, reflecting the impact of the tougher operating conditions for PWF's customers in the post GFC environment. However, the significant increase in net interest income in FY2010 allowed PWF to absorb the impact of these higher impairment expenses and record a profit after income tax of $8.93 million, up from $7.78 million in FY2009.

- PWF's return on equity ("**ROE**") increased from 10.8% in FY2008 to 11.6% in FY2009 as profitability improved and the level of share capital remained constant. Profit after income tax increased further in FY2010, although ROE decreased to 8.9% primarily as a result of the approximate $34 million equity capital raising conducted during the financial year which increased PWF's share capital from $31.50 million to $65.35 million.

3.4.2 Historical Financial Position

Table 8 below summarises PWF's historical financial position as at 30 June for the period FY2007 to FY2010, together with the position as at 31 December 2010.

Table 8: PWF Statement of Historical Financial Position

Item	As at 30 Jun 07 ($000)	As at 30 Jun 08 ($000)	As at 30 Jun 09 ($000)	As at 30 Jun 10 ($000)	As at 31 Dec 10 ($000)
Assets					
Cash & Equivalents	-	625	3,779	9,277	21,188
Investments	-	-	-	-	-
Receivables	394,443	502,591	559,659	530,119	491,846
Other Assets	1,989	3,577	2,071	3,439	4,138
Derivative Assets	760	295	7,575	1,979	1,806
Intangible Assets	208	96	1,163	1,180	1,225
Deferred Tax Assets	866	280	1,228	3,668	5,612
Total Assets	**398,266**	**507,464**	**575,475**	**549,662**	**525,815**
Liabilities					
Deposits & Other Borrowings	96,810	91,804	83,032	70,819	65,027
Derivative Liabilities	2,486	1,259	2,488	222	129
Creditors	702	1,062	4,943	3,744	4,191
Tax Payable	2,347	1,768	2,082	6,264	1,736
Term Bank Facility	74,000	140,000	71,500	21,000	-
Securitisation	-	-	-	-	-
Bonds	44,442	44,751	123,564	99,658	94,097
Secured Debentures	136,854	172,928	221,050	247,580	260,460
Total Liabilities	**357,641**	**453,572**	**508,659**	**449,287**	**425,640**
Equity					
Share Capital	24,000	31,500	31,500	65,350	65,350
Cash Flow Hedge Reserve	(950)	(1,002)	4,274	1,282	1,117
Retained Earnings	17,575	23,394	31,042	33,743	33,708
Total Equity	**40,625**	**53,892**	**66,816**	**100,375**	**100,175**

Source: PWF Annual Reports and Half Year Report December 2010

3.5 OUTLOOK

We do not have access to a set of financial projections for the PWF business. We understand that while the PWF Directors and management have been actively considering a three year plan for PWF under the current ownership structure, that process has been delayed pending the Proposed Transaction.

However, based on our understanding of the PWF business model and discussions we have held with PWF senior management on business planning and the future operating conditions PWF is likely to face, we set out below our high-level observations regarding PWF's future prospects as a standalone entity assuming the Proposed Transaction does not proceed. In the short-medium term, we would expect:

- Increasing pressure on access to funding as bondholders, debenture holders and depositors adjust to structural changes in the NBDT sector. We consider there to be a reasonable degree of uncertainty about how investors in the PWF Debt Securities will behave when the Crown Retail Guarantee scheme expires on 31 December 2011; this uncertainty is amplified by PWF currently operating with a sub investment grade credit rating. To alleviate liquidity pressures that would likely result from any fall-off in reinvestment rates, we envisage PWF would seek to broaden its funding base, including the possible addition of a securitization facility.

- The PWF loan book to reduce in size to a level (likely below $400 million) that provides a greater degree of comfort around the ability of the business to be sustainably funded. Balance sheet resizing could either be achieved gradually by reducing the level of new lending, or more quickly by securitizing or selling existing loan assets.

- Impairment expenses to return to a normalised level as the impact of legacy lending on higher value/higher risk loans reduces, helping to stabilise overall business profitability. However, we would anticipate the level of profitability in absolute dollar terms to reduce commensurate with a reduction in the size of the PWF loan book and possibly also from competitive pressures as other market participants such as HBS consider moving into PWF's traditional lending space.

- Operating expenses to remain low compared to PWF's peers, but with an increase in the cost to income ratio over current levels reflecting higher costs associated with meeting ongoing NBDT Regulations and a reduction in economies of scale as the balance sheet is resized.

- ROE to improve from current levels as credit markets rebound, impairment expenses reduce and net interest margins improve on the back of a refocusing of PWF's product mix to higher yielding products.

- An improvement to PWF's current BB (Stable) S&P credit rating may be difficult to achieve without changes to the current structure and environment.

4.0 PROFILE OF HBS

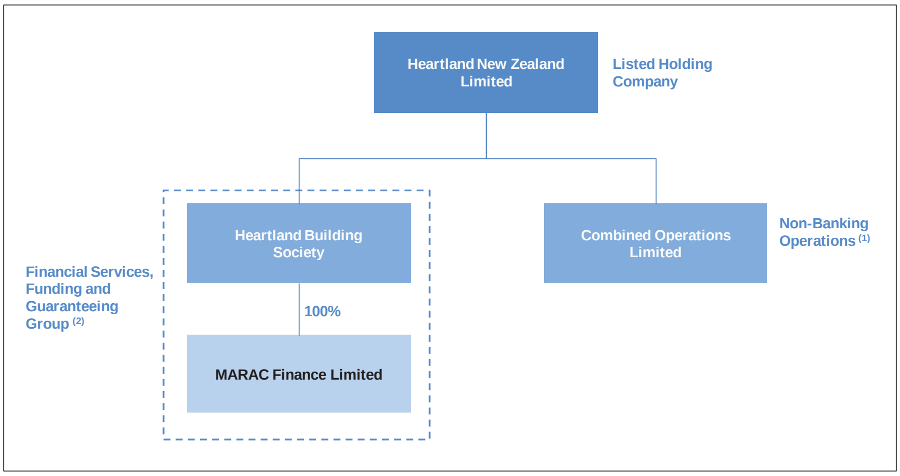
4.1 GENERAL OVERVIEW

HBS is a building society established under the Building Societies Act 1965. HBS is the principal operating subsidiary of HNZ and comprises the former businesses of Canterbury Building Society and Southern Cross Building Society, and a 100% shareholding in MARAC Finance Limited[10]. The HNZ group was formed following a series of transactions during the period from 5 to 7 January 2011:

- On 5 January 2011, the assets and liabilities of Canterbury Building Society and Southern Cross Building Society were transferred to form HBS, and the shares of MARAC Finance Limited were then also transferred to HBS; and
- On 7 January 2011, Canterbury Building Society and Southern Cross Building Society were amalgamated into the HNZ group.

A simplified diagram showing the corporate structure of the HNZ group is set out below.

Figure 20: HNZ Group Structure



Source: HNZ Interim Financial Statements for the period 1 July 2010 to 7 January 2011

(1) Includes a 50% shareholding in MARAC JV holdings, which owns all of the shares in MARAC Insurance Limited

(2) The guaranteeing group includes VPS Properties Limited and VPS Parnell Limited

The key planks of HBS's stated competitive strategy revolve around leveraging existing local affinities, a targeted receivables strategy, and a "customer first" rather than a product focussed approach. Based on this strategy, and as part of the staged integration of the three entities that merged to form the HBS group, HBS intends to have a divisional structure comprising a retail/consumer unit, a business unit, and a rural unit. This structure reflects the customer base of HBS and its product offering, which includes:

- A variety of consumer and commercial lending products;

[10] The HBS group also includes two property companies wholly owned by HBS: VPS Properties Limited and VPS Parnell Limited.

- Home loans;
- Term investment and savings accounts;
- Finance solutions for small to medium businesses, including working capital finance;
- Finance solutions for the rural sector, including seasonal and working capital finance;
- A limited number of insurance products; and
- Transactional banking services (including cheque accounts, cash cards, internet-banking, telephone banking and foreign exchanges services).

Further information on HBS can be obtained from the website: www.heartland.co.nz.

Table 9 below summarises key legal matters for HBS as at 31 March 2011.

Table 9: Key Legal Matters for HBS (as at 31 March 2011)

Item	Description
Commenced Trading	5 January 2011
Legal Status	Registered Building Society
Number of Shareholders	One, being HNZ
Credit Rating (S&P)	BBB- (Stable)
Crown Retail Guarantee scheme	Yes

Source: HBS Website

4.2 LOAN BOOK OVERVIEW

A summary of HBS's loan book net receivables by lending category and sector concentration as at 5 January 2011 is set out below.

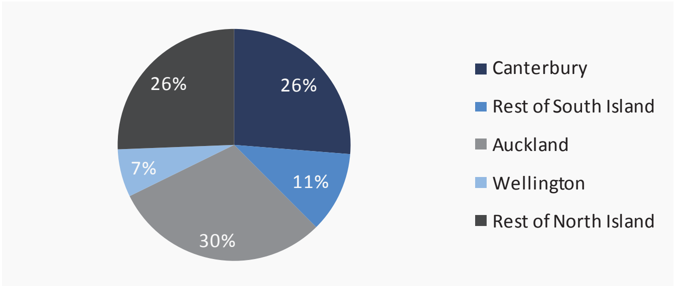
Table 10: HBS Net Receivables by Lending Category and Sector Concentration (as at 5 January 2011)

Lending Category	Value ($000s)	% of Total	Sector Concentration	Value ($000s)	% of Total
Residential/Commercial Mortgages	597,344	34.0%	Consumer and Personal	827,109	47.1%
Business	421,655	24.0%	Property	307,439	17.5%
Rural	70,276	4.0%	Agriculture, Forestry and Fishing	185,192	10.5%
Motor Vehicle	474,362	27.0%	Wholesale and retail trade	143,795	8.2%
Property Development	140,552	8.0%	Transport and Storage	73,023	4.2%
Other	52,707	3.0%	Other	220,337	12.5%
Total	**1,756,895**	**100.0%**	**Total**	**1,756,895**	**100.0%**

Source: HBS Interim Financial Statements for the period 1 July 2010 to 5 January 2011

As indicated in Figure 21 below, a high level of geographical diversity exists within the HBS loan book.

Figure 21: HBS Net Receivables by Geography (as at 5 January 2011)



Source: HBS Interim Financial Statements for the period 1 July 2010 to 5 January 2011

As set out in Table 11, virtually all of HBS's lending is done on a secured basis. The classification of the loan book by security type reflects that the majority of HBS property lending is secured by first mortgage, while over 40% of the total receivables book is subject to PPSR security relating to asset lending.

Table 11: HBS Net Receivables by Security Type (as at 5 January 2011)

Security Type	Value ($000s)	% of Total
First Mortgage	713,428	40.6%
Second Mortgage	90,282	5.1%
PPSR	761,802	43.4%
Other Security	186,929	10.6%
Unsecured	4,454	0.3%
Total	**1,756,895**	**100.0%**

Source: HBS Management

4.3 FUNDING OVERVIEW

Retail funding (comprising deposits and bonds) constitutes the vast majority of funding for HBS. A summary of the sources of funds utilised and available to HBS as at 5 January 2011 is set out below.

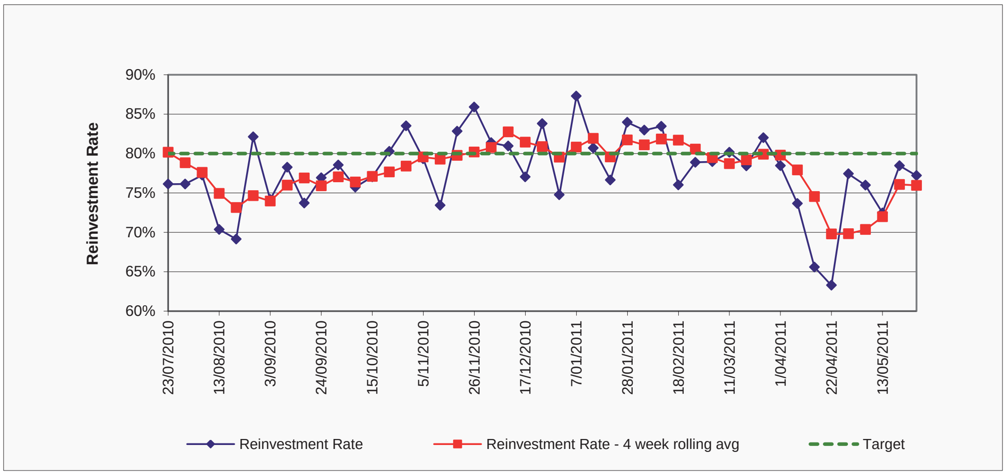
Table 12: HBS Sources of Funding (as at 5 January 2011)

Funding Source	Value ($000s)	% of Total
Deposits	1,572,528	73.1%
Bonds	104,185	4.8%
Retail Funding	**1,676,713**	**78.0%**
Securitisation - Drawn	169,278	7.9%
Securitisation - Undrawn	105,000	4.9%
Bank Facilities - Drawn	0	0.0%
Bank Facilities - Undrawn	200,000	9.3%
Wholesale Funding	**474,278**	**22.0%**
Total Funding - Drawn	**1,845,991**	**85.8%**
Total Funding - Available	**2,150,991**	**100.0%**

Source: HBS Interim Financial Statements for the period 1 July 2010 to 5 January 2011

The reinvestment rates for HBS's retail funding have been relatively strong. Figure 22 shows the reinvestment rates for HBS (and prior to the merger, for the three entities that now make up HBS) on a weekly basis since July 2010. Rates have generally fluctuated around the target rate of 80% and have averaged approximately 78% over the observed period. Although weekly reinvestment rates in May 2011 have largely recovered from the decline experienced during April, we understand that the drop-off in April reflected a deliberate strategy by HBS to utilize liquid assets above management's required minimum as opposed to accepting investments from investors that did not suit HBS's desired profile.

Figure 22: HBS Reinvestment Rates



Source: HBS Management

4.4 FINANCIAL SUMMARY

Given HBS was only recently formed as a legal entity on 5 January 2011, no meaningful information currently exists on its historical financial performance[11]. Table 13 below summarises the interim consolidated statement of financial position for the HBS group as at 5 January 2011.

Table 13: HBS Group Statement of Financial Position

	As at 5 Jan 2011 ($000)
Assets	
Cash & Equivalents	285,675
Investments	21,540
Receivables	1,756,895
Other Assets	84,741
Derivative Assets	4,995
Intangible Assets	21,729
Deferred Tax Assets	7,205
Total Assets	**2,182,780**

[11] Although a Statement of Historical Financial Performance was published as part of HBS's Interim Financial Statements for the period 1 July 2010 to 5 January 2011, that Statement related to the past performance of the MARAC group only and did not include information on Canterbury Building Society and Southern Cross Building Society.

	As at 5 Jan 2011 ($000)
Liabilities	
Deposits & Other Borrowings	1,572,528
Derivative Liabilities	2,405
Creditors	38,864
Tax Payable	3,895
Term Bank Facility	-
Securitisation	169,278
Bonds	104,185
Secured Debentures	-
Total Liabilities	**1,891,155**
Equity	
Share Capital	134,574
Retained Earnings	157,051
Total Equity	**291,625**

Source: HBS Interim Financial Statements for the period 1 July 2010 to 5 January 2011

4.5 OUTLOOK

A key determinant of HBS's future success will be its ability to implement its competitive strategy. That strategy is built around leveraging existing local affinities, a targeted receivables strategy, and a "customer first" rather than a product focussed approach. In addition, the future financial performance of HBS in the short-medium term will also be a function of success in other important areas, including:

- HBS being able to access retail and wholesale funding at levels sufficient to meet target asset growth and maintain an adequate liquidity buffer. Given retail funding is likely to remain the predominant funding source, this will require HBS to maintain the confidence of depositors both during and after the Crown Retail Guarantee scheme;

- Lowering HBS's overall cost of funds (which should lead to an improvement in net interest margin) by attaining registered bank status. In order to mitigate the risk of reduced access to sufficient funding at commercial levels, HBS will clearly be striving to achieve bank registration before or as close as possible to the expiration of the Crown Retail Guarantee scheme in December 2011;

- Achieving a reduction in the ratio of HBS's operating expenses to operating income as a result of improved economies of scale. This medium-term objective is important, notwithstanding that there is likely to be a temporary deterioration in the cost to income ratio following the merger that created HBS as operating costs increase to reflect additional resourcing required and integration expenses; and

- A normalisation of HBS's impairment expenses as economic conditions improve and the impact of legacy impairments reduce.

If HBS is able to improve future returns (a function of achieving success in the areas listed above, among others), then the level of HBS's total equity could improve significantly. Apart from improving levels of profitability, the extent of any increase in equity will also be dependent upon HNZ's future dividend policy and the proportion of net profit after tax that is retained in HBS for growth rather than distributed as dividends.

5.0 FAIRNESS OF THE PROPOSED TRANSACTION FOR PGW SHAREHOLDERS

5.1 ASSESSMENT OF THE PURCHASE PRICE

5.1.1 Calculation and Payment of the Purchase Price

PGW is proposing to sell the PWF business to HBS for an amount equal to the NTA of PWF, adjusted to derive Adjusted NTA.

The NTA for PWF will be determined by reference to PWF's management accounts calculated as at the Completion Date, prepared on the same basis and pursuant to the same accounting policies as PWF's audited financial statements for the 12 month period ending 30 June 2011. Once NTA has been determined, the major adjustments that will be made to arrive at Adjusted NTA are itemised in Table 14 below[12], together with current broad estimates of the relevant values. The estimates used in the worked example are based on projected values supplied by PWF for 31 August 2011, the currently anticipated Completion Date.

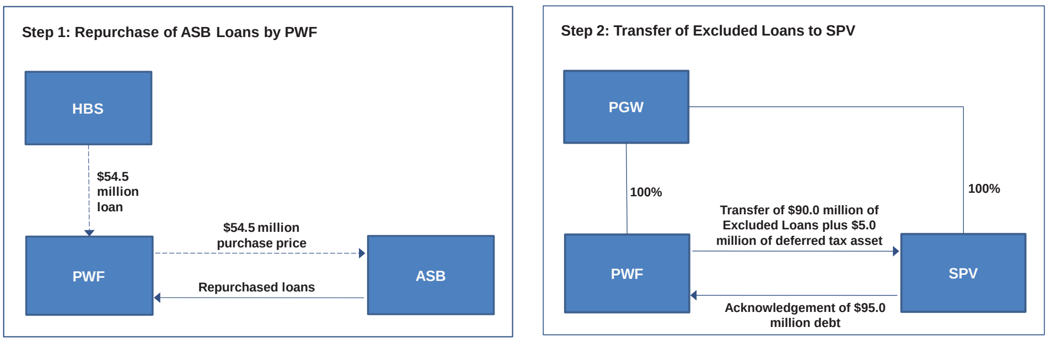
Table 14: Worked Example of Adjusted NTA Calculation

	Component	Value ($M)	Comment
	Recorded NTA	$105.0	Based on projected NTA for Completion Date.
less	Bank Facilities Costs	($1.6)	The current PWF bank facilities will be cancelled as part of the Proposed Transaction. Some unamortised costs currently recorded as an asset by PWF will be lost and minor break fees will be incurred.
less	Net Book Value of Software	($0.9)	Represents the book value of software with no value to HBS.
	Adjusted NTA	$102.5	

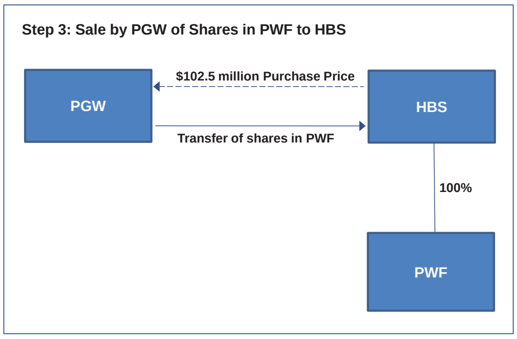
Source: Sale and Purchase Agreement and PGW Management estimates

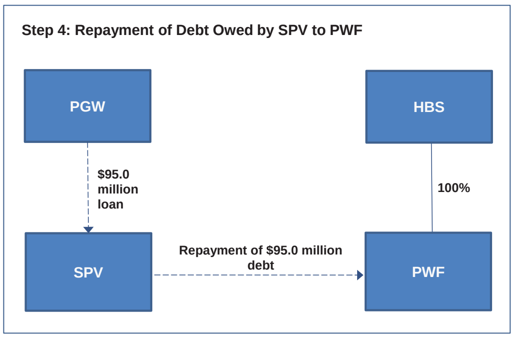
As set out in Section 1.1.1, the Proposed Transaction will be implemented in a number of steps. Further details on those steps, including the money flows between each of the counterparties, are set out below.

Figure 23: Proposed Transaction Steps



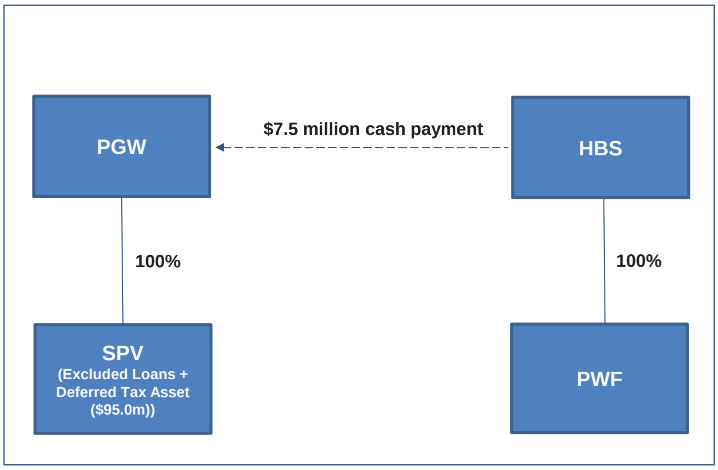
[12] Appendix II sets out the full schedule of potential adjustments.





Upon the completion of the above steps, the net cash flows from the Proposed Transaction for each of the counterparties are as summarised in Figure 24.

Figure 24: Net Cash Flows from Proposed Transaction



The net effect of these transaction steps is that PGW will receive consideration for the Purchase Price in two components: by retention of the Excluded Loans (including the deferred tax asset associated with those loans) and a cash payment. Table 15 sets out the breakdown of the values of each component based on the current estimate of Adjusted NTA and the estimated book value of the Excluded Loans.

Table 15: Breakdown of the Purchase Price Consideration

Component	Value ($M)
Excluded Loans (net book value)	$90.0
Deferred Tax on Excluded Loans	$5.0
Cash Payment	$7.5
Purchase Price	$102.5

Source: Sale and Purchase Agreement; values based on PWF estimates

5.1.2 Assessment Criteria

As noted in Section 1.2.3 above, we suggest that an assessment of the fairness of the Purchase Price for the Proposed Transaction (from the point of view of the shareholders in PGW not associated with PGC and HNZ) should be determined by comparing the consideration offered for the PWF business with the underlying value of the PWF business. In essence, this approach is the same as determining whether the price offered by HBS is consistent with the consideration that would be expected if PWF was offered for sale via a contestable open market process.

Based on this assessment framework, our opinion is largely formed with reference to:

- Relevant factors in relation to PWF that may affect the market value of the PWF business;
- Alternative restructuring and divestment opportunities;
- The consideration offered by HBS to PGW for the PWF business; and
- Relevant valuation benchmarks from recent comparable transactions.

5.1.3 Key Issues Facing PWF

As set out in Section 2.0, PWF faces significant future challenges that are largely common to all remaining participants in the NBDT sector. In our view, the critical issues facing PWF in the short term are as follows:

- The significant and ongoing requirements associated with the NBDT Regulatory Changes;
- The maturity profile of PWF's assets and liabilities and the liquidity available to fund any mismatch;
- Uncertainty relating to funding sources, particularly after the expiry of the Crown Retail Guarantee scheme on 31 December 2011; and
- The limited capacity of PGW to provide additional capital and funding support to PWF should it be required.

We have not been provided with any explicit evidence to suggest that PWF would be unable to address these issues in the absence of the Proposed Transaction. However, we believe these challenges in combination create a level of uncertainty that would materially affect the consideration that could be realised if PWF was offered for sale via a contestable open market process.

5.1.4 Restructuring and Divestment Alternatives

We understand that over recent years the PGW Board has had various discussions with a number of parties in relation to restructuring and divestment alternatives. Until recently, it was determined that alternative funding options (including securitisation) may not sufficiently resolve PWF's issues, and few counterparties other than the major banks and HBS demonstrated the financial capacity to contemplate an acquisition of the PWF business. Although some market participants have expressed interest in PWF's loan book, we understand that that interest was predicated on being able to purchase the loans at a meaningful discount to NTA. As a result, the PGW Board has chosen not to advance the divestment discussions with these counterparties because it believed that the PWF business was being undervalued.

5.1.5 Assessment of the Proposed Purchase Price

Transaction values for financial services businesses such as PWF are commonly benchmarked against reported NTA values rather than on the basis of standard earnings multiples. This approach has been especially prevalent since the GFC because it appropriately reflects the uncertainty that NBDTs now face in maintaining their business in the new economic and regulatory environment. A comparison of recent earnings levels to transaction prices is largely irrelevant if there are material questions over the ability of the NBDT to continue to operate at the same scale and profitability levels.

NTA has therefore become the appropriate valuation benchmark in the new market environment because it provides an estimate of the value that can theoretically be collected over time if the business cannot continue as a going concern and needs to be wound down in an orderly fashion. Acquisitions based on NTA reflect the conservative view taken by buyers who typically will not pay a premium which is dependent on the assumption that the NBDT can continue to operate in the same way that it did prior to the GFC.

Given the nature of the adjustments used to determine Adjusted NTA, the Purchase Price for PWF is very close to the NTA of the PWF business being acquired by HBS. This valuation benchmark can be usefully compared to the relevant transactional evidence for comparable Australasian companies as summarised in Table 16. In our view the evidence is very consistent, showing that each of the relevant transactions was concluded either at NTA or a discount to NTA.

Table 16: Recent Transactional Evidence

Transaction	Country	Date	Price	Price / NTA
Merger of Canterbury Building Society, Southern Cross Building Society and MARAC	NZ	Dec 2010	NZ$310.0m	1.0 x
Hastings Building Society acquired by SBS Bank	NZ	Oct 2010	~NZ$15.0m	1.0 x
GMAC Australia (auto lease portfolio) acquired by Macquarie Group	Australia	Apr 2010	n/a	Undisclosed discount to book value
GMAC New Zealand acquired by MARAC (now part of HBS)	NZ	Jun 2010	~NZ$70.0m	Undisclosed discount to book value
Landmark Financial (loan and deposit book) acquired by ANZ	Australia	Dec 2009	n/a	1.0 x
Large NZ-based non-bank financial services provider entered process to sell into JV with Australian Bank (incomplete - parties undisclosed)	NZ/Australia	2009	Confidential	1.0 x
BankWest acquired by Commonwealth Bank	Australia	Oct 2008	A$2.1b	0.8 x

Source: Capital IQ and Northington Partners' analysis

Other important elements of assessing the fairness of the Purchase Price include the NTA calculation methodology and proposed adjustments, the extent and terms of the recourse arrangements between PGW and HBS, and the nature of the consideration received by PGW for the PWF shares. Our views on each of these factors are summarised as follows:

- In relation to the process used for the Adjusted NTA calculation, we conclude that:

- Calculating NTA based on the NTA balance of PWF as at the Completion Date (adopting the same accounting policies as used in the preparation of recently audited financial statements) is reasonable; and

- The adjustments to NTA to derive PWF's Adjusted NTA are reasonable and reflect arm's length negotiations between the parties. Both of the main reductions have been made to reflect the fact that HBS will not be able to realise the values attributed to the software and the capitalised banking fee assets that are recorded in the PWF accounts. As such, HBS should not be expected to pay for those assets.

- The Proposed Transaction contemplates HBS having recourse back to PGW in relation to the Recourse Loans with a combined face value of approximately $30.0 million. These loans represent about 7.5% of the total loan value that will be ultimately transferred to HBS as part of the Proposed Transaction. From a pricing perspective, this is an important factor; all other things being equal, a transaction that does not allow the purchaser recourse back to the vendor will be transacted at a lower price than one that allows full or partial recourse.

  Agreement to provide recourse over a set of specified loans is relatively common in circumstances where the vendor and purchaser have different perceptions over the risk of future losses on the loans. In this case, PWF believes that the full face value and accrued interest on the Recourse Loans will be recovered in due course and is prepared to indemnify HBS for any losses in return for being paid the full face value as part of the Proposed Transaction. Without this commitment, PWF would need to sell the Recourse Loans at a discount to account for future losses that it believes are unlikely to be realised.

  We suggest that this approach is reasonable from PGW's point of view. Full value for the Recourse Loans is received up-front as part of the Purchase Price, and PGW is effectively only exposed to the same downside risk of under-recovery as it would be if the Proposed Transaction did not proceed. If PWF can collect the full book value of the Recourse Loans as expected, this limited recourse mechanism will maximize the total sale proceeds.

- As explained above, consideration for the PWF shares will be paid to PGW via a combination of cash and the transfer of the Excluded Loans. This means that PGW remains exposed to the risk that the actual collections on the Excluded Loans may be lower than the recorded net book value adopted in the settlement process. The effective price ultimately received by PGW may therefore be different to the Purchase Price calculated at the Completion Date. However, we conclude that the negotiated treatment of the Excluded Loans is the most appropriate in the circumstances because:

  - PWF believes that the current book values of the Excluded Loans accurately reflect appropriate loss provisions and that the recorded values will therefore be fully recovered in due course;

  - Notwithstanding PWF's views, if HBS was required to retain exposure to the Excluded Loans as part of the Proposed Transaction, we believe that the Purchase Price would be reduced to reflect the perceived risk around further write-downs in the value of these loans;

  - Thus, if PWF's assessment of the recoverable amounts is correct, the value ultimately realised by PGW for the Excluded Loans will be higher under the Proposed Transaction structure compared to an alternative structure whereby these loans were transferred to HBS; and

  - This sort of carve-out of impaired and other specified loans is common practice in transactions of this nature.

5.1.6 Summary

On the basis of the factors outlined above, we conclude that the Purchase Price for the Proposed Transaction is fair to the PGW shareholders who are not associated with PGC.

5.2 ASSESSMENT OF THE DISTRIBUTION AGREEMENT

5.2.1 Assessment Criteria

In our view an assessment of the fairness of the Distribution Agreement from the point of view of the shareholders in PGW not associated with PGC should be determined by examining the terms and conditions of the Distribution Agreement and assessing whether or not they reflect terms and conditions that could be expected if this aspect of the Proposed Transaction was negotiated on an arms' length basis with a non-associated party. In essence, this approach involves an examination of whether the terms and conditions appear overly favourable or onerous to one particular party.

5.2.2 Key Terms and Conditions of the Distribution Agreement

Under the Distribution Agreement, PGW has agreed that HBS is its preferred supplier of credit facilities and debt securities ("**Approved Products and Services**") to PGW customers. Currently, the Approved Products and Services comprise:

- All credit facilities for the purpose of financing livestock purchases, working capital, farm development, plant and machinery, and farmland; and
- Debt facilities comprising call deposits, term deposits, savings accounts, and transactional banking.

Other obligations of PGW under the Distribution Agreement include (but are not limited to):

- Using all reasonable endeavours to promote to PGW customers the Approved Products and Services and facilitate the origination of applications by PGW customers for those Approved Products and Services;
- agreeing not to refer PGW customers to a competitor of HBS for products and services in competition with the Approved Products and Services (unless a customer has indicated a preference for a competitor's products and services), and not engaging in the business of promoting or providing credit facilities and debt securities to PGW customers in New Zealand, provided that PGW may continue to provide financial terms, such as deferred payment terms, in the ordinary course of business; and
- Making available to HBS certain shared resources (e.g. premises and PGW employees) to allow HBS to meet its obligations under the Distribution Agreement.

Other obligations of HBS under the Distribution Agreement include (but are not limited to):

- Using all reasonable endeavours to make available Approved Products and Services to referred PGW customers (on terms and conditions no less favourable than those it offers to other HBS customers), having regard to prevailing market conditions, applicable legal requirements, and HBS's prudent lending guidelines;

- Paying PGW an agreed rate of commission for each new customer referred to HBS by PGW (and in certain other circumstances); and
- Paying PGW a monthly fee in consideration for PGW making available to HBS the agreed shared resources.

The Distribution Agreement will come into effect after the Proposed Transaction is completed and will continue until terminated. Termination can be effected:

- By either PGW or HBS giving three months' notice after the agreement has been in force for at least 12 months; or
- Immediately upon the occurrence of an agreed termination event, which includes such matters as the failure by one party to remedy a breach of the agreement, an insolvency event relating to one party, or a change in control of one party (other than involving a takeover under the Takeovers Code).

5.2.3 Assessment of the Distribution Agreement

We believe that the terms and conditions of the Distribution Agreement are fair to the PGW shareholders who are not associated with PGC. Our view reflects that:

- The agreement was subject to significant arms' length negotiations between the parties;
- The terms and conditions of the agreement are broadly consistent with the terms and conditions we have observed in other similar, confidential distribution arrangements; and
- The terms and conditions of the agreement appear commercially reasonable to both parties based on their respective objectives in entering into the agreement, and do not appear overly favourable or onerous to one particular party.

6.0 QUALIFICATIONS, DECLARATIONS AND CONSENTS

6.1 DECLARATIONS

This report is dated 13 June 2011 and has been prepared by Northington Partners at the request of the independent directors of PGW to fulfil the reporting requirements of the Listing Rules. This report, or any part of it, should not be reproduced or used for any other purpose. Northington Partners specifically disclaims any obligation or liability to any party whatsoever in the event that this report is supplied or applied for any purpose other than that for which it is intended.

Prior drafts of this report were provided to PGW, PWF and HBS for review and discussion. Although minor factual changes to the report were made after the release of the first draft, there were no changes to our methodology, analysis, or conclusions.

This report is provided for the benefit of all PGW's shareholders not associated with PGC, and Northington Partners consents to the distribution of this report to those people. The engagement terms did not contain any term which materially restricted the scope of our work.

6.2 QUALIFICATIONS

Northington Partners provides an independent corporate advisory service to companies operating throughout New Zealand. The company specialises in mergers and acquisitions, capital raising support, expert opinions, financial instrument valuations, and business and share valuations. Northington Partners is retained by a mix of publicly listed companies, substantial privately held companies, and state owned enterprises.

The individuals responsible for preparing this report are Greg Anderson B.Com, M.Com (Hons), Ph.D, Steven Grant B.Com, LLB (Hons) and Mark Cahill B.Sc, M.Com. Each individual has a wealth of experience in providing independent advice to clients relating to the value of business assets and equity instruments, as well as the choice of appropriate financial structures and governance issues.

Northington Partners has been responsible for the preparation of numerous Independent Adviser Reports in relation to takeovers, mergers, and a range of other transactions subject to the Takeovers Code and NZX Listing Rules.

6.3 INDEPENDENCE

Northington Partners has not been previously engaged on any matter by PGW or PWF or (to the best of our knowledge) by any other party to the Proposed Transaction. None of the Directors or employees of Northington Partners have any other relationship with any of the Directors or substantial security holders of the parties involved in the Proposed Transaction.

The preparation of this Appraisal Report will be Northington Partners' only involvement in relation to the Proposed Transaction. Northington Partners will be paid a fixed fee for its services which is in no way contingent on the outcome of our analysis or the content of our report.

Northington Partners does not have any conflict of interest that could affect its ability to provide an unbiased report.

6.4 DISCLAIMER AND RESTRICTIONS ON THE SCOPE OF OUR WORK

In preparing this report, Northington Partners has relied on information provided by PGW, PWF and HBS. Northington Partners has not performed anything in the nature of an audit of that information, and does not express any opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

Northington Partners has used the provided information on the basis that it is true and accurate in material respects and not misleading by reason of omission or otherwise. Accordingly, neither Northington Partners nor its Directors, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in this report resulting directly or indirectly from any such circumstances or from any assumptions upon which this report is based proving unjustified.

We reserve the right, but will be under no obligation, to review or amend our report if any additional information which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.

6.5 INDEMNITY

PGW and PWF have agreed to indemnify Northington Partners (to the maximum extent permitted by law) for all claims, proceedings, damages, losses (including consequential losses), fines, penalties, costs, charges and expenses (including legal fees and disbursements) suffered or incurred by Northington Partners in relation to the preparation of this report; except to the extent resulting from any act or omission of Northington Partners finally determined by a New Zealand Court of competent jurisdiction to constitute negligence or bad faith by Northington Partners.

PGW and PWF have also agreed to promptly fund Northington Partners for its reasonable costs and expenses (including legal fees and expenses) in dealing with such claims or proceedings upon presentation by Northington Partners of the relevant invoices.

Northington Partners Limited

Greg Anderson
Director

www.northington.co.nz

Appendix I - Sources of Information Used in This Report

In preparing this report we have relied on the following sources of information:

1. The Reserve Bank of New Zealand's Financial Stability Report for May 2010, November 2010 and May 2011
2. Press searches relating to the major participants in the New Zealand bank and NBDT sectors
3. The individual websites of major participants in the New Zealand bank and NBDT sectors, including those of PWF and HNZ
4. Annual reports prepared by the major participants in the New Zealand bank and NBDT sectors, including those for PWF
5. Interim Financial Statements for HBS for the period from 1 July 2010 to 5 January 2011
6. Interim Financial Statements for HNZ for the period from 1 July 2010 to 7 January 2011
7. Draft PWF management forecasts
8. KPMG's Financial Institutions Performance Surveys (2006-2010)
9. Discussions with the senior management of PWF and PGW
10. The credit rating report prepared by S&P on PWF dated 28 February 2011
11. The final draft version of the Sale and Purchase Agreement dated 10 June 2011
12. The final agreed forms of the Deed of Guarantee and Indemnity, Distribution and Services Agreement, and Excluded Loans Sale and Purchase Agreement
13. The Information Memorandum relating to the variation of and transfer to, and assumption by, HBS of the debt securities of PWF (draft as at 8 June 2011)
14. The Deeds of Defeasance in relation to the PWF Bonds, PWF Debentures and PWF Deposits (drafts as at 10 June 2011)

Appendix II – Calculation of Adjusted NTA for PWF

PWF's Adjusted NTA will be calculated by reference to PWF's management accounts as at the Completion Date ("**Completion Accounts**"), prepared on the same basis and pursuant to the same accounting policies as PWF's audited financial statements for the 6 month period ending 31 December 2010 and the 12 month period ending 30 June 2011.

PWF's Adjusted NTA equals the net assets of PWF as shown in the Completion Accounts:

(i) less:

A. The intangible assets of PWF shown in the Completion Accounts;

B. Any net deferred tax assets of PWF as shown in the Completion Accounts;

C. Any capitalised unamortised costs associated with the banking facilities shown in the Completion Accounts, and any capitalised unamortised costs in excess of $50,000 associated with the PWF Bonds;

D. Any break fees, costs or liabilities payable by PWF as a result of the termination of PWF's existing banking facilities to the extent not taken into account in the Completion Accounts;

E. Any prepayments where HBS will not derive a future benefit;

F. The total amount of accrued annual leave, long service leave and unpaid bonuses or similar amounts owing to employees of PGW as at the Completion Date who accept PWF's offer of employment (to the extent not already provisioned in the Completion Accounts);

G. Any costs or loss on actual close out of interest rate swaps (to the extent not already provisioned in the Completion Accounts);

(ii) plus:

A. The value of software belonging to PWF, up to a maximum value of $250,000.

www.pggwrightson.co.nz