DEBENTURES PROSPECTUS

EQUITABLE MORTGAGES LIMITED – SEPTEMBER 2010

EQUITABLE

Long-term thinking
in a short-term world

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Note: Any term or expression that is not defined in this Prospectus, that is defined in the Trust Deed, has the meaning given to it by the Trust Deed. Please see the Glossary for a summary of the meaning of capitalised terms.

All legislation referred to in this prospectus may be viewed online at www.legislation.govt.nz

Dated 28 September 2010.

Letter to Investors

BACKGROUND

As part of our investor service, we have undertaken to keep investors informed of our performance and regulatory changes via newsletters in December and March. In our March newsletter we signalled our corporate goals and how we are looking ahead to the future. Our thinking has now evolved and we would like to provide you with an update on how we propose to continue our past success into the future.

Equitable has successfully provided investors with commercial mortgage backed investment products since 1972 and continues to do so, weathering both the Global Financial Crisis and the impact of the failure of several notable New Zealand finance companies to the point that Equitable Mortgages Limited is now the only Non Bank Deposit Taker ("NBDT") that ultimately invests solely in commercial real estate.

In the future, it is expected that there will be fewer but better capitalised NBDT's improving the attractiveness of the sector for both investors and shareholders. In addition, investor confidence is expected to improve following the introduction of specific prudential regulations by the Government.

LOOKING AHEAD

In order for Equitable to better position itself to meet the forthcoming Reserve Bank prudential regulations for NBDT's, Equitable has decided to rationalise itself into a single issuer structure.

After a detailed review of the business, the directors and management agree that Equitable will benefit from committing to just one regulatory regime, being the NBDT sector (i.e. Equitable Mortgages Limited). Equitable will therefore look to exit the life insurance sector (i.e. Equitable Life Insurance Company Limited).

We have discussed the proposal with our Trustee (Trustees Executors Limited), our Auditors (PricewaterhouseCoopers), the Reserve Bank of New Zealand and Treasury. Our rating agency (Standard & Poor's) has also been notified.

STEPS INVOLVED

Equitable Life Insurance Company Limited

From September 2010 Equitable Life Insurance Company Limited will no longer offer its Bond product to investors. Existing Bond investors will be given the opportunity to transfer their investments to Debentures issued by Equitable Mortgages Limited.

Equitable Property Mortgage Fund

From 1 December 2010 Equitable Mortgages Limited will hold all the units of, and will be the sole investor in the Equitable Property Mortgage Fund.

Portfolio Investment Entity ("PIE")

Equitable Mortgages Limited will draw on its strength as the primary issuer of the Equitable Group to develop a PIE fund. PIE funds have grown in popularity in recent years and Equitable is confident that it can develop a fixed term and fixed rate fund that invests directly into Debentures issued by Equitable Mortgages Limited. The PIE fund will also provide an investment alternative to the Equitable Life Insurance Company Bonds.

THE FUTURE

In order for Equitable to place itself in a stronger longer term market position, Equitable may seek to diversify its asset and liability base, and bring into effect the following changes:

- Extend Equitable Mortgages Limited's authorised investments to enable it to diversify into a wider range of lending activities; and
- Ensure the business is positioned to take advantage of diversified funding opportunities that may exist.

Please be assured that any such changes will be subject to appropriate investor approval, and Equitable will provide a further update to investors.

Equitable is actively working to ensure it complies with the NBDT legislation and expects to satisfy the capital adequacy requirements by the 1 December 2010 deadline.

We thank you for your continued support, and should you have any queries, please call our Investment Services team directly on 0800 656 500, or contact your financial advisor directly.

Yours sincerely

Peter Thomas
Chief Executive Officer
The Equitable Group

The Issuer and the Equitable Group

EQUITABLE MORTGAGES LIMITED

Equitable Mortgages Limited ("Equitable Mortgages") is the issuer of the Debentures being offered under this Prospectus (see "Investments in Debentures" on page 9 for further details).

Equitable Mortgages is a member of the Equitable group of companies ("Equitable Group" or "Equitable"). The parent company of Equitable Mortgages is Equitable Group Limited. No company in the Equitable Group guarantees either the capital invested in the Debentures issued by Equitable Mortgages or the interest payable on those Debentures.

BACKGROUND ON EQUITABLE

Equitable was founded in Christchurch in 1972 as a local business. It has remained in New Zealand ownership ever since.

It is Equitable's aim to help people achieve a competitive return without exposure to unnecessary risk. Equitable firmly believes that many New Zealanders have the ability to accumulate wealth steadily. This requires prudent management of risk and return and diversification into products which are tax efficient from an investor's perspective.

DOES THE INVESTMENT HAVE A CROWN GUARANTEE?

Effective 12 October 2008, Equitable Mortgages has a guarantee under the New Zealand deposit guarantee scheme, which expires on 12 October 2010.

Effective 12 October 2010, Equitable Mortgages has a guarantee under the New Zealand deposit guarantee scheme extension, which expires on 31 December 2011.

The Debentures offered under this Prospectus are:

CLASSIC

Classic Debentures are not covered by the Crown guarantee and are therefore "Excluded Securities" for the purposes of the Crown guarantee deeds.

If an investor subscribes for Classic Debentures which are Excluded Securities, then none of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the guarantee. A holder of Classic Debentures will not be able to make a claim under the Crown guarantee.

ASSURED

Assured Debentures are covered by the Crown guarantee, subject to the terms of the guarantee.

If an investor subscribes for Assured Debentures then all of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the Crown guarantee. A holder of Assured Debentures may be able to make a claim under the Crown guarantee subject to the terms of the Crown guarantee.

The following information is available, free of charge and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury, at www.treasury.govt.nz:

- Further information about the deposit guarantee scheme; and
- The most recent audited statement of financial position of the Crown.

A summary of the principal terms of the guarantee is set out in Appendix 3.

IS THE INVESTMENT RATED?

Equitable believes that credit ratings are one useful tool in assessing the suitability of a particular investment. As at 20 August 2010, international credit ratings agency Standard & Poor's has issued the following credit rating for Equitable Mortgages Limited: Long term rating: BB-/Outlook: Negative/Short term rating: B.

A long term rating of BB denotes that the issuer is considered by Standard & Poor's to be less vulnerable in the near term than other lower-rated issuers. However, the issuer faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the issuer's inadequate capacity to meet its financial commitments. The modification of the long term rating with a minus (-) sign shows the issuer's relative standing within the BB rating category.

Further information is set out in Appendix 2.

EQUITABLE GROUP INVESTMENT STRUCTURE

Financial stability is the long-term goal of any sound investment strategy. Equitable aims to achieve this through the sound management of a pool of assets backed by first mortgage securities. As at the date of this Prospectus, subscription moneys for Debentures are predominantly invested in units issued by the Equitable Property Mortgage Fund ("EPMF"). However, please refer to the letter to investors on page 2, which details a proposal to restructure Equitable's business model.

The EPMF is a group investment fund pursuant to Part II of the Trustee Companies Act 1967, established by Trustees Executors Limited ("Trustees Executors" or "Trustee") on 29 June 2007 and managed by Equitable Property Finance Limited. The EPMF invests in loans secured by registered first mortgages over commercial, industrial and residential properties. The EPMF offers units on terms designed to allow for payment of returns promised to investors in Equitable's products.

Equitable Life Insurance Company Limited is the issuer of bonds and also predominantly invests in units in the EPMF. Please see "Other Matters" on page 27 for information on this company.

Further details on the EPMF are set out under the heading "The Equitable Property Mortgage Fund" on page 20. Key facts about the EPMF portfolio are set out in Appendix 1.

CORPORATE GOVERNANCE

Before making an investment in Debentures, investors should consider the special trade factors and risks for the investment against the returns offered. Investors should be aware that there is a direct relationship between the risks of the investment and the return offered. Prospective investors should consider the special trade factors and risks outlined in the section headed "Investment Risks" on page 23 before investing in Debentures. Investors should also consider the specific information relating to the underlying mortgage loan portfolio in Appendix 1.

Equitable's goal is to offer investors fair returns on their investments and, to that end, Equitable aims to manage the balance between risk and return.

Equitable works with an independent trustee, Trustees Executors, one of New Zealand's oldest trustee corporations, for the interests of investors. A strong and disciplined approach to governance issues is as central to long-term business success as it is to investment protection.

Equitable's credit control is detailed and thorough. An investor can be assured the Equitable property finance team manage all loans closely.

NON BANK DEPOSIT TAKER REGULATION

Equitable Mortgages is subject to the requirements of the Reserve Bank of New Zealand Act 1989 and its regulations. Further detail is set out on page 26 and in the letter to investors on page 2.

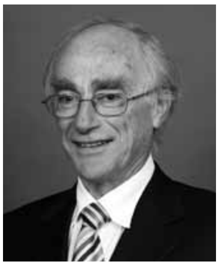
IMPORTANT INFORMATION:

- Equitable Mortgages' summary financial statements are set out in Appendix 4. Readers should focus on the "Company" figures as the Company is Equitable Mortgages which is the sole member of the borrowing group and the only entity liable to holders of Debentures. "Group" figures are prepared under NZ IFRS and are provided for background information only. The EPMF is not a member of the borrowing group and is not liable to holders of Debentures. In particular, cash and equity shown in the "Group" figures is not available to repay Debentures or pay any returns on Debentures.
- The EPMF's summary financial statements are set out in Appendix 5. Cash held in the EPMF is available to both Equitable Mortgages and Equitable Life Insurance Company Limited upon the redemption of their respective units in the EPMF. Cash and equity in the EPMF is not available directly to repay Debentures or pay any returns on Debentures.
- As at 30 June 2010, the total of past due assets and impaired loans of the EPMF portfolio is $103,192,000 representing 53% of the total loan book. See "Asset Quality" on page 24 and Appendix 1 for more details.
- The Crown guarantee expires on 31 December 2011. If it is withdrawn or not extended Equitable Mortgages may experience a reduction in reinvestment rates or new investments. This could have a material adverse effect on the financial performance and financial condition of Equitable Mortgages, including its liquidity. See "Crown Guarantee" on page 25 and "Liquidity Risk" on page 24 for more details.

Directors

Equitable brings to the New Zealand finance market a team of committed experienced professionals.

A.W. Young L.L.B.
Chairman
Arthur Young is senior partner in the law firm Chapman Tripp and heads the firm's Private Client practice area. He has had over 20 years of directorate experience with both public and private companies. This involvement has included finance, commercial property, construction, engineering, farming and manufacturing. He is a director of all companies in the Equitable Group and has been Chairman since 1995.



A.J.M. Wadams C.A.
Deputy Chairman
John Wadams is a chartered accountant and Chairman of Staples Rodway. He is a director of a number of companies involved in a wide range of industries such as importing and distribution, agriculture, property, construction and finance. He has previously been a director for several listed companies. John is also a trustee and Chairman of the Order of St John Northern Region. In addition he acts in a professional trustee role for a number of significant family trusts. John is a director of all the companies in the Equitable Group.

D.S. (Joe) Ferraby
Director
Joe Ferraby is strongly involved in the South Island rural business community. He is a director of a number of prominent South Island based entities including Combined Rural Traders and Silver Fern Farms Limited. He is also the Chairman of Terra Vitae Vineyards Limited and Destination Marlborough. He has extensive knowledge of the New Zealand market and has completed a scholar leadership course at Lincoln University.

R.A. Aitken
Director
Ross Aitken has over 35 years' experience in banking and financial services where he has held senior executive positions both in New Zealand and Australia. He joined Equitable in 2006 as the Chief Operating Officer and was appointed to the board in February 2008. He has a Graduate Certificate of Management from Charles Sturt University, Australia, and has attended several international banking conferences.

D.P. Forgie B.Com.
Executive Director
David Forgie has been involved with the Equitable Group since 1990 and is a director of all the group operating companies in New Zealand and Australia. David graduated from Auckland University with a Bachelor of Commerce degree and has extensive management experience having worked in consultancy roles with a number of local and international companies. He is also a director of a number of private companies.

C.A. Spencer B.Com.
Executive Director
Chris Spencer joined Equitable in 1993 after the Spencer Family acquired the Equitable Group. He previously worked at Westpac and at a boutique Corporate Advisory House in Sydney. Chris is a director of all the companies in the Equitable Group and is actively involved in the operations of the Equitable Group. Chris is also employed as managing director of Equitable Securities Australia, which has a common ultimate shareholder with the Equitable Group in New Zealand.

Management

Peter Thomas
Chief Executive Officer
Peter has overall responsibility for the Group's operational activities. He has over 13 years' experience in the banking industry, most recently as the Head of Property Finance within one of the major trading banks Corporate and Commercial divisions. He also has extensive experience in corporate accounting and is a member of the New Zealand Institute of Chartered Accountants. He has a Bachelor of Commerce (Agriculture) from Lincoln University, has studied management at Henley Management College, completed a Postgraduate Diploma in Business (Administration) at the University of Auckland Business School, and is a Senior Associate of the Financial Services Institute of Australasia.

Paul Adolph
Financial Controller
Paul is responsible for the Equitable Group's finance, treasury, taxation and risk management activities. He has over 11 years' experience in a variety of chartered accounting and commercial environments. He is a member of the New Zealand Institute of Chartered Accountants and has a Bachelor of Commerce and a Bachelor of Science from the University of Auckland.

Andrew Mexted-Bragg
Group Product and Marketing Manager
Andrew is responsible for managing the Equitable Group's Investment Securities, Marketing, Product Development, Business Systems and the Equitable Group's compliance documents. He has over 13 years' experience in the financial services sector with leading New Zealand institutions. He has extensive experience in the management of business development, operations, marketing and information technology functions of businesses. Andrew has a thorough working knowledge of New Zealand securities legislation. He studied at Auckland University of Technology in marketing, information technology and management and holds a New Zealand Diploma in Business.

Investments in Debentures

GENERAL

Equitable Mortgages is offering investors the opportunity to make loan advances to Equitable Mortgages at a fixed rate of return for a fixed term. As at the date of this Prospectus Equitable Mortgages invests the proceeds of these loan advances predominantly in units in the EPMF, which in turn invests in registered first mortgages over commercial, industrial or residential property. However, please refer to the letter to investors on page 2, which details a proposal to restructure Equitable's business model.

The loan advances investors make to Equitable Mortgages are called Debentures.

The Debentures offered under this Prospectus are:

CLASSIC

Classic Debentures are not covered by the Crown guarantee and are therefore "Excluded Securities" for the purposes of the Crown guarantee deeds.

If an investor subscribes for Classic Debentures which are Excluded Securities, then none of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the guarantee. A holder of Classic Debentures will not be able to make a claim under the Crown guarantee.

ASSURED

Assured Debentures are covered by the Crown guarantee, subject to the terms of the guarantee.

If an investor subscribes for Assured Debentures then all of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the Crown guarantee. A holder of Assured Debentures may be able to make a claim under the Crown guarantee subject to the terms of the Crown guarantee.

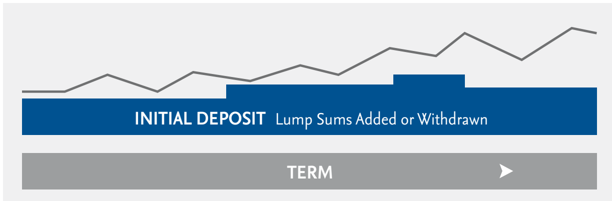
All Debentures are issued pursuant to a Trust Deed dated 15 May 1998, as amended from time to time ("Trust Deed"), between Equitable Mortgages and Trustees Executors. For a more detailed description of the terms of the Trust Deed, see "Provisions of Trust Deed and other restrictions on Equitable Mortgages" on page 16.

An investment in Debentures is designed for people who wish to invest for a specified term ranging from 3 months to 60 months and want a regular stable income or want the flexibility to have their return compounded or distributed (if available, as set out below).

The Debentures provide a fixed return for the whole of the period selected. The investment options are as follows:

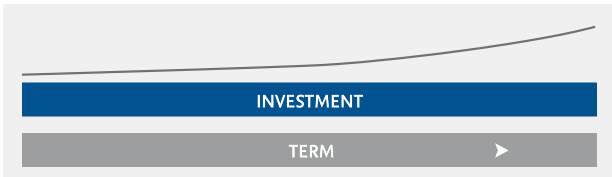
3 Month

This product offers a locked in fixed rate for 3 calendar months, after which the funds become available "at call" and may be withdrawn in part or full by giving 5 days' notice. Any balance in this product must not fall below $500. Additions to the investment may be made when the investor chooses to do so at any time after the initial 3 month term. While "at call" the investor earns the Equitable Mortgages call rate set out in the current Rate Card (see page 11). The investment grows with returns being added to the investment at the end of every quarter (March, June, September and December).



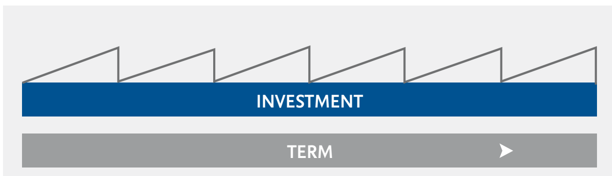
Compounding

This product is for a fixed term selected by the investor with a minimum of 6 calendar months and a maximum of 60 calendar months in multiples of 1 calendar month, with returns compounded. The investment grows with the returns being added to the original investment at the end of every quarter (March, June, September and December).



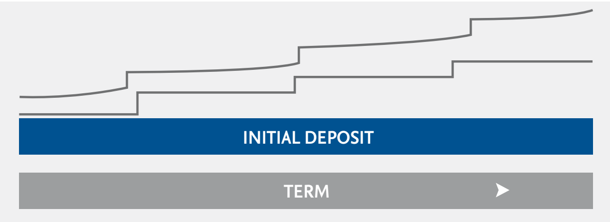
Distributing

This product is for a fixed term selected by the investor with a minimum of 6 calendar months and a maximum of 60 calendar months in multiples of 1 calendar month, with a monthly or quarterly distributing option. The investor receives a regular distribution of returns from the investment, paid to a nominated bank account on the last day of each calendar month or quarter (March, June, September and December). If this falls on a non-business day, payment is received on the next business day.



Savings

This product is a regular savings scheme for a fixed term selected by the investor with a minimum of 6 calendar months and a maximum of 60 calendar months in multiples of 1 calendar month, with returns compounded. After the initial investment, investors may make a minimum additional investment on a monthly basis by direct debit. Investors are also able to make further additional investments when they choose to do so. The investment grows with the returns being added to the original investment at the end of every quarter (March, June, September and December).



14 DAY FREE LOOK

A 14 day "free look" period is available for investments in Debentures. If investors wish to cancel their investment during the 14 days from acceptance of the application they must request cancellation in writing, to Equitable Mortgages at any time during that period. The original investment amount will then be refunded in full.

No returns are accrued or paid if an investment is cancelled in the 14 day "free look" period.

CONVERSION OF DEBENTURES

Investors may request conversion of the following Debenture investments into different Debenture investments of the same value with the same time remaining to maturity and at the same rate of return applicable at the time the original investment was made, by giving Equitable Mortgages 30 days' written notice of the change:

- Compounding investments can be changed to Distributing or Savings investments,
- Distributing investments can be changed to Compounding or Savings investments,
- Savings investments can be changed to Compounding or Distributing investments.

If an investor requests to change from a Classic Debenture to an Assured Debenture or vice versa, Equitable Mortgages will consider, but not necessarily agree to, such a change.

SUMMARY – DEBENTURES

3 Months:	
Term available	3 months then 'at call'
Minimum initial investment	$2,000
Additional investments	At the investor's option after the initial 3 month term
Distribution of returns	Compounded calendar quarterly
Entry fee	Nil
Exit fee	None if investment continues to end of selected term
Fixed return	See page 12
Compounding:	
Terms available	6 to 60 months
Minimum initial investment	$2,000*
Additional investments	Not applicable
Distribution of returns	Compounded calendar quarterly
Entry fee	Nil
Exit fee	None if investment continues to end of selected term
Automatic reinvestment	Yes
Fixed return	See page 12
Distributing:	
Terms available	6 to 60 months
Minimum initial investment	$2,000*
Additional investments	Not applicable
Distribution of returns	Paid monthly or quarterly
Entry fee	Nil
Exit fee	None if investment continues to end of selected term
Automatic reinvestment	Yes
Fixed return	See page 12
Savings:	
Terms available	6 to 60 months
Minimum initial investment	$500
Minimum additional investments per month (at investors option)	$100
Maximum additional investments per month	$5,000
Distribution of returns	Compounded calendar quarterly
Entry fee	Nil
Exit fee	None if investment continues to end of selected term
Automatic reinvestment	Yes
Fixed return	See page 12

* Equitable Mortgages may change this amount and/or require a maximum initial investment for special limited offers from time to time.

BREAKING THE INVESTMENT TERM EARLY

The investment is fixed for the term selected. This enables Equitable Mortgages to manage its investments effectively, as a whole. Breaking the investment term early is not encouraged. However, Equitable Mortgages recognises that individual circumstances may change unexpectedly. Equitable Mortgages will consider requests for early withdrawal on the following basis.

If continued investment in Debentures would give rise to some proven form of material undue hardship, investors may apply for early withdrawal of their funds in full.

Equitable Mortgages will consider, but not necessarily agree to, early repayment. In exercising its sole discretion to determine whether to break the investment term early, Equitable Mortgages may request what it considers to be appropriate evidence of undue hardship from the investor.

Equitable Mortgages will also consider, but not necessarily agree to, early repayment in the event of the death of an investor, upon application by the trustees of the investor's estate.

In the event early repayment is agreed then Equitable Mortgages will calculate the amount to be paid on the current investment value, including all fixed returns accrued but not yet applied ("CIV") less a one time fee set out below.

Months to Maturity	Fee as % of CIV
Compounding, Distributing & 3 Month	
49 – 60	6%
37 – 48	5%
25 – 36	4%
13 – 24	3%
0 – 12	2%
Savings	
At any time	10%

Equitable Mortgages reserves the right to amend this policy and these fees from time to time.

INVESTMENT RATES

The current rates for all investment terms are shown on Equitable's rate card ("Rate Card") which is updated for any changes. Equitable Mortgages' current rates are also available by phone on 0800 656 500, online at www.equitable.co.nz or from an investment advisor.

Investors should check for the current rate before making an investment decision.

Equitable Mortgages may change the rates of return offered on Debentures at any time by changing its Rate Card. Changes in the Rate Card do not affect the rates of return payable during the fixed term of the Debentures that have already been allotted at the time the change is made. Investors whose applications are received after the date of any such change will be promptly advised and the funds will be accepted at the new rate of return payable for that amount. If investors are not satisfied, they have 14 days to notify Equitable Mortgages and the application money will be refunded.

RETURNS

Returns on investments are payable on the amount invested (and Equitable Mortgages promises to pay a return on the amount invested), at the relevant rate for Equitable Mortgages set out in the current Rate Card at the date on which Equitable Mortgages issues the Debenture constituting the investment. That rate does not vary for the fixed term of the investment.

Because the applicable rate of return may change before the application form is received by Equitable Mortgages and the Debentures constituting the investment are issued, no amount of return is quantifiable at the date of this Prospectus. Therefore no amount of returns can be promised by Equitable Mortgages in this Prospectus. However, Debentures are issued at the relevant rate set out in the current Rate Card at the date of issue. Therefore, the amount per annum of the return on any Debenture over its fixed term is the amount invested multiplied by that relevant rate at the date of its issue.

For 3 Month investments, Equitable Mortgages promises to pay a return on the amount invested at the 3 month rate set out in the Rate Card at the date on which the Debenture is issued. This rate is fixed for 3 months and then reverts to the Equitable Mortgages' call rate current at that time (this rate is calculated on a daily basis, and may be changed by Equitable Mortgages from time to time). This rate is payable until such time as the investor gives Equitable Mortgages 5 business days' notice requiring repayment and repayment is made. Equitable Mortgages will write to holders of 3 Month investments (but not the holders of other investments) to advise them of any upcoming change to the Equitable Mortgages' call rate.

Returns will be earned on investments from the date the application moneys are received by Equitable Mortgages. Equitable Mortgages promises to pay returns within 7 working days of the due date (and to pay interest on any outstanding amount at the Equitable Mortgages' call rate, calculated on a daily basis, from the due date to the date of payment of the outstanding amount). Any returns remaining unpaid at the end of the investment term will be paid out with the investment.

From time to time, Equitable Mortgages may choose to offer Compounding or Distributing Debentures where the investor receives a minimum fixed return but also has the benefit of any increases in Equitable's rates of returns. The terms and conditions of such Debentures, including how increased rates are calculated, are at Equitable Mortgages' sole discretion.

TERM OF INVESTMENT

Equitable Mortgages will write to holders of term investments (other than 3 Month investments) prior to the end of the fixed term to seek their instructions regarding repayment or reinvestment. If Equitable Mortgages has not received an instruction by the end of the fixed term, then the investment will be automatically reinvested. If the initial investment was for a term of 6, 12, 18, 24, 36, 48 or 60 months the reinvestment term will be the same fixed term as the initial investment. If the initial investment was for any other term the reinvestment will be for whichever of the above terms is nearest to the initial term. In each case the reinvestment rate will be the rate shown on the then current Rate Card for the reinvestment term.

Where automatic investment of an Assured Debenture is triggered, the investment will be automatically reinvested as a Classic Debenture which is not covered by the Crown guarantee.

Equitable Mortgages will not seek instructions as to repayment or reinvestment from the holders of 3 Month investments. These investments continue automatically beyond the end of the initial 3 month term at Equitable Mortgages' call rate current at that time.

KEY FACTORS OF DETERMINING RETURNS

The key factors that will determine the returns to investors are:

- the amount of principal invested, the term of the Debentures, the agreed rate of return that money is invested at and whether an early withdrawal is made (Equitable Mortgages may, but is not obliged to, agree to a request for early withdrawal);
- the financial condition and performance of Equitable Mortgages and its ability to meet its obligations to investors;
- the ability of the EPMF to pay returns on its units;
- the risk factors set out on page 23, and whether they occur and affect Equitable Mortgages' ability to meet its obligations to investors.

TAXES AND RESERVES

Returns will be affected by an investor's individual tax circumstances, but are not intended to be affected by any reserve or retention created or made by Equitable Mortgages.

TAXATION TREATMENT

Individual investors currently receiving returns with RWT deducted at the rates of 19.5% or 21% will be automatically moved to the new 17.5% rate from 1 October 2010. Those currently receiving returns with RWT elected at 38% will also be automatically moved to 33%. Depending on the investor's income level the investor may elect to change the rate to 10.5% or 30% provided they have supplied their IRD number to Equitable Mortgages.

If the investor is a company currently receiving returns with RWT deducted at the rate of 30% or 33%, the rate will remain the same to 31 March 2011 and will be automatically moved to 28% from 1 April 2011.

If an IRD number is not provided, a no-declaration rate of 33% will apply to both individuals and companies from 1 October 2010. For new accounts opened from 1 October 2010, where an IRD number has been provided but an RWT rate is not selected, the default rate will be 33% for individuals and 33% to 31 March 2011 and 28% from 1 April 2011 for companies. These withholding tax rates apply for the tax year from 1 April 2010 to 31 March 2011 and are subject to legislation being enacted.

RWT will not be deducted by Equitable Mortgages where investors hold a certificate of exemption, a copy of the certificate is provided to Equitable Mortgages and Equitable Mortgages is otherwise satisfied that a deduction on account of RWT is not required.

TAX RETURN

At the end of the financial year an investor will receive a statement from Equitable Mortgages which summarises the income received from the investment(s).

NON-RESIDENTS

If an investor is not resident in New Zealand, Non-Resident Withholding Tax may be deducted at the rate prescribed by law. Alternatively, Equitable Mortgages has Approved Issuer status and is prepared to negotiate a return for non-residents such that Equitable Mortgages then pays the Approved Issuer Levy instead of Non-Resident Withholding Tax being deducted.

OTHER TAX CONSIDERATIONS

The preceding taxation summary is given under current enactments. Investors should be aware that their personal tax position may differ from the above summary. Accordingly, investors should seek independent tax advice concerning an investment in Equitable Mortgages by reference to their individual circumstances.

TRANSFER OF OWNERSHIP

Debentures with a minimum nominal amount of $2,000 may be transferred by completing an "instruction to transfer" in writing in a form complying with the Securities Transfer Act 1991 or in such other form as Equitable Mortgages and the Trustee approve. Except as approved by Equitable Mortgages, no transfers may be made or will be registered within 14 days immediately preceding any date for payment of returns on the Debentures or the maturity date.

The Debenture Holder Register is the official record of Debenture Holder entitlements.

In Equitable Mortgage's opinion, there is no established market for the sale of Debentures.

The following statutory information is included as required under Schedule 2 of the Securities Regulations 2009.

MAIN TERMS OF OFFER

The issuer of the securities is Equitable Mortgages. Equitable Mortgages' registered office is set out in the Directory.

The securities being offered pursuant to this Prospectus are first ranking secured debentures ("Debentures") which are described in the section headed "Investments in Debentures" on page 9.

There is no aggregate minimum or maximum number or amount of Debentures being offered pursuant to this Prospectus. The price of each Debenture is $1.00.

The Debentures offered under this Prospectus are:

CLASSIC

Classic Debentures are not covered by the Crown guarantee and are therefore "Excluded Securities" for the purposes of the Crown guarantee deeds.

If an investor subscribes for Classic Debentures which are Excluded Securities, then none of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the guarantee. A holder of Classic Debentures will not be able to make a claim under the Crown guarantee.

ASSURED

Assured Debentures are covered by the Crown guarantee, subject to the terms of the guarantee.

If an investor subscribes for Assured Debentures then all of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the Crown guarantee. A holder of Assured Debentures may be able to make a claim under the Crown guarantee subject to the terms of the Crown guarantee.

For 3 Month Debentures the minimum initial investment is $2,000 with no maximum initial investment. If investors in 3 Month Debentures choose to make additional investments, they may do so after the initial 3 month term, with no minimum or maximum amount of additional investment.

For Compounding or Distributing Debentures there is usually a minimum initial investment of $2,000, and no maximum initial investment. However, from time to time Equitable Mortgages may choose to make special limited offers of rates of return which have a different minimum amount and/or may specify a maximum amount. Investors in Compounding or Distributing Debentures may not make additional investments in those Debentures.

For Savings Debentures the minimum initial investment is $500 with no maximum initial investment. If investors in Savings Debentures choose to make additional investments, the minimum additional investment is $100 per month and the maximum additional investment is $5,000 per month.

NAME AND ADDRESS OF OFFEROR

Not applicable.

DETAILS OF INCORPORATION OF ISSUER

Equitable Mortgages is a company which was incorporated under the Companies Act 1993 on 15 May 1998. Equitable Mortgages' registration number is 907414.

The public file relating to the incorporation and registration of Equitable Mortgages is kept in electronic form by the Companies Office and may be viewed by searching Equitable Mortgages' name on the Companies Office website at www.companies.govt.nz. Where any of the documents are unavailable on the website, a request for the documents can be made on that website. Copies of the documents may also be obtained (a fee will be payable) by contacting the Companies Office Contact Centre on 0508 266 726.

GUARANTORS

None of Equitable Mortgages' subsidiaries nor any other member of the Equitable Group guarantee the repayment of the Debentures or any part thereof or the payment of any returns or other money to holders of the Debentures.

Please refer to pages 5 and 24 and also Appendix 3 for details of the New Zealand deposit guarantee scheme.

NAMES, ADDRESSES, AND OTHER INFORMATION

The names, principal place of residence and professional qualifications of the directors of Equitable Mortgages are set out in the Directory. The directors may be contacted through Equitable Mortgages' registered office.

The Directory also sets out the names and addresses of Equitable Mortgages' auditor, bankers, securities registrar, solicitors involved in the preparation of this Prospectus, experts named in this Prospectus and the Trustee.

RESTRICTIONS ON DIRECTORS' POWERS

As at the date of this Prospectus, the constitution of Equitable Mortgages and the Companies Act 1993, between them, provide that the board of directors of Equitable Mortgages:

- For so long as the Trust Deed remains undischarged, must not carry on or undertake any business other than as a financier or investor taking deposits, making authorised investments and undertaking the other business activities permitted or contemplated by the Trust Deed, all in accordance with the Trust Deed;
- Must obtain shareholder approval by special resolution to any "major transactions" as defined in section 129 of the Companies Act 1993 or any proposal which would affect the rights attached to the shares of Equitable Mortgages;
- May not exercise any powers required by the Companies Act 1993 to be exercised by shareholders of Equitable Mortgages, which include the powers:
    - to alter or revoke the constitution of Equitable Mortgages;
    - to appoint or remove an auditor; and
    - to remove a director before the expiration of his or her period of office;
- Must act in accordance with the directors' duties specified in the Companies Act 1993;
- Must, in certain circumstances, obtain the approval of the shareholders of Equitable Mortgages by special resolution to any amalgamation proposal; and
- From the commencement of any liquidation of Equitable Mortgages, will cease to have powers, functions or duties other than those required or permitted to be exercised by Part XVI of the Companies Act 1993.

DESCRIPTION OF ACTIVITIES OF BORROWING GROUP

The borrowing group currently comprises only Equitable Mortgages.

Equitable Mortgages raises funds from the public through the issue of Debentures and predominantly invests those funds in units in the EPMF. The EPMF is a group investment fund, which invests in registered first mortgages over commercial, industrial and residential properties. However, please refer to the letter to investors on page 2, which details a proposal to restructure Equitable's business model.

During the period from five years prior to the date of this Prospectus until 2 July 2007, the activities of Equitable Mortgages were the raising of funds from the public through the issue of debentures and investing those funds predominantly in registered first mortgages. From 2 July 2007 to the date of this Prospectus the activities of Equitable Mortgages were the raising of funds from the public through the issue of debentures and investing those funds predominantly in units in the EPMF.

Equitable Mortgages has no principal assets charged as security for the Debentures, except for the units in the EPMF.

SUMMARY FINANCIAL STATEMENTS

Summary financial statements for Equitable Mortgages are set out in Appendix 4. These summary financial statements include figures for both "Company" and "Group" (being the Consolidated Group for accounting purposes only, see under "Acquisition of Business or Subsidiary" below). Readers of the summary financial statements should focus on the "Company" figures as the Company is Equitable Mortgages which is the sole member of the borrowing group and the only entity liable to holders of Debentures.

"Group" figures are prepared under NZ IFRS and are provided for background information only. The EPMF is not a member of the borrowing group and is not liable to holders of Debentures. In particular, cash and equity shown in the "Group" figures is not available to repay Debentures or pay any returns on Debentures.

ACQUISITION OF BUSINESS OR SUBSIDIARY

On 3 December 2009 Equitable Mortgages' unit holding in the EPMF exceeded 75% of units on issue. For accounting purposes only this is treated as an "acquisition" of the EPMF by Equitable Mortgages, constituting a "Consolidated Group".

The EPMF was established on 29 June 2007. From this date to the date of this Prospectus, the activities of the EPMF have been those described under the heading "The Equitable Property Mortgage Fund" on page 28. Summary financial statements for the EPMF for the period ended 31 March 2008 and the years ended 31 March 2009 and 2010 are set out in Appendix 5.

Otherwise, no borrowing group member (presently only Equitable Mortgages) acquired a business, or became a subsidiary of Equitable Mortgages, at any time in the two years preceding the date this Prospectus was delivered to the Registrar of Companies for registration.

MATERIAL CONTRACTS

Within the two years prior to the date this Prospectus was delivered to the Registrar of Companies for registration the only material contracts entered into by Equitable Mortgages (being contracts entered into other than in the ordinary course of business of Equitable Mortgages) were:

- A Crown Deed of Guarantee between Her Majesty the Queen in right of New Zealand and Equitable Mortgages dated 4 December 2008.
- A revised Crown Deed of Guarantee between Her Majesty the Queen in right of New Zealand and Equitable Mortgages dated 9 December 2009.
- A Crown Deed of Guarantee between Her Majesty the Queen in right of New Zealand and Equitable Mortgages dated 19 March 2010 in respect of the Crown guarantee scheme extension.

Details of the New Zealand deposit guarantee scheme can be found on page 5 and in Appendix 3.

PENDING PROCEEDINGS

As at the date of this Prospectus a claim is pending in relation to one of the EPMF loans. The manager of the EPMF appointed a receiver under its first mortgage in relation to the defaulting borrower and sold the secured property. A subsequent ranking lender is claiming that rental proceeds from the property received by the manager of the EPMF during the receivership ought to be paid to it. The directors of Equitable Mortgages are of the view that the likelihood of any losses from these proceedings is extremely low. Therefore the proceedings are unlikely to have any material adverse effect on the EPMF or on Equitable Mortgages.

There are no other legal proceedings or arbitrations pending against Equitable Mortgages which may have any material adverse effect upon it.

ISSUE EXPENSES

The estimated amount of expenses of this issue is $40,000 for printing, advertising, auditing and legal costs, all of which are payable by Equitable Mortgages.

Brokerage/commission is not payable by an investor. Brokerage/commission may be paid by Equitable Mortgages to its authorised investment advisers at various negotiated rates based on the term and value of applications lodged by such investment advisers and bearing their stamp. As at the date of this Prospectus, the maximum rate of commission would be 0.5% per annum of the amount invested, although special rates above this may be agreed on a case by case basis.

Equitable New Zealand Limited (Equitable Mortgages' manager) may reimburse brokers' marketing costs. Such costs will be met from the management fees Equitable New Zealand Limited receives.

RANKING OF SECURITIES

Debentures

As at 31 March 2010 and the date of this Prospectus, no securities are secured by a mortgage or charge over any of the assets of Equitable Mortgages which rank in point of security ahead of the Debentures.

As at 31 March 2010, the aggregate amount of securities that ranked equally with the Debentures being offered pursuant to this Prospectus was $186,368,983. The equal ranking securities comprise first ranking secured debentures previously issued by Equitable Mortgages pursuant to the Trust Deed. The Debentures will also rank equally with all future secured debentures issued by Equitable Mortgages pursuant to the Trust Deed.

See also "Nature of Securities" on page 17.

Unsecured Notes (Other than Subordinated Unsecured Notes)

Any Unsecured Notes which may be issued by Equitable Mortgages (other than Subordinated Unsecured Notes) would rank behind the moneys owing under the Debentures and all other secured obligations of Equitable Mortgages and all liabilities given a preference by law to the extent permissible by law.

Equitable Mortgages is entitled to continue to create and issue Debentures under the Trust Deed ranking in priority to Unsecured Notes.

Unsecured Notes (other than Subordinated Unsecured Notes) would be of equal ranking as between themselves.

Subordinated Unsecured Notes

Any Subordinated Unsecured Notes which may be issued by Equitable Mortgages would rank behind the moneys owing under the Debentures and all other secured or unsecured obligations of Equitable Mortgages (except other Subordinated Debt) and all liabilities given a preference by law to the extent permissible by law.

Equitable Mortgages is entitled to continue to create and issue Debentures and Unsecured Notes (other than Subordinated Unsecured Notes) ranking in priority to the Subordinated Unsecured Notes.

Subordinated Unsecured Notes would be of equal ranking as between themselves.

Unsecured Notes and Subordinated Unsecured Notes are not being offered under this Prospectus.

PROVISIONS OF TRUST DEED AND OTHER RESTRICTIONS ON EQUITABLE MORTGAGES

See the Glossary for a summary of the meaning of capitalised terms.

Trust Deed

The securities to which this Prospectus relates are constituted and issued under the Trust Deed entered into between Equitable Mortgages and the Trustee dated 15 May 1998, as amended from time to time.

The Trust Deed provides for the issue by Equitable Mortgages of Debentures and/or Unsecured Notes, (including Subordinated Unsecured Notes), although the only securities offered under this Prospectus are Debentures.

Holders of Debentures are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Trust Deed.

The Trustee acts as trustee for the Holders of Securities constituted under the Trust Deed.

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

Nature of Securities

As at the date of this Prospectus, Debentures are secured by a first ranking fixed charge security created by the Trust Deed over the whole of the assets and undertaking of Equitable Mortgages, subject only to claims that have priority by operation of law.

The Trust Deed prohibits Equitable Mortgages, without the prior written consent of the Trustee, from creating or permitting to subsist any charge over its assets that ranks equally with, or in priority to, the security created by the Trust Deed. The right to create a charge ranking equally with, or in priority to, Debentures would be subject to the approval of investors by way of an Extraordinary Resolution, and would also require the prior written consent of the Trustee.

At the date of this Prospectus, there are no charges ranking ahead of or equally with the charges created by the Trust Deed, other than charges that have priority by operation of law.

Unsecured Notes (including Subordinated Unsecured Notes) are not secured by the Trust Deed or otherwise.

Financial Covenants

Equitable Mortgages has covenanted with the Trustee that:

- its aggregate Shareholders Funds are not and will not be less than $2,500,000;
- its Total Liabilities will not exceed an amount equal to 92.5% of its Total Tangible Assets;
- the aggregate amount of interest accruing during any period of 6 months to Holders will not exceed the aggregate amount of interest accruing during that period to Equitable Mortgages in respect of Loans, investments or other credit made by Equitable Mortgages (with appropriate deductions for interest on bad and doubtful debts).

Other Covenants

Equitable Mortgages has also covenanted with the Trustee, among other things, that it will not without the prior written consent of the Trustee:

- invest the proceeds of any Securities or other moneys held by Equitable Mortgages in any investments other than Authorised Investments, but with the power in relation to those Authorised Investments to vary or transpose them for others of a like nature and to deal with or dispose of them;
- dispose of any assets or provide services to or purchase any assets or accept services from any Related Company or any other Person other than for proper value on reasonable commercial terms;
- provide credit to any Person otherwise than in accordance with good commercial practice, nor give covenants, indemnities or securities for the obligations of any Person for amounts which, together with the contingent liabilities of Equitable Mortgages under all such guarantees and liabilities and under all such loans, exceed 2% of Equitable Mortgages' Total Tangible Assets, and provided further that Equitable Mortgages shall not draw, accept or endorse any bill of exchange where an independent third party is also liable on that bill or exchange;
- make any alteration to the business of Equitable Mortgages, as a result of which the principal business of Equitable Mortgages would cease to be that of a provider of financial or investment services;
- sell or transfer, whether by a single transaction or any series of transactions whether related or not, the whole or any substantial part of the business of Equitable Mortgages;
- create or permit to subsist any Charge over the Charged Assets ranking equally with, or in priority to, or subsequent to, the Charges created pursuant to the Trust Deed;
- acquire any subsidiary or shares or any other interest in any Corporation, other than pursuant to the enforcement of any security rights conferred by any security taken by Equitable Mortgages in the ordinary course of its business as a financier;
- in its books of account, omit to make provision for all bad or doubtful debts and any known or anticipated losses or write up the value of any asset beyond a value in excess of its market value;
- make any return of paid-up capital or declare or pay any dividend or make any other distribution or repurchase any of its own shares while any moneys which have become due and payable remain unpaid (except in respect of amounts unclaimed);
- make any payment on account of principal or interest in respect of any Subordinated Debt unless Equitable Mortgages has given a directors' certificate to the effect that:
    - no breach of any term of the Trust Deed will result from any such payment being made;
    - to the best of their knowledge and belief, after making all reasonable enquiries, during the ensuing 12 months, Equitable Mortgages will be able to meet its liabilities as they fall due and there exist no reasons why Equitable Mortgages should breach the financial disciplines referred to in this section.

Reports to the Trustee

Equitable Mortgages has undertaken under the Trust Deed to supply the Trustee with copies of its financial statements and reports of the directors as to various matters relating to the Securities.

In particular, Equitable Mortgages is obliged to supply the Trustee with:

- quarterly directors' resolutions and certificates advising the Trustee, among other things, of the level of Equitable Mortgages' Total Liabilities, Total Tangible Assets, Shareholders Funds, total current liabilities, and total current assets, each Class of Security and how much thereof are Debentures, Unsecured Notes and Subordinated Unsecured Notes, total contingent liabilities and estimated amount of those liabilities, Uncalled Capital of Equitable Mortgages and Loans, advances or other financial accommodation made to Related Companies specifying the amount of the Loans and the Related Party;
- half yearly audited financial statements of Equitable Mortgages together with a report from the auditors;
- annual audited financial statements (together with a certificate from the auditor) of Equitable Mortgages;
- financial statements of Equitable Mortgages at any time other than at the end of a financial year or half year if the Trustee considers that special circumstances apply and certifies to Equitable Mortgages accordingly.

Under the Securities Regulations 2009 Equitable Mortgages must provide to the Trustee a copy of the monthly management report prepared for the directors of Equitable Mortgages. This report includes details of liquidity, asset quality, re-investment rates and details of breaches of financial covenants in financing arrangements with third parties.

Equitable Mortgages must certify to the Trustee every 3 months, that the prospectus is up to date and not false or misleading in a material particular and that Equitable Mortgages has complied with all provisions of the Trust Deed. Refer also to the reporting requirements under the Guarantee in Appendix 3.

The Trustee

The Trustee acts as an independent Trustee for Holders of the Securities.

The Trustee does not guarantee the repayment of any of the Securities referred to in this Prospectus or offered in the Investment Statement or any payment of interest thereon.

The following is a summary of the main duties of the Trustee:

- to exercise reasonable diligence to ascertain whether or not any breach of the terms of the Trust Deed or of the terms of the offer of any Securities has occurred and, except where it is satisfied that the breach will not materially prejudice the security (if any) of the Securities or the interest of the Holders, to do all such things as it is empowered to do to cause any breach of those terms to be remedied;
- to exercise reasonable diligence to ascertain whether or not the assets of Equitable Mortgages that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of the Securities as they become due;
- to receive and consider the regular financial reports provided by Equitable Mortgages and its auditors;
- upon the Security under the Trust Deed becoming enforceable, at its discretion (and at the request in writing of any Holder or Holders of at least 20% in nominal amount of the Debentures or upon being directed to do so by the Secured Debenture Stockholders passing an Extraordinary Resolution) enforce that security in any of the ways provided in the Trust Deed, including taking possession of or selling the assets charged in favour of the Trustee and appointing a receiver;
- to perform a number of functions relating to the operation and administration of the Trust Deed.

See Appendix 6 for the Trustee's statement in relation to this Prospectus.

Default Events

The Trust Deed becomes enforceable upon the happening of certain events as specified therein. In the case of Debentures, the security constituted by the Trust Deed also becomes enforceable upon the happening of any one or more of those events.

The default events include:

- default in payment of any Principal Moneys or interest on any Securities on due date;
- default in payment of any other moneys payable under the Trust Deed for 7 days after written demand has been made;
- making any distributions to shareholders without the written consent of the Trustee where any Principal Moneys or interest has become due or payable;
- other events relating principally to the solvency of Equitable Mortgages such as the making of an order or the passing of a resolution for the winding up or dissolution without winding up of Equitable Mortgages, a receiver being appointed to Equitable Mortgages, Equitable Mortgages being placed in statutory management, distress or execution being levied on Equitable Mortgages, Equitable Mortgages ceasing or threatening to cease to carry on business, Equitable Mortgages selling the whole or the major part of its assets without the Trustee's consent, Equitable Mortgages creating or permitting to subsist any charge over its assets in breach of the Trust Deed,

Equitable Mortgages being unable to pay its debts within the meaning of section 287 of the Companies Act 1993, Equitable Mortgages failing to comply with the ratios contained in clause 5.1 of its Trust Deed, an inspector or inspectors being appointed to investigate the affairs of Equitable Mortgages under section 179 of the Companies Act 1993 or pursuant to the Corporations (Investigation and Management) Act 1989, Equitable Mortgages entering into any arrangement or composition with its creditors generally without the prior written consent of the Trustee, or Equitable Mortgages requesting the Trustee to appoint a receiver to the whole of its undertaking and assets;

- Equitable Mortgages permitting any Charges over its assets and undertaking to subsist in breach of the provisions of the Trust Deed;
- continuation of any default under the Trust Deed for more than 30 days after notice from the Trustee requiring the default to be remedied.

Meetings

Provision is made in the Trust Deed for meetings of all or any particular Class of Holders of the Securities constituted by the Trust Deed to be called by Equitable Mortgages or the Trustee at any time.

In addition, the Holders of not less than 20% in nominal amount of all the Securities (or any Class of Securities) may require the Trustee to convene a meeting of the Holders of all Securities (or the relevant Class, as the case may be).

The Holders of 20% in nominal amount of any Class of Securities present in person or by proxy or representative constitute a quorum for any business conducted at the meeting other than for the passing of an Extraordinary Resolution. The quorum for the passing of an Extraordinary Resolution is Holders present in person or by representative holding or representing a majority in nominal amount of the appropriate Class of Security.

An Extraordinary Resolution of the Holders of the Securities or of any Class of Securities constituted by the Trust Deed is required to authorise and approve certain specified matters including any material alteration or addition to the Trust Deed and, subject to the Trust Deed, the appointment of any new Trustee.

Unless the context otherwise requires, an Extraordinary Resolution of the Holders of the Securities or any Class of Securities is a resolution carried by a majority of not less than three-quarters of those Holders at a meeting of those Holders who are entitled to attend and vote or, if a poll is demanded, then three-quarters of the votes given at such poll and calculated by reference to the nominal amount of the Securities.

An Extraordinary Resolution of the Holders of the Securities or any Class of Securities is binding on all those Holders, whether or not they were present or represented at the meeting or adjourned meeting which passed a resolution.

Alterations to the Trust Deed

In certain circumstances the Trustee and Equitable Mortgages may alter the Trust Deed by way of a Supplemental Deed. These circumstances include:

- an alteration required by law;
- an alteration required to correct a manifest error or which is of a formal or technical nature;
- an alteration that is considered by the Trustee not to be, nor likely to become, prejudicial to the general interests of Debenture Holders;
- an alteration that the Trustee is satisfied will not be inconsistent with provisions generally accepted as appropriate and reasonable for inclusion in debenture trust deeds of financial intermediaries;
- an alteration authorised by an Extraordinary Resolution of Debenture Holders.

The Trustee may also, by written notice to Equitable Mortgages, with the prior written approval of Debenture Holders holding more than 50% of the nominal amount of the Debentures, temporarily vary the Trust Deed, in each case for such period and on such terms as the Trustee agrees.

Any amendment to the Trust Deed will be binding on all Debenture Holders.

Other Matters

The Trust Deed also contains detailed provisions as to registration of the Holders of Securities, transfer of Securities and various other matters.

The Trust Deed provides that the Trustee is entitled to charge fees agreed from time to time between Equitable Mortgages and the Trustee. This fee is equal to 0.0175% per annum of the Total Tangible Assets of Equitable Mortgages and is calculated monthly and payable quarterly. Equitable Mortgages and the Trustee may agree at any time to amend such fees. The Trustee is also entitled to be reimbursed by Equitable Mortgages for any reasonable costs and expenses incurred in relation to the performance of its duties under the Trust Deed. These fees, costs and expenses will be met by Equitable Mortgages and are not deducted from the return payable to investors.

All Holders of the Securities are deemed to have agreed and accepted and are bound by the provisions of the Trust Deed.

Investors requiring further information should refer to the Trust Deed which is available for inspection during normal business hours at the Auckland Office of Equitable Mortgages, and which may be viewed on the Companies Office website, www.companies.govt.nz under the Equitable Mortgages' file reference. The Trust Deed is also available for inspection (upon payment of the prescribed search fee) during normal business hours at the office of the Trustee in Auckland. Copies of the Trust Deed are available upon request from Equitable Mortgages on payment of a small fee.

OTHER TERMS OF OFFER AND SECURITIES

All terms of the offer and all terms of the Debentures being offered, are set out in this Prospectus, other than those:

- implied by law; or
- set out in a document that is registered with a public official, is available for public inspection and is referred to in this Prospectus.

FINANCIAL STATEMENTS

The most recent audited financial statements of Equitable Mortgages are for the year ended 31 March 2010. The financial statements have been prepared in accordance with the requirements of Schedule 2 of the Securities Regulations 2009 and comply with and were registered under the Financial Reporting Act 1993 on 3 September 2010.

These financial statements include figures for both "Company" and "Group" (being the Consolidated Group for accounting purposes only). Readers of the financial statements should focus on the "Company" figures as the Company is Equitable Mortgages which is the sole member of the borrowing group and the only entity liable to holders of Debentures. "Group" figures are prepared under NZ IFRS and are provided for background information only. The EPMF is not a member of the borrowing group and is not liable to holders of Debentures. In particular, cash and equity shown in the "Group" figures is not available to repay Debentures or pay any returns on Debentures.

These financial statements are available on the Companies Office website www.business.govt.nz/companies or alternatively at the Equitable Group website www.equitable.co.nz.

PLACES OF INSPECTION OF DOCUMENTS

The constitution of Equitable Mortgages, financial statements of Equitable Mortgages and the EPMF, all material contracts referred to in this Prospectus and any other relevant documents including the Trust Deed may be viewed free of charge at the registered office of Equitable Mortgages (as set out in the Directory), during normal business hours, or on the Companies Office website, www.companies.govt.nz under the Equitable Mortgages' file reference. Copies may also be obtained by telephoning the Companies Office Contact Centre (toll free) at 0508 266 726. A fee may be payable.

OTHER MATERIAL MATTERS

The Equitable Property Mortgage Fund ("EPMF")

Subscription moneys are, at the date of this Prospectus primarily invested in units in the EPMF ("GIF Units"). However, please refer to the letter to investors on page 2, which details a proposal to restructure Equitable's business model.

The EPMF is a group investment fund which was established by Trustees Executors in its capacity as a trustee corporation pursuant to the Trustee Companies Act 1967 (in this capacity Trustees Executors is referred to as the "GIF Trustee"). The EPMF is governed by a trust deed dated 29 June 2007 ("GIF Deed"). Equitable Property Finance Limited is the manager of the EPMF ("GIF Manager"). The GIF Manager has appointed Equitable New Zealand Limited to conduct various of its day to day management responsibilities.

The GIF Trustee holds subscription funds for GIF Units under the trust and agency arrangements governing the GIF Deed. The subscription moneys are pooled in the EPMF and invested in authorised investments as defined in the GIF Deed. The assets of the EPMF are held in the name of the GIF Trustee and through its custodian company, Equitable Property Holdings Limited. The assets are managed by the GIF Manager, which has the responsibility for selecting and recommending the range of authorised investments, and for managing the EPMF.

Holders of GIF Units are entitled to an undivided beneficial interest in the assets invested through the EPMF. At law they do not have any interest in respect of any particular investment forming part of the EPMF.

Units in the EPMF

GIF Units are issued at a current unit value, which is intended to remain at $1.00. The GIF Units will be taken up from time to time by Equitable Mortgages as subscription moneys for Debentures are received.

Equitable Mortgages may redeem GIF Units by giving notice in the specified manner to the GIF Manager. Redemption of GIF Units is to be completed at the current unit value.

If the GIF Manager or the GIF Trustee determines in good faith that it is not practicable or would be materially prejudicial to the interests of GIF Unit holders for GIF Units to be redeemed, then the GIF Manager or the GIF Trustee may suspend that redemption. Suspension could arise because of, for example, financial, political or economic conditions applying in respect of any real estate or financial markets, or the nature of any investment.

Investments of the EPMF

The EPMF must invest only in authorised investments, and in accordance with investment policies agreed between the GIF Manager and the GIF Trustee.

All investments must be made in the name of the GIF Trustee or its custodian. Only investments permitted for designated group investment funds under the Income Tax Act 2004 will be permitted as authorised investments. These include first mortgage securities. Unless the GIF Manager and the GIF Trustee otherwise agree, the EPMF assets are to be invested in loans made upon the security of registered first mortgages of land. Cash in the EPMF is to be held on deposit with registered banks.

The EPMF's first mortgage portfolio is diversified throughout New Zealand's main regions. The lending activities include, but are not limited to, commercial, industrial, residential, accommodation, office, development and retail property. Cash in the EPMF is held with registered banks. Further detail is set out in Appendix 1.

The mortgage lending through the EPMF is managed by the Equitable property finance team. The following investment guidelines govern the EPMF lending:

- Loans are subject to approval by a credit committee which includes at least two directors, following assessment by the property finance team;
- The Loan to Value Ratio ("LVR") of the EPMF as a whole must not exceed 70% at the time a loan is made (the actual LVR is set out in Appendix 1 and see "Valuations for Lending Purposes" below);
- An individual loan LVR must not exceed 80% of the value of the secured property at the time the loan is made (and see "Valuations for Lending Purposes" below);
- The GIF Manager manages lending exposures with a view to ensuring that the EPMF is not overexposed to any region, sector or borrower;
- The EPMF does not lend on second mortgages, third mortgages, cars, boats or chattels.

From time to time the GIF Manager and the GIF Trustee may agree to alter the terms and conditions of the investment policies for an individual loan.

The property valuation for development funding is the on-completion value of the project, with costs and funding monitored monthly with the object of ensuring sufficient funding lines available to complete the project.

Upon maturity of a loan facility, consideration may be given to extending the loan for a further term or restructuring the loan (if requested by the client). As with a new loan, the full credit approval process is required.

Valuations for Lending Purposes

The GIF Trustee and the GIF Manager have agreed that the LVR for any individual loan may not exceed 80% of the value of the secured property at the time the loan is advanced. That value is based on a valuation obtained from a registered valuer, which is dated no more than nine months prior to the date of the loan advance. The valuation amount must be to the GIF Manager's satisfaction.

The GIF Trustee and the GIF Manager have also agreed that when approving a new advance the LVR for the aggregate amount of the EPMF's loans (including the proposed loan) may not exceed 70% of the value of the secured properties. That value is based on the valuations used when each loan is made, as described above. However, the GIF Manager (at its sole discretion) may require a borrower to provide an updated valuation on any secured property. If so, the LVR for the aggregate of the EPMF's loans will be calculated on the most recent valuations.

From time to time the GIF Manager and the GIF Trustee may agree to alter these LVRs. If the LVR for the aggregate of the EPMF's loans exceeds 70%, it does not constitute an event of default under the GIF Deed, however, it may impact on further lending decisions.

Valuations of EPMF Assets

The GIF Manager must value assets of the EPMF for the purpose of issuing and redeeming GIF Units. Loans made on the security of first mortgages over property are valued at the lesser of, the principal amount outstanding under the loans together with accrued interest and the amount the GIF Manager reasonably determines is recoverable on the loans.

Income and Distributions

The GIF Manager must collect and receive, on behalf of the GIF Trustee, all income of the EPMF and must account to the GIF Trustee for all such income. All income accruing to the EPMF is to be allocated to the EPMF's income account. All costs and expenses accruing to the EPMF and all distributions from the EPMF are deducted from the EPMF's income account.

All income entitlements will be distributed regularly to GIF Unit holders. This distribution may be by way of additional GIF Units.

Remuneration

From the EPMF, each of the Trustee and the GIF Manager is entitled to receive and retain fees and costs, as agreed between them, for its own use.

Trustee's Powers and Duties

Subject to the GIF Deed provisions, the GIF Trustee is to act on any direction or request of the GIF Manager to invest the EPMF in authorised investments. The GIF Trustee is not required to act on any such direction if, in the opinion of the GIF Trustee, the proposed investment, acquisition or disposition is manifestly not in the interests of the unit holders, or is contrary to the provisions of the GIF Deed.

Subject to the GIF Deed restrictions, the GIF Trustee is otherwise to have full and exclusive power, control and authority over the EPMF assets to the same extent as if it were the owner of these.

The GIF Trustee has the power to, and may if directed by the GIF Manager, borrow for the purposes of the EPMF. The aggregate total borrowings by the GIF Trustee, together with any amounts guaranteed from the EPMF assets, may not exceed 25% of the value of the assets of the EPMF or, if secured against a particular asset, 25% of the value of that asset.

Lending activities of the EPMF are conducted through the GIF Manager. The GIF Trustee is empowered to, and shall, if directed by the GIF Manager in accordance with EPMF investment policies, lend money or offer financial accommodation to any parties for the purpose of the EPMF and the trust and agency relationships governed by the GIF Deed. The GIF Trustee may obtain security in relation to the repayment of such lending upon terms and conditions as the GIF Trustee and the GIF Manager think fit.

Manager's Powers and Duties

The GIF Manager is appointed by the GIF Trustee to manage the trust.

Subject to the GIF Deed, the GIF Manager may exercise all powers and discretions conferred upon the Trustee under the GIF Deed which it considers are necessary or desirable to perform its functions under the GIF Deed.

The GIF Manager covenants to:

- use its best endeavours and skill to ensure that the affairs of the EPMF are conducted in a proper and efficient manner in accordance with the GIF Deed;
- use due diligence and vigilance in the exercise of its functions and powers and duties as GIF Manager;
- account to the GIF Unit holders for all moneys it receives on behalf of the EPMF;
- not pay out, invest or apply any money belonging to the EPMF for any purpose that is not directed by, or authorised, in the GIF Deed;
- use its best endeavours to carry on and conduct its business as GIF Manager under the GIF Deed in a proper and efficient manner;
- use its best endeavours to ensure that the assets of the EPMF are properly managed in accordance with investment policies agreed with the GIF Trustee;
- make available to the GIF Trustee for inspection all books of the GIF Manager relating to the EPMF;
- cause to be prepared all documents, distribution checks, certifications, accounts and notices which are to be issued under the EPMF by the GIF Deed and produce the same to the Trustee so as to afford the GIF Trustee reasonable time to examine the same. The GIF Deed requires the GIF Manager to give quarterly certificates which include details of the assets of the EPMF.

Realisation of defaulting loans and liquidity matters will generally be conducted by the GIF Manager which should act in the interests of holders of GIF Units as a whole, rather than any individual GIF Unit holder.

Indemnities

The GIF Trustee and the GIF Manager have an indemnity from the EPMF against any and all losses, costs and expenses incurred by either of them in performing their respective duties or exercising their relative powers except to the extent that any such loss, cost and expense has arisen out of fraud, wilful breach of trust or dishonesty on the part of the person claiming the indemnity and, in the case of the GIF Trustee, breach of trust where the GIF Trustee fails to show the degree of care and diligence required of it having regard to the provisions of the GIF Deed.

None of the GIF Trustee, its custodian company, or the GIF Manager guarantee the repayment of the units in the EPMF.

Copy of the GIF Deed

A copy of the GIF Deed is available at the registered office of Equitable Mortgages, upon the request of any investor.

EPMF Financial Statements

On 3 December 2009 Equitable Mortgages' GIF Units exceeded 75% of GIF Units on issue. For accounting purposes only this is treated as an "acquisition" of the EPMF by Equitable Mortgages and consolidated financial statements have been prepared for the year ended 31 March 2010. Further information is set out under "Financial Statements" on page 20.

The EPMF's separate financial statements for the year ended 31 March 2010 comply with and were registered under the Financial Reporting Act 1993 on 3 September 2010. These financial statements are available on the Companies Office website www.business.govt.nz/companies or alternatively at the Equitable Group website www.equitable.co.nz.

The EPMF's summary financial statements for the period ended 31 March 2008 and the years ended 31 March 2009 and 2010 are set out in Appendix 5.

INVESTMENT RISKS

The principal general risks for investors are that:

- investors may not receive back all or any of the original investment;
- investors may not receive all or any of the returns due on the investment;
- payments of returns due to investors may be delayed.

It is reasonably foreseeable that any of these could occur for a number of reasons, including if:

- a significant number or amount of loans made from the EPMF are not repaid under the terms and conditions of the loans;
- the security taken for loans is not adequate for any reason and the EPMF is unable to recover the full amount from the borrower;
- there is a material deterioration in Equitable Mortgages' or the EPMF's financial performance; or
- there is a lack of liquidity, due to lower than anticipated reinvestment or loan repayment rates.

All forms of investment involve an element of risk. Risk management is an area of key focus for the management and boards of Equitable Mortgages and the GIF Manager. Risks are identified, assessed and managed using experienced and expert professionals.

As Equitable Mortgages' funds are predominantly invested in the EPMF, the principal risks facing Equitable Mortgages are the underlying risks of the EPMF, which are summarised below. However, if any future lending and funding diversification (described in the letter to investors on page 2) is approved, this will likely change the risk profile of Equitable Mortgages. This is because lending may be secured by assets other than commercial real estate and there may be an ability to obtain funding which ranks in priority ahead of Debentures.

Lending Risk

Lending risk is the risk of the EPMF lending funds and then not receiving back the principal, interest and fees owed by borrowers.

The GIF Manager seeks to mitigate this risk through expertise in loan management and recovery and a comprehensive credit approval process.

The EPMF lends on the security of first mortgages over real property and acquires only first mortgage backed loans.

The GIF Manager's loan approval process evaluates a number of factors. These include:

- the loan to value ratio and the amount of the loan;
- the location and quality of the property, including tenancies;
- the borrower's financial position and ability to service the loan;
- the borrower's history and loan payment performance;
- the quality and validity of any guarantees offered; and
- the ability to recover the amounts owed if the loan is not repaid as contracted.

The GIF Manager also employs risk management guidelines and policies which are set and reviewed by a subcommittee of its board. These include:

- limits on the maximum exposure to any one client, entity, sector or region;
- limits on maximum levels of loan to valuation ratios;
- only accepting valuations from approved valuers; and
- regular review and ongoing assessment of existing loans.

Property development funding is subject to additional lending risk in that the development may not be completed, the costs of construction may exceed the budgeted amount, and either the contractor or the borrower may become insolvent and be unable to complete the development. See also our discussion under "Market Risks". This risk is particularly prevalent in times of economic downturn.

To mitigate these risks, the EPMF generally requires that a percentage of the development is pre-sold, that construction costs are predetermined with a fixed building contract and that the building contractor is reputable and satisfactory to the GIF Manager. To assist in the risk management process, the GIF Manager will obtain advice from professional third party consultants such as lawyers, valuers, quantity surveyors, engineers and project managers.

Loan Management

The EPMF's loan book is principally exposed to property assets that, in the present market, can be considered relatively illiquid. Where a loan matures the GIF Manager may choose not to immediately realise securities, preferring to wait to determine whether there is an overall improvement in market conditions. This has led to an increased interest accrual and may lead to further accruals.

In addition, certain loans may be restructured to normalise interest arrears but would continue to comply with approved lending guidelines and such restructure would be subject to the GIF Trustee's prior approval. As at the date of this Prospectus no loans have been restructured.

Concentration Risk

This is the risk associated with a high dependence on lending in one industry sector, asset class or geographic region to the extent that cyclical events could affect the financial performance of the EPMF or Equitable Mortgages.

The EPMF lends on the security of first mortgages over real property and therefore has concentration risk to the property sector. Due to current market conditions and contraction in the EPMF loan book as at the date of this Prospectus there have been increased concentration exposures to certain sectors, industries and geographic locations. The current sector and geographic make up of the EPMF loan book is available in Appendix 1.

Asset Quality Risk

Market conditions have led to an increase in non-performing loans of the EPMF against historical performance. While the increase is significant, it has not translated into material lending losses. A table of the EPMF quarterly asset quality, including impaired loans, is set out in Appendix 1.

As at 30 June 2010, the total of past due assets and impaired loans of the EPMF portfolio is $103,192,000 representing 53% of the total loan book. A past due asset means the outstanding loan balance when either the interest or principal is unpaid by more than one day. An impaired loan means the outstanding loan balance where either there is objective evidence that the net value of the security is insufficient to ensure full recovery of the outstanding loan balance, or there is some uncertainty that ongoing interest may not be recoverable and interest is therefore not capitalised or recognised.

Security values on loans are initially determined at the date of advance and, although some values may be periodically updated, over time may not reflect current market values due to the declining property market.

The GIF Manager actively oversees and administers the asset quality position of the EPMF loan book and contracted additional specialised resources to assist with increased proactive account management.

As part of the regular governance process, the GIF Manager formally reports on asset quality to the board's loans review committee, where the EPMF net asset position is assessed on an individual loan basis.

The GIF Manager in conjunction with the Auditor and the GIF Trustee, review the value of the EPMF units (which are intended to remain at $1.00). This process involves a loan by loan review of the EPMF portfolio.

Liquidity Risk

Liquidity risk is the risk of both the EPMF and Equitable Mortgages not having sufficient cash to meet their respective obligations and liabilities as they fall due.

Liquidity may be negatively impacted by a reduction in reinvestment rates, lack of new investments, a failure of borrowers to make loan repayments when due (in this regard the total of past due assets and impaired loans of the EPMF portfolio is $103,192,000 as at 30 June 2010), delays in loan recoveries and the advance of new loans. See also "Crown Guarantee" below.

The management of Equitable Mortgages meets fortnightly to monitor its liquidity position on a rolling, forward-looking six month basis. While reinvestment rates and new investments cannot be assured, as at 10 September 2010 assumptions are for a reinvestment rate of 48% over the next six month period, and new investments of $2.5 million per month. Based on these assumptions, Equitable believes that Equitable Mortgages has sufficient liquidity to meet its liabilities over the monitored period.

The actual reinvestment rates and new investment amounts since 31 March 2010 are as follows:

Month	Reinvestment rate	Total new investments
June 2010	63.2%	$3.8 million
July 2010	55.6%	$4.0 million
August 2010	53.3%	$4.2 million

Equitable believes that the reinvestment rates and new investment assumptions stated above are achievable. However, if there is a material drop in reinvestment rates or new investments, then Equitable Mortgages may be required to re-evaluate its assumptions.

The "Group" figures in Appendix 4 show cash of $60.7 million as at 31 March 2010. The EPMF figures in Appendix 5 show cash of $48.8 million as at 31 March 2010. Investors should not rely on either of these figures in connection with the liquidity of Equitable Mortgages.

The "Group" figures in Appendix 4 show a figure for non controlling interests of $42.1 million. This amount represents Equitable Life Insurance Company Limited's interest in the EPMF. In normal trading conditions Equitable Life Insurance Company Limited could call on this amount. If it did so, it could be paid out ahead of Equitable Mortgages' interest in the EPMF. However, any such call would be subject to the approval of the GIF Manager which should act in the interests of holders of GIF Units as a whole, rather than any individual GIF Unit Holder.

The cash held in the EPMF is available to both Equitable Mortgages and Equitable Life Insurance Company Limited upon the redemption of their respective units in the EPMF. If such redemptions increased this would negatively impact on the EPMF's liquidity.

Crown Guarantee

As detailed on page 5, Equitable Mortgages has the benefit of a Crown guarantee and the extended Crown guarantee (neither of which are applicable to the Classic Debentures). A large number of Debentures are due to mature prior to 31 December 2011, as investors have shown a preference for Debentures which have the benefit of the guarantee.

If either guarantee was withdrawn by the Crown or if the scheme is not further extended beyond 31 December 2011, there is a risk that investors may choose not to reinvest, or make new investments, in Debentures. If this were to occur it could have a material adverse effect on the financial performance and financial condition of Equitable Mortgages, including its liquidity. See "Liquidity Risk" on page 24 for more detail.

Equitable Mortgages aims to mitigate this risk by encouraging investors (through offering preferential rates of return) to subscribe for Classic Debentures which do not have the benefit of the guarantee and have longer fixed terms.

Management of Liquidity Risk

The boards of Equitable Mortgages and the GIF Manager aim to manage liquidity risk by:

- monitoring forward cash flow figures on a regular basis;
- having a minimum targeted cash holding position, based on both the EPMF and Equitable Mortgage's funding and asset profiles; and
- having a liquidity facility.

Liquidity Facility

Equitable Treasury Limited ("borrower") has signed a Standby Liquidity Facility Agreement dated 18 December 2009 ("Facility") with Westpac Banking Corporation ("Westpac") which is guaranteed by Equitable Group Limited ("EGL"). The Facility is of up to $30 million for a term of two years from the date of the Facility. It is designed to enable the borrower to provide liquidity support to the EPMF by funding the purchase by EGL of securities issued by Equitable Life Insurance Company Limited and Equitable Mortgages Limited or by funding the purchase of assets by the borrower from the EPMF (subject to the prior approval of the GIF trustee). Advances are to be made on a callable first ranking basis.

Conditions for advances to EGL by the borrower are that security, having a cash value equivalent to 100% of those advances, must be provided to Westpac. The assets for that security are required to be provided by the borrower's shareholder.

As at the date of this Prospectus no amounts are drawn down under the Facility.

Capitalising Loan Risk

In some instances the EPMF may offer a borrower a capitalised loan facility under which the borrower will not pay interest until part way through or at the end of the loan term. There is a risk that the borrower's equity position is eroded during the term of the loan, reducing the ability of the EPMF to recover the loan amount and interest due. The GIF Manager manages this risk by assessing the loan to value ratio based on the forecast loan position during and at the end of the loan term, including capitalised interest, and ensuring that the loan limit is within lending limits. Current market conditions have led to a decline in the property market. This has had a negative impact on the loan to value ratio as set out in Appendix 1.

Details of the proportion of EPMF loans where interest is capitalised are set out in Appendix 1.

Counterparty Risk

Counterparty risk is the risk that the EPMF is overly exposed to one borrowing group, entity or individual. The GIF Manager aims to manage this risk by establishing limits on the level of exposure to individual borrowers, entities or borrowing groups, and by regularly reviewing all exposures against these limits. As a result of the EPMF's loan portfolio contracting over the twelve months prior to the date of this Prospectus, the EPMF has a risk concentration in respect of a relatively small number of borrower groups. Those borrower groups that represent more than 10% of total tangible assets of the EPMF are disclosed in Appendix 1.

The EPMF has counterparty credit exposure to parties with whom it invests its cash deposits. The GIF Manager mitigates this risk by investing only with registered banks and only to a limit for each bank set by the board of the GIF Manager.

Hedging Risk

The EPMF intends to conduct swap transactions as part of its prudent money management policy. There is a counterparty risk involved with this. The EPMF intends, however, to restrict such counterparties to New Zealand registered banks.

Catastrophic Events Risk

This is the risk that catastrophic events, including earthquakes or other natural disasters, could affect the value of assets provided by borrowers as security for loans made by the EPMF. The EPMF ensures that all properties provided to it as security are insured for full replacement and reinstatement value and that cover is in place for risks including earthquake, volcanic and seismic activity, and public liability. See "Other Matters" on page 27 for further details.

Margin Risk

Both the EPMF's and Equitable Mortgage's profitability is dependent upon maintaining a positive margin between the cost of funds invested and the return earned on amounts invested. Margin risk is the risk that this margin is adversely impacted by a mismatch between the repricing dates of interest bearing assets and returns promised on liabilities. Increased funding costs and lower interest income have, as at the date of this Prospectus, led to a decreased margin. The boards of Equitable Mortgages and the GIF Manager aim to manage this risk through:

- regular reporting and review of cost of funds and promised returns;
- regular reporting and review of asset and liability repricing profiles;
- monitoring of independent reports on likely future trends in interest rates;
- in the case of Equitable Mortgages, monthly rate setting for Debenture rates of return.

Market Risks

Events locally and internationally have led to a decrease in confidence in the New Zealand economy, finance conditions and the commercial property sector. This has had an adverse effect on the operations of the EPMF and consequently Equitable Mortgages.

New Zealand is in a recession which has and may continue to result in the decline in the value of the New Zealand property market which has impacted the loan to value ratio of the mortgage securities. This has corresponded to a reduction in the security margin in the EPMF. See also our comments under "Loan Management".

Contagion Risk

Recent receiverships, moratoria and rating downgrades in the Non Bank Deposit Taker ("NBDT") sector, coupled with a weaker property market and media commentary, have had an adverse impact on the NBDT sector in general. The reinvestment rate for Equitable Mortgages has been adversely affected by this market force. Future events of this nature in the local markets are likely to impact upon Equitable Mortgages and the EPMF.

Regulatory Risks

Material changes to the laws and regulations applicable to Equitable Mortgages may adversely affect its operations. Equitable closely monitors the regulatory environment in which it operates and participates in the Financial Services Federation industry group.

In particular Equitable is mindful of requirements for NBDT's introduced under amendments to the Reserve Bank of New Zealand Act, ("RBNZ Act") and the Deposit Takers (Credit Ratings, Capital Ratios and Related Party Exposures) Regulations 2010 ("NBDT Regulations"). Equitable Mortgages already complies with the requirement under the RBNZ Act to be independently rated.

From 1 December 2010 when the NBDT Regulations come into force, Equitable Mortgages' Trust Deed must include provisions requiring Equitable Mortgages to maintain a minimum capital ratio and to restrict related party exposures. As at the date of this Prospectus Equitable Mortgages is compliant with the requirements of the NBDT Regulations, except for the minimum capital ratio which is a requirement due to be complied with by 1 December 2010. Equitable is working towards compliance in conjunction with the Trustee through the proposed restructuring of Equitable's business model (described in the letter to investors on page 2) which is intended to effect full compliance with the NBDT Regulations.

Interest Rate Risk

Interest rate risk is the risk of a change in interest rates generally, relative to the rate of return payable on the investment. An increase in market interest rates will not be reflected in the rate payable on the existing Debentures as the rate is fixed from the time of investment, but could affect the value of Debentures if an investor were able to sell them.

Tax Law Change Risk

Future changes in tax laws may affect investors, who should seek independent advice in relation to their individual tax position. Changes in tax laws could also influence Equitable Mortgage's financial position.

Litigation Risk

Equitable Mortgages is not aware of any litigation that could affect its business as at the date of this Prospectus. As in any business, there is always a possibility of future litigation that could adversely affect Equitable Mortgages' financial position.

Fraud Risk

This is the risk that Equitable Mortgages may be subject to fraud by either an internal or external party, leading to financial loss. This risk is mitigated through internal controls that are reviewed by Equitable Mortgages' audit committee.

Key Personnel Risk

The performance of Equitable Mortgages is dependent on the abilities of the management team and staff. There is a risk that the loss or incapacity of one or more key personnel may adversely affect Equitable Mortgages' business or prospects temporarily until a suitable replacement is in place. While all key executives have individual employment contracts, each is permitted to terminate his or her employment upon notice. The Equitable Group manages this risk through structured succession planning, offering market competitive remuneration packages, and through providing a desirable working environment.

Information Technology Risk

Equitable Mortgages and the GIF Manager are reliant on information technology and other systems to operate their businesses. Performance would be influenced by a failure of these systems. Equitable Mortgages manages its information technology risk through daily back-up procedures, business continuity and disaster recovery plans, contracted support arrangements with reputable external consultants and regular reviews of software and hardware performance.

Competition Risk

The economic climate as at the date of this Prospectus has lead to a lack of investor confidence. There has been a movement away from finance company investments and towards bank deposit investments. A material reduction in support from its financial advisors and a rebalancing of portfolios by investors could have an adverse impact on Equitable Mortgages. Equitable Mortgages monitors developments within the sector and communicates with its advisors to obtain feedback on product features and business development opportunities.

Rating Risk

From 1 March 2010 deposit takers must have a credit rating. If Equitable Mortgages' credit rating is downgraded or other deposit takers credit ratings are upgraded it could adversely impact Equitable Mortgages.

Consequences of Insolvency

Debenture Holders will not be liable to pay any further moneys as a result of the insolvency of Equitable Mortgages. However, should Equitable Mortgages become insolvent then certain transactions may be voidable under the provisions of the Companies Act 1993. This may result in an investor having to forego or repay any returns it has received from its investment, including the principal.

Should Equitable Mortgages be put into liquidation during the term of the Debentures, then those creditors set out in the Seventh Schedule of the Companies Act 1993 will rank ahead of an investor's claim. These relate to liquidator's fees, some salary and wages, and tax payable. Claims preferred by statute or law may rank ahead of investors' claims. After the payment of these creditors an investor's claim will rank equally with other Debentures.

LISTING

Listing of the Debentures is not being sought.

OTHER MATTERS

Allowance for Impairment

The EPMF's financial statements for the year ended 31 March 2010 showed an allowance for impairment of $3.83 million.

As a separate matter, the EPMF has the benefit of mortgage guarantee insurance provided by Equitable General Insurance Company Limited (EGI) which is related to Equitable Mortgages and the GIF Manager by common shareholder.

As at 31 March 2010, but unrelated to the impairment allowance of $3.83 million, the GIF Manager notified EGI of potential insurance claims of $3.796 million. EGI has advised the GIF Manager that as at 31 March 2010 it had duly provisioned for these claims of $3.796 million and that (after allowing for this provisioning, and as shown in the EPMF's financial statements for the year to 31 March 2010) EGI's shareholders funds as at 31 March 2010 were $2.28 million.

Accordingly EGI's provision of $3.796 million is in addition to EPMF's allowance for impairment of $3.83 million.

The EPMF's financial statements will be further reviewed in the near future as to allowance for impairment as at 30 September 2010.

There is a risk of further impairment losses in the EPMF to the extent that, following completion of the 30 September 2010 review, an increased allowance for impairment over and above the $3.83 million is necessary and EGI might not at that point have resources sufficient to fully meet insurance claims in respect of those increased impairment losses that are subject to insurance cover.

For the avoidance of doubt EGI does not guarantee the repayment of debentures or the payment of returns on debentures.

Equitable Mortgage Income Trust

A subsidiary of Equitable, Equitable Asset Management Limited, had on issue various Preferred Units ("Units") in a unit trust called the Equitable Mortgage Income Trust, which in turn invested in the EPMF. In November 2009, Equitable decide to cease actively marketing the Units. The Equitable Mortgage Income Trust was wound up on 28 February 2010. The directors of Equitable Mortgages and the GIF Manager are of the view that the winding-up was not prejudicial to the interests of holders of GIF Units and therefore is not prejudicial to the interests of investors in Debentures.

Equitable Life Insurance Company Limited

Another subsidiary of Equitable, Equitable Life Insurance Company Limited, has on issue various life insurance policies ("Bonds") and in turn invests in the EPMF. In August 2010, Equitable decided to cease issuing Bonds and to encourage Bond holders to transfer their Bonds into Debentures. The directors of Equitable Mortgages and the GIF Manager are of the view that this will not be prejudicial to the interests of holders of GIF Units and therefore will not be prejudicial to the interests of investors in Debentures.

Restructuring Proposal

A proposal to restructure the business of Equitable has been made and is detailed in the letter to investors on page 2.

Christchurch Earthquake

As at the date of this Prospectus, the EPMF has made secured loans on four properties located in Christchurch. As far as the GIF Manager is aware (and as advised to it by the relevant borrowers) none of these secured properties have suffered significant structural damage or other safety hazards as a result of the earthquake on 4 September 2010 or any aftershocks up to the date of this Prospectus. Further, the GIF Manager is satisfied that each relevant borrower holds adequate full reinstatement insurance for its secured property which covers earthquake damage, in compliance with the loan terms.

As at the date of this Prospectus there are no material matters, other than those disclosed in this Prospectus.

AUDITOR'S REPORT

A copy of a report by Equitable Mortgages' auditor and the auditor's consent to that report appearing in this Prospectus is attached to this Prospectus as Appendix 7.

PricewaterhouseCoopers has given and has not withdrawn its consent to be named as auditor of Equitable Mortgages and to the issue of this Prospectus with its auditor's report included in the form and context in which it is included.

PricewaterhouseCoopers takes no responsibility for, nor has it authorised nor caused the issue of any part of this Prospectus except for the auditor's report.

The auditor's report on Equitable Mortgages' financial statements for the year ended 31 March 2010 is dated 30 June 2010, was not qualified, and did not refer to a fundamental uncertainty in any respect.

Directors' Statement

In our opinion, after due enquiry by us, none of the following have materially and adversely changed between 31 March 2010 and the date this Prospectus was delivered in registrable form to the Registrar of Companies for registration:

- the trading or profitability of Equitable Mortgages; or
- the value of its assets; or
- the ability of Equitable Mortgages to pay its liabilities due within the next twelve months.

THIS PROSPECTUS has been duly signed by each of the directors of Equitable Mortgages Limited or by their agent authorised in writing:

Arthur William Young

Allan John Manu Wadams

David Parkes Forgie

Christopher Albert Spencer

David Scott Ferraby

Ross Alexander Aitken

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The following information is included as required under Schedule 2 to the Securities Regulations 2009.

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Glossary

This section sets out a summary of defined terms as they appear in this Prospectus.

Some of the following definitions have been taken (and in some instances summarised) from the Trust Deed and any specific reference must be made to the Trust Deed.

Assets means, in relation to a Person, all or any part of the present and future undertaking, property and assets of the Person.

Assured Debentures mean Debentures which are covered by the Crown guarantee, subject to the terms of the guarantee.

Authorised Investments means:

- loans on the security of a first mortgage of a freehold interest in land in New Zealand;
- loans on the security of a first mortgage of a leasehold interest in land in New Zealand, if acceptable to the Trustee;
- debt securities issued by a registered bank;
- debt securities issued by a company listed on the New Zealand Stock Exchange with a Standard & Poor's rating of B or higher provided the current market value of such securities relating to any one company must not exceed 10% of the shareholders' funds at any time;
- securities issued by any Corporation or Person if they are guaranteed by a registered bank or the New Zealand Government;
- Government bonds, notes or other loans (or similar); or
- Units or securities in a group investment fund.

Borrowing Group means, for the purposes of the Securities Act 1978, Equitable Mortgages, as the issuer of the Debentures and any of the guaranteeing subsidies of Equitable Mortgages (of which there are none at the date of this Prospectus).

Certificate means a certificate or other writing evidencing Securities issued by Equitable Mortgages pursuant to this Trust Deed.

Certificate of Exemption means a certificate issued by the Commissioner of Inland Revenue that enables payments of interest to be made to the holder of such certificate without deduction of resident withholding tax.

Charge means a mortgage, charge, lien or pledge.

Charged Assets means all Assets charged in favour of the Trustee with payment of the Secured Debenture Stock.

Class means:

- where used in relation to Securities, each of Secured Debenture Stock, Unsecured Notes and Subordinated Unsecured Notes of Equitable Mortgages;
- where used in relation to Holders, the Holders of each of Secured Debenture Stock, Unsecured Notes and Subordinated Unsecured Notes of Equitable Mortgages.

Classic Debentures means Debentures which are not covered by the Crown guarantee and are therefore "Excluded Securities" for the purposes of the Crown guarantee deeds.

Consolidated Group means, for the purposes of NZ GAAP, Equitable Mortgages and the EPMF. Investors should note that the Consolidated Group is only a group for accounting purposes and does not constitute the Borrowing Group.

Corporation means a body corporate.

Excluded Securities means Classic Debentures which are not covered by the Crown guarantee.

Extraordinary Resolution means an extraordinary resolution of Holders or of any Class thereof (as the case may be) and if no Class is specified shall mean an extraordinary resolution of Secured Debenture Stockholders.

Holders means holders of any Securities.

Liabilities means liabilities which would, in accordance with NZ GAAP, be classified as liabilities.

Loan means, in relation to Authorised Investments, any form of financial accommodation provided by the mortgagee to the mortgagor at his or her request.

Moneys means at any time and from time to time the Principal Moneys and interest payable on the Securities and any other moneys payable to or at the direction of the Trustee or to any Holders under or pursuant to the Trust Deed or the terms of issue of any of the Securities.

NZ GAAP means New Zealand Generally Accepted Accounting Practice as defined in section 3 of the Financial Reporting Act 1993. As at the date of this Prospectus, this means NZ IFRS (New Zealand equivalents to the International Financial Reporting Standards).

Person includes an individual, a Corporation and any association of persons whether corporate or unincorporate, any government or department or agency thereof and any legislative body, authority or agency.

Principal Moneys means the aggregate amount of all debts, obligations and liabilities (including capitalised interest) actually or contingently owing to the Holder thereof inclusive of any premium payable in accordance with the conditions of issue thereof, but excluding such interest which has not been capitalised or is required to be deducted therefrom in accordance with the terms of the relevant Certificate.

Register means any register of Securities kept pursuant to the Trust Deed.

Related Company means:

- a Corporation which is for the time being a holding company or subsidiary of Equitable Mortgages within the meaning of section 5 of the Companies Act 1993;
- a subsidiary of any holding company of Equitable Mortgages;
- a subsidiary of Equitable Mortgages;
- an associated company of Equitable Mortgages.

Secured Debenture Stock means stock issued pursuant to the Trust Deed as secured obligations of Equitable Mortgages and includes the Principal Moneys and interest payable thereon. In this Prospectus Secured Debenture Stock is referred to as "Debentures".

Secured Debenture Stockholders means the several Persons from time to time entered in the Register as Holders of Secured Debenture Stock, including their personal representatives.

Securities means debt securities issued by Equitable Mortgages, being Secured Debenture Stock, Unsecured Notes or Subordinated Unsecured Notes.

Shareholders Funds means the aggregate amount by which the Total Tangible Assets exceeds the Total Liabilities.

Subordinated Debt means any liability of Equitable Mortgages which has been deferred in point of payment behind all other liabilities (except other Subordinated Debts) of Equitable Mortgages.

Subordinated Unsecured Notes means Unsecured Notes which are deferred in point of payment behind all other liabilities (except other Moneys due under Subordinated Unsecured Notes and any other Subordinated Debts) of Equitable Mortgages.

Total Liabilities means the aggregate of the Liabilities of Equitable Mortgages as at the date on which a calculation is made for ascertaining compliance with financial covenants or restrictions in the Trust Deed, as are or would be disclosed in a balance sheet for Equitable Mortgages if one was prepared on that date.

Total Tangible Assets means at any time the aggregate of the book values of the tangible assets of Equitable Mortgages which would be disclosed in a balance sheet for Equitable Mortgages if one was prepared on that date.

Uncalled Capital means issued capital in respect of which a call or calls have not been made which the Trustee has no reason to suspect that the Holder will be unable to meet on demand.

Unsecured Notes means Securities issued pursuant to the Trust Deed as unsecured obligations of Equitable Mortgages and not entitled to the benefit of the charge over the Charged Assets.

Appendices

Appendix 1	Key Facts & Figures of the Equitable Group
Appendix 2	Credit Rating
Appendix 3	Summary of Principal Terms of Crown Guarantee
Appendix 4	Equitable Mortgages Limited – Summary Financial Statements
Appendix 5	Equitable Property Mortgage Fund – Summary Financial Statements
Appendix 6	Trustee's Statement
Appendix 7	Auditor's Report

Appendix 1

EQUITABLE PROPERTY MORTGAGE FUND

Key Facts and Figures of the Equitable Group

Key Facts and Figures of the Equitable Group

EQUITABLE ISSUERS – AS AT 30 JUNE 2010

	Debentures (000's)	Bonds (000's)	Combined (000's)
Fund Size / Funds Under Management ("FUM")	$190,879	$27,966	$218,845
Shareholder Funds/Capital	$22,604	$16,436	
Shareholder Funds as % of FUM	11.9%	58.8%	
Re-investment Rate for 3 month period*	60.8%	54.8%	59.4%
New Investments received for month*	$3,660	$214	$3,874
Liquid Funds held by Issuer**	$11,832	$6,501	$18,333
Liquid Funds held in the EPMF**			$34,940
Total Liquidity held by EPMF, Debentures and Bonds			$53,274
Total Liquidity held by EPMF, Debentures and Bonds as % of combined FUM			24.35%

*These figures are monitored regularly and information is available on www.equitable.co.nz. Reinvestment rates show the percentage of maturing investments that are reinvested into either debentures or bonds. The directors of Equitable Mortgages are of the view that current market conditions will continue to impact unfavourably the reinvestment rate of Equitable Mortgages.

** Liquid Funds means cash held with a registered New Zealand bank.

EQUITABLE PROPERTY MORTGAGE FUND INFORMATION – AS AT 30 JUNE 2010

Mortgage Fund Size (000's)	$195,021
Number of Loans	49
Average LVR*** for the Fund	69.38%
Average Loan Size (000's)	$3,980
Aggregate Value of Loans exceeding 80% LVR (000's)	$43,632
Aggregate Security Value of Loans exceeding 80% LVR (000's)	$48,030
Average Valuation age (years)	2.8

***LVR means Loan to Value Ratio

COUNTERPARTY RISK – BORROWING GROUPS REPRESENTING MORE THAN 10% OF TTA – AS AT 30 JUNE 2010

% of TTA	Number of Borrowing Groups	Number of Loans	Aggregate Value of Loans (000's)	Security Aggregate Value of Loans (000's)
10–11	1	5	23,589	33,136
11–12	1	5	26,383	33,050
12–13	–	–	–	–
13–14	1	5	31,328	39,415

TTA = Total Tangible Assets of the Equitable Property Mortgage Fund

The above is provided for information only.

Key Facts and Figures of the Equitable Group

DIRECTOR STATEMENTS

The directors of Equitable Mortgages believe that the company is sufficiently positioned to manage through this downturn in market conditions.

GEOGRAPHIC, SECTOR & LOAN REPAYMENT STRUCTURE ANALYSIS

The charts below illustrate the diversified lending activities of the EPMF, including but not limited to commercial, accommodation, office, development and retail property. This fund is further diversified throughout New Zealand. The majority of loans in the EPMF are interest only loans of an investment nature as shown in the loan repayment structures chart.

GEOGRAPHIC ANALYSIS AS AT 30/06/10

Wellington	42.0%
Auckland	31.9%
Other	13.4%
Christchurch	10.3%
Queenstown	2.4%

SECTOR ANALYSIS AS AT 30/06/10

Commercial	23.6%
Land	23.5%
Accommodation	21.3%
Office	17%
Retail	10%
Development	3.9%
Residential	0.7%

LOAN REPAYMENT STRUCTURES AS AT 30/06/10

Investment	Interest Only	83.9%
Investment	Capitalising	8.4%
Development	Capitalising	4.5%
Investment	Principal & Interest	3.2%

The above charts are calculated as a percentage of the aggregate value of the loans.

EQUITABLE PROPERTY MORTGAGE FUND – PAST DUE (INCLUDING IMPAIRED) ASSETS

Date	EPMF Loan Portfolio	Total Past Due Assets (A)	Total Past Due Assets as % of EPMF Loan Portfolio	Core Past Due Assets (B)	Core Past Due Assets as % of EPMF Loan Portfolio	EPMF Loan to Value Ratio (C)
	(000's)	(000's)		(000's)		
31/03/2008	$323,313	$69,314	21%	$49,608	15%	59%
30/09/2008	$257,873	$118,936	46%	$63,057	24%	64%
31/03/2009	$250,870	$136,345	54%	$64,358	26%	65%
30/09/2009	$247,954	$135,425	54%	$59,549	24%	69%
31/03/2010	$194,046	$91,760	47%	$52,494	27%	64%
30/06/2010	$195,021	$103,192	53%	$71,751	37%	69%

A – Past Due Assets – reported outstanding loan balances when either the interest or principal is unpaid by more than one day as per NZ IFRS and includes impaired assets.

B – Core Past Due Assets – reported interest that is in arrears for more than sixty days and total loan balances when principal is unpaid when due and includes impaired assets.

C – Loan to Value Ratio – Total outstanding loan balances divided by total value of the securities held, as at the most recent valuation date.

EQUITABLE PROPERTY MORTGAGE FUND – IMPAIRED ASSETS

The GIF Manager identified the following impaired assets (000's).

31/03/2009	30/06/2009	30/09/2009	30/12/2009	31/03/2010	30/06/2010
$28,760	$28,130	$27,414	$26,532	$26,381	$26,385

Impaired Assets – are loans where either there is objective evidence that the net value of the security is insufficient to ensure full recovery of the outstanding loan balance, or there is some uncertainty that ongoing interest may not be recoverable and is therefore not capitalised or recognised.

Appendix 2

EQUITABLE MORTGAGES LIMITED

Credit Rating

EQUITABLE MORTGAGES – CREDIT RATING DISCLOSURE

As at 20 August 2010, international credit rating agency Standard & Poor's has issued the following credit ratings for Equitable Mortgages – Long term rating: BB-/Outlook: Negative/Short term rating: B

The rating, which is an opinion of the creditworthiness of Equitable Mortgages, has been provided by Standard & Poor's Rating Services, an internationally recognised ratings agency approved by the by the Reserve Bank under section 157J of the Reserve Bank of New Zealand Act 1989.

A Standard & Poor's issuer credit rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation.

A local currency rating is an assessment of an obligor's capacity to repay obligations in its local currency, being New Zealand dollars.

Issuer credit ratings can be either long term or short term. Long term issuer credit ratings reflect the obligor's creditworthiness over a time period of one year or more.

The long term issuer scale is set out below:

Grade	Description of grade
'AAA'	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard & Poor's.
'AA'	An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
'A'	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.
'BBB'	An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
'BB'	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.
'B'	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
'CCC'	An obligor rated 'CCC' is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
'CC'	An obligor rated 'CC' is currently highly vulnerable.
'R'	An obligor rated 'R' is under regulatory supervision owing to its financial condition.
'D/SD'	An obligor rated 'SD' (selective default) or 'D' has failed to pay one or more of its financial obligations (rated or unrated) when it came due.

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

In the two years preceding the date of this Prospectus, the following changes have been made to Equitable Mortgages' rating:

- On 11 September 2008 the outlook was changed from 'stable' to 'negative'. This was due to a higher than anticipated increase in non-performing assets.
- On 27 February 2009 the long-term rating was changed from 'BB+' to 'BB'. This was due to greater than expected and material deterioration in asset quality.
- On 20 August 2010 the long-term rating was changed from 'BB' to 'BB-'. This was due to, in Standard & Poor's opinion, poor asset quality and an inability to resolve arrears as anticipated, which negatively impacted earnings performance and put some pressure on liquidity.

More Information

- You can find out more information about Equitable Mortgages at www.equitable.co.nz or by talking to our Investment Services team on 0800 656 500.
- The Reserve Bank has some information on credit ratings ('Know your Credit Rating') at www.rbnz.govt.nz.
- Additional information can be found on Standard & Poor's website at www.yourinvestments.standardandpoors.co.nz
- We also recommend that you seek independent advice.

Standard & Poor's Disclosure

Standard & Poor's (Australia) Pty Limited has been notified of the inclusion of its credit rating for Equitable Mortgages Limited in the form and context in which it is included in the Prospectus and to being named in the Investment Statement in the form and context in which it is named.

Analytic services provided by ("Ratings Services") are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytical process.

Analytic services provided by Standard & Poor's Ratings Services ("Ratings Services") are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. Credit ratings issued by Ratings Services are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of credit ratings issued by Ratings Services should not rely on any such ratings or other opinion issued by Ratings Services in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process. Credit ratings may be changed, withdrawn or suspended at any time. Standard & Poor's (Australia) Pty. Ltd. holds Australian financial services licence number 337565 under the Corporations Act 2001. Standard & Poor's credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Standard & Poor's (Australia) Pty Limited and its subsidiaries have not authorised or caused the issue of the Prospectus or Investment Statement and has not made any statement that is included in the Prospectus or Investment Statement or any statement on which a statement made in the Prospectus or Investment Statement is based, other than as specified above. Standard & Poor's (Australia) Pty Limited and its subsidiaries to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for any part of, the Investment Statement, other than the reference to its name and the statements included in the Investment Statement as specified above.

For additional information about our ratings visit www.yourinvestments.standardandpoors.co.nz or contact Client Service on +61 1300 792 553.

Appendix 3

EQUITABLE MORTGAGES LIMITED

Summary of Principal Terms of Equitable Mortgages' Crown Guarantee

Summary of Principal Terms

NEW ZEALAND DEPOSIT GUARANTEE SCHEME

Equitable Mortgages has a guarantee ("Guarantee") under the New Zealand deposit guarantee scheme pursuant to the revised Crown Deed of Guarantee described on page 15, which expires on 12 October 2010. The following is a brief summary of the Guarantee.

The Debentures offered under this Prospectus are:

CLASSIC

Classic Debentures are not covered by the Crown guarantee and are therefore "Excluded Securities" for the purposes of the Crown guarantee deeds.

If an investor subscribes for Classic Debentures which are Excluded Securities, then none of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the guarantee. A holder of Classic Debentures will not be able to make a claim under the Crown guarantee.

ASSURED

Assured Debentures are covered by the Crown guarantee, subject to the terms of the guarantee.

If an investor subscribes for Assured Debentures then all of Equitable Mortgages' obligations under or in respect of those Debentures will be covered by the Crown guarantee. A holder of Assured Debentures may be able to make a claim under the Crown guarantee subject to the terms of the Crown guarantee.

The Guarantee is given by the Crown and covers persons who hold Debentures, subject to certain restrictions and provided they are not Excluded Securities. The Crown guarantees to each investor that if Equitable Mortgages fails to repay the investment amount and any accrued interest when it is due and payable, the Crown will pay that amount to the investor.

The Guarantee covers all deposits which are due and payable to investors between 12 October 2008 and 12 October 2010 ("Guarantee Period"). It also covers deposits which are due and payable to investors later than this date if a "Default Event" occurs during the Guarantee Period. In summary the relevant "Default Events" include if Equitable Mortgages:

- Becomes insolvent or fails to pay its debts when due;
- Has insolvency proceedings instituted against it;
- Becomes subject to the appointment of an administrator, liquidator or receiver;
- Has a secured party take possession of its assets;
- Makes a general assignment, arrangement or compromise with its creditors (including a moratorium); or
- Has the Securities Commission put it in statutory management.

The Crown will only pay out under the Guarantee if an investor makes a claim and if the Crown is satisfied with the amount payable and as to the extent of its liability to the investor. The Crown will only pay each investor up to $1,000,000.

The Guarantee does not cover the following types of investors:

- Related parties of Equitable Mortgages;
- Financial institutions;
- Persons who are neither New Zealand citizens nor residents; or
- Persons acting as trustees or nominees for any of the above.

However, a Treasury press release dated 31 August 2010 stated that the Crown will pay out all investors regardless of these eligibility criteria, untill the Guarantee expires on 12 October 2010.

The Crown can withdraw the Guarantee if Equitable Mortgages fails to provide information requested by the Crown, breaches its Trust Deed, fails to comply with its obligations under the Crown Deed of Guarantee, or carries on business in a manner inconsistent with the Guarantee. The withdrawal of the Guarantee does not constitute an event of default under the Trust Deed.

The Guarantee places certain restrictions on Equitable Mortgages during the Guarantee Period, unless it obtains the Crown's prior consent. These include making certain distributions on its shares, entering into transactions which exceed 1% of Equitable Mortgages' assets unless they are on arms' length terms, and entering into transactions with any party related to Equitable Mortgages which exceed 1% of Equitable Mortgages' assets unless they are on arms' length terms as certified by an independent expert. The Crown has granted consent to Equitable Mortgages' ongoing transactions with the EPMF.

Equitable Mortgages must also conduct its business and operations in a proper, businesslike, efficient and prudent manner and must provide certain reports to the Crown on request.

Equitable Mortgages pays the Crown a monthly fee for the Guarantee which is currently one twelfth of 1% per annum of the amount by which its deposits grow during each monthly period.

Under the Guarantee Equitable Mortgages must report to the Reserve Bank (through the Trustee) monthly and to the Treasury, as requested.

NEW ZEALAND DEPOSIT GUARANTEE SCHEME EXTENSION

Equitable Mortgages has an extended guarantee ("Extended Guarantee") under the New Zealand deposit guarantee scheme extension pursuant to the Crown Deed of Guarantee described on page 11. The Extended Guarantee will be effective from 12 October 2010 and will expire on 31 December 2011 ("Extended Guarantee Period") and will not apply to Excluded Securities.

The Extended Guarantee is on similar terms to the Guarantee described above, including the investor eligibility criteria, subject to some differences. A summary of the key differences is set out below:

- Equitable Mortgages must still pay the Crown a monthly fee. However, this will be an increased fee of one twelfth of 1.5% per annum of the total value of the Debentures on issue at that time that are covered by the Extended Guarantee (based on Equitable Mortgages' current credit rating).
- The Crown will only pay each investor up to a maximum of $250,000 including principal and accrued returns. The Extended Guarantee will not cover any returns accrued after a "Default Event".
- To claim under the Extended Guarantee, an investor must lodge a notice of claim with the Crown within 180 days of the date their Debentures became due and payable.
- The Extended Guarantee only covers deposits which are due and payable to investors during the Extended Guarantee Period. It does not cover deposits which are due and payable after the expiry of the Extended Guarantee Period.
- There are additional restrictions on Equitable Mortgages during the Extended Guarantee Period for which it must obtain the Crown's prior consent. These relate to the provision of financial assistance for the issue of Equitable Mortgages' shares and transactions exceeding 1% of Equitable Mortgages' assets, where a party related to Equitable Mortgages derives a material financial interest or is otherwise materially interested. The Crown has granted consent to Equitable Mortgages' ongoing transactions with the EPMF.
- There are additional circumstances in which the Crown can withdraw the Extended Guarantee. These are where the control of Equitable Mortgages changes without the Crown's prior consent or where there has been a material reduction in Equitable's assets which may increase the Crown's liability. The Extended Guarantee can also be withdrawn by agreement between Equitable Mortgages and the Crown.

Equitable Mortgages encourages all investors to seek independent advice regarding the impact of the Crown guarantees in relation to their personal circumstances. More information regarding the Crown guarantees is available at www.treasury.govt.nz.

Appendix 4

EQUITABLE MORTGAGES LIMITED

Summary Financial Statements

Summary Financial Statements – Balance Sheet

As at 31 March

	NZ IFRS Company 2010 $	NZ IFRS Company 2009 $	NZ IFRS Company 2008 $	NZ IFRS Company 2007 $	Previous GAAP Company 2007 $	Previous GAAP Company 2006 $	NZ IFRS Group 2010 $
ASSETS							
Cash and cash equivalents	**11,808,949**	10,200,174	9,374,096	14,560,817	14,560,817	20,937,973	60,707,091
Loan to Cuneo Trust	**–**	1,960,587	3,000,000	–	–	–	–
Other assets	**2,210,613**	1,880,791	2,452,210	20,755,909	72,113	–	670,194
Current tax	**–**	–	–	6,205	6,205	–	–
Mortgages	**–**	–	126,703,764	150,157,127	166,766,660	137,939,417	190,216,085
Available for sale securities	**196,660,000**	147,960,000	35,652,963	–	–	–	–
Deferred tax asset	**25,506**	–	19,957	–	–	–	1,330,658
Goodwill	**–**	–	–	–	–	–	1,248,523
Total assets	**210,705,068**	162,001,552	177,202,990	185,480,058	181,405,795	158,877,390	254,172,551
LIABILITIES							
Other payables	**836,714**	993,912	3,662,231	4,524,511	1,067,900	1,363,994	1,624,815
Current tax payable	**22,946**	345,461	161,361	–	–	–	100
Interest bearing liabilities	**186,368,983**	141,369,480	152,667,483	166,576,759	166,576,759	144,670,721	186,368,983
Deferred tax liability	**–**	183,493	–	203,825			–
Total liabilities	**187,228,643**	142,892,346	156,491,075	171,305,095	167,644,659	146,034,715	187,993,898
EQUITY							
Capital and reserves attributable to equity holders of the company							
Share capital	**20,119,268**	15,719,268	15,719,268	6,500,000	6,500,000	6,500,000	20,119,268
Retained earnings	**3,357,157**	3,389,938	4,992,647	7,674,963	7,261,136	6,342,675	3,945,767
Non controlling interests	**–**	–					42,113,618
Total equity	**23,476,425**	19,109,206	20,711,915	14,174,963	13,761,136	12,842,675	66,178,653
TOTAL EQUITY AND LIABILITIES	**210,705,068**	162,001,552	177,202,990	185,480,058	181,405,795	158,877,390	254,172,551

IMPORTANT INFORMATION:

- Readers should focus on the "Company" figures as the Company is Equitable Mortgages which is the sole member of the borrowing group and the only entity liable to holders of Debentures. "Group" figures are prepared under NZ IFRS and are provided for background information only. The EPMF is not a member of the borrowing group and is not liable to holders of Debentures.
- The "Group" figures are an accounting treatment only and are provided for information purposes only and should not be relied upon.
- Cash and equity shown in the "Group" figures is not available to repay Debentures or pay any returns on Debentures.

Summary Financial Statements – Statement of Comprehensive Income

For The Years Ended 31 March

	NZ IFRS Company 2010 $	NZ IFRS Company 2009 $	NZ IFRS Company 2008 $	NZ IFRS Company 2007 $	Previous GAAP Company 2007 $	Previous GAAP Company 2006 $	NZ IFRS Group 2010 $*
Revenue	**14,802,003**	30,056,500	33,560,626	20,916,344	18,357,254	15,857,060	17,999,342
Finance costs	**(13,130,090)**	(25,470,364)	(27,768,755)	(14,360,750)	(11,797,582)	(9,673,909)	(13,130,090)
Other expenses	**(1,718,744)**	(1,222,141)	(6,192,525)	(3,563,556)	(3,472,417)	(3,124,158)	(5,004,446)
(Loss)/profit before tax for the year	**(46,831)**	3,363,995	(400,654)	2,992,038	3,087,255	3,058,993	(135,194)
Income tax benefit/(expense)	**14,050**	(1,016,704)	130,221	(987,373)	(1,018,794)	–	516,955
Profit/(loss) for the year	**(32,781)**	2,347,291	(270,433)	2,004,665	2,068,461	3,058,993	381,761
Profit/(loss) attributable to:							
Shareholders of Equitable Mortgages Limited	**(32,781)**	2,347,291	(270,433)	2,004,665	2,068,461	3,058,993	555,829
Non controlling interests	**–**	–	–	–	–	–	(174,068)
	(32,781)	2,347,291	(270,433)	2,004,665	2,068,461	3,058,993	381,761
Other comprehensive income	**–**	–	–	–	–	–	–
Total comprehensive income	**(32,781)**	2,347,291	(270,433)	2,004,665	2,068,461	3,058,993	381,761
Total comprehensive income attributable to:							
Shareholders of Equitable Mortgages Limited	**(32,781)**	2,347,291	(270,433)	2,004,665	2,068,461	3,058,993	555,829
Non controlling interests	**–**	–	–	–	–	–	(174,068)
	(32,781)	2,347,291	(270,433)	2,004,665	2,068,461	3,058,993	381,761

*This is an accounting treatment only and is provided for information purposes only and should not be relied on.

IMPORTANT INFORMATION:

- Readers should focus on the "Company" figures as the Company is Equitable Mortgages which is the sole member of the borrowing group and the only entity liable to holders of Debentures. "Group" figures are prepared under NZ IFRS and are provided for background information only. The EPMF is not a member of the borrowing group and is not liable to holders of Debentures.
- The "Group" figures are an accounting treatment only and are provided for information purposes only and should not be relied upon.
- Cash and equity shown in the "Group" figures is not available to repay Debentures or pay any returns on Debentures.

Summary Financial Statements – Statement of Changes in Equity

For The Years Ended 31 March

	NZ IFRS Company 2010 $	NZ IFRS Company 2009 $	NZ IFRS Company 2008 $	NZ IFRS Company 2007 $	Previous GAAP Company 2007 $	Previous GAAP Company 2006 $	NZ IFRS Group 2010 $*
SHARE CAPITAL							
Opening balance	**15,719,268**	15,719,268	6,500,000	6,500,000	6,500,000	6,500,000	15,719,268
Issue of ordinary shares to shareholders	**4,400,000**	–	9,219,268	–	–	–	4,400,000
Closing balance	**20,119,268**	15,719,268	15,719,268	6,500,000	6,500,000	6,500,000	20,119,268
RETAINED EARNINGS							
Opening balance	**3,389,938**	4,992,647	7,674,963	6,820,298	6,342,675	4,683,682	3,389,938
Dividends to shareholders	**–**	(3,950,000)	(2,411,883)	(1,150,000)	(1,150,000)	(1,400,000)	–
Total comprehensive income attributable to shareholders	**(32,781)**	2,347,291	(270,433)	2,004,665	2,068,461	3,058,993	555,829
Closing balance	**3,357,157**	3,389,938	4,992,647	7,674,963	7,261,136	6,342,675	3,945,767
NON CONTROLLING INTERESTS							
Opening balance	**–**	–	–	–	–	–	–
Equity arising on business combination	**–**	–	–	–	–	–	62,396,172
Total comprehensive income attributable to non controlling interests	**–**	–	–	–	–	–	(174,068)
Distributions to non controlling interests	**–**	–	–	–	–	–	(1,438,486)
Redemptions of units by non controlling interest	**–**	–	–	–	–	–	(18,670,000)
Closing balance	**–**	–	–	–	–	–	42,113,618
TOTAL EQUITY	**23,476,425**	19,109,206	20,711,915	14,174,963	13,761,136	12,842,675	66,178,653

*This is an accounting treatment only and is provided for information purposes only and should not be relied on.

IMPORTANT INFORMATION:

- Readers should focus on the "Company" figures as the Company is Equitable Mortgages which is the sole member of the borrowing group and the only entity liable to holders of Debentures. "Group" figures are prepared under NZ IFRS and are provided for background information only. The EPMF is not a member of the borrowing group and is not liable to holders of Debentures.
- The "Group" figures are an accounting treatment only and are provided for information purposes only and should not be relied upon.
- Cash and equity shown in the "Group" figures is not available to repay Debentures or pay any returns on Debentures.

Summary Financial Statements – Cash Flow Statement

For The Years Ended 31 March

	NZ IFRS Company 2010 $	NZ IFRS Company 2009 $	NZ IFRS Company 2008 $	NZ IFRS Company 2007 $	Previous GAAP Company 2007 $	Previous GAAP Company 2006 $	NZ IFRS Group 2010 $*
Net cash flows from operating activities	**4,356,841**	7,605,559	(25,442,654)	(30,185,582)	4,263,542	7,949,272	46,968,426
Net cash flows from investing activities	**(48,700,000)**	12,400,000	19,199,632	–	(26,708,160)	(18,313,194)	(22,304,957)
Net cash flows from financing activities	**45,951,934**	(19,179,481)	1,056,301	23,808,426	16,067,462	16,228,075	25,843,448
Net increase in cash	**1,608,775**	826,078	(5,186,721)	(6,377,156)	(6,377,156)	5,864,153	50,506,917
Cash at beginning of year	**10,200,174**	9,374,096	14,560,817	20,937,973	20,937,973	15,073,820	10,200,174
CASH AT END OF YEAR	**11,808,949**	10,200,174	9,374,096	14,560,817	14,560,817	20,937,973	60,707,091

*This is an accounting treatment only and is provided for information purposes only and should not be relied on.

IMPORTANT INFORMATION:

- Readers should focus on the "Company" figures as the Company is Equitable Mortgages which is the sole member of the borrowing group and the only entity liable to holders of Debentures. "Group" figures are prepared under NZ IFRS and are provided for background information only. The EPMF is not a member of the borrowing group and is not liable to holders of Debentures.
- The "Group" figures are an accounting treatment only and are provided for information purposes only and should not be relied upon.
- Cash and equity shown in the "Group" figures is not available to repay Debentures or pay any returns on Debentures.

Notes to Summary Financial Statements

For The Years Ended 31 March

Equitable Mortgages Limited (the Company) is incorporated and domiciled in New Zealand with limited liability, and is registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The address of its registered office is 57 Symonds Street, Auckland, New Zealand. The Group comprises Equitable Mortgages Limited and its controlled entity the Equitable Property Mortgage Fund.

For the purposes of the Securities Regulations 2009, Equitable Mortgages Limited is the issuer, the only borrowing group member and is the sole obligor of the Debentures. Equitable Property Mortgage Fund does not guarantee Equitable Mortgages Limited's obligations in respect of the Debentures. The financial information for the Consolidated Group is provided only for the information of prospective investors.

There are no comparatives for the Group for the prior year as the Equitable Property Mortgage Fund was acquired on 3 December 2009 and was not part of the Group for the year ended 31 March 2009.

The specific disclosures included in the summary financial statements have been extracted from the full financial statements for each relevant period.

The summary financial statements are authorised for issue by the Board of Directors, on the date of this Prospectus.

The dates on which the full financial statements were authorised for issue were:

Balance date	Date issued
31 March 2010	30 June 2010
31 March 2009	30 June 2009
31 March 2008	24 September 2008
31 March 2007	27 July 2007
31 March 2006	2 August 2006

The Group's owners do not have the power to amend these financial statements once issued.

The full financial statements for the years ended 31 March 2008, 2009 and 2010 have been prepared in accordance with NZ GAAP ("Generally Accepted Accounting Practice in New Zealand"). The full financial statements for the years ended 31 March 2006 and 2007 were prepared under previous GAAP.

Equitable Mortgages Limited is a reporting entity for the purposes of the Financial Reporting Act 1993 ("the Act"), and has designated itself a profit oriented entity. The financial statements of Equitable Mortgages Limited have been prepared in accordance with the Act. Equitable Mortgages Limited is an issuer in terms of the Securities Act 1978 and does not qualify for differential reporting concessions under the Framework for Differential Reporting issued by the New Zealand Institute of Chartered Accountants.

The full financial statements for the years ended 31 March 2010, 2009 and 2008 include an explicit and unreserved statement of compliance with NZ IFRS ("New Zealand equivalent of International Financial Reporting Standards") and IFRS ("International Financial Reporting Standards").

From 1 April 2007, the Company adopted NZ IFRS which replaced previous GAAP ("Generally Accepted Accounting Practice") from that date forward. Due to this adoption, the summary financial statements for the year ended 31 March 2007 have been summarised in both previous GAAP and NZ IFRS. Further information can be found in note 23 of the full financial statements for the year ended 31 March 2008.

The information is presented in New Zealand dollars which is also the functional currency and the figures have been rounded to the nearest dollar.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

The summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.

The full financial statements for the year ended 31 March 2010 are available on the Companies Office website www.business.govt.nz/companies or alternatively at the Equitable Group website www.equitable.co.nz.

The full financial statements have been prepard on a going concern basis.

The full financial statements for the years ended 31 March 2006, 2007, 2008, 2009 and 2010 have been audited with unqualified audit opinions issued thereon.

Subsequent events:

i. *Between the balance date and the date that the full financial statements are authorised for issue.*

On 20 May 2010, the New Zealand Government announced the reduction of the company tax rate from 30% to 28%. This change will take effect for the Company and Group for the year beginning 1 April 2011.

ii. *Between the date that the full financial statements were authorised for issue and the date that the summary financial statements were authorised for issue.*

As at the date of the summary financial statements, a claim is pending in relation to one of the Equitable Property Mortgage Fund ("the Fund") loans. The manager of the Fund appointed a receiver under its first mortgage in relation to the defaulting borrower and sold the secured property. A subsequent ranking lender is claiming that rental proceeds from the property received by the manager of the Fund during the receivership ought to be paid to it. The Directors of Equitable Mortgages Limited are of the view that the likelihood of any losses from these proceedings is extremely low. Therefore the proceedings are unlikely to have any material adverse effect on the Fund or Equitable Mortgages Limited.

This claim was not disclosed in the full financial statements for the year ended 31 March 2010 as it occurred after the date those financial statements were authorised.

The Company has no material capital commitments or contingent liabilities.

Appendix 5

EQUITABLE PROPERTY MORTGAGE FUND

Summary Financial Statements

Summary Financial Statements – Balance Sheet

As at 31 March

	NZ IFRS Fund 2010 $	NZ IFRS Fund 2009 $	NZ IFRS Fund 2008 $
ASSETS			
Cash and cash equivalents	**48,898,142**	18,335,455	11,256,483
Receivables	**198,960**	984,311	968,452
Current tax asset	**22,846**	–	10,007
Deferred tax asset	**1,305,152**	47,783	–
Mortgages	**190,216,085**	250,710,291	50,241,343
Total assets	**240,641,185**	270,077,840	62,476,285
LIABILITIES			
Payables	**2,527,480**	2,706,231	4,297,278
Current tax payable	–	26,321	–
Deferred tax liability	–	–	9,216
Total liabilities	**2,527,480**	2,732,552	4,306,494
EQUITY			
Capital and reserves attributable to unit holders			
Units subscribed	**240,800,000**	267,420,000	58,148,286
Retained earnings	**(2,686,295)**	(74,712)	21,505
Total unit holders' funds	**238,113,705**	267,345,288	58,169,791
TOTAL EQUITY AND LIABILITIES	**240,641,185**	270,077,840	62,476,285

Summary Financial Statements – Statement of Comprehensive Income

For The Years Ended 31 March

	NZ IFRS Fund 2010 $	NZ IFRS Fund 2009 $	NZ IFRS Fund 2008 $
Revenue	**25,234,323**	36,093,949	30,721,068
Finance costs	**–**	–	–
Other expenses	**(7,823,356)**	(4,933,550)	(3,140,575)
Profit before tax for the year	**17,410,967**	31,160,399	27,580,493
Income tax benefit/(expense)	**1,255,036**	25,722	(9,216)
Profit for the year	**18,666,003**	31,186,121	27,571,277
Profit attributable to:			
Unit holders of the Equitable Property Mortgage Fund	**18,666,003**	31,186,121	27,571,277
	18,666,003	31,186,121	27,571,277
Other comprehensive income	**–**	–	–
Total comprehensive income	**18,666,003**	31,186,121	27,571,277
Total comprehensive income attributable to:			
Unit holders of the Equitable Property Mortgage Fund	**18,666,003**	31,186,121	27,571,277
	18,666,003	31,186,121	27,571,277

The comparative figures for distribution to unit holders for the years ended 31 March 2008 and 2009 have been adjusted to reflect the reclassification of the units subscribed from debt to equity in the year ended 31 March 2010.

Summary Financial Statements – Statement of Changes in Unit Holders' Funds

For The Years Ended 31 March

	NZ IFRS Fund 2010 $	NZ IFRS Fund 2009 $	NZ IFRS Fund 2008 $
UNITS SUBSCRIBED			
Opening balance	**267,420,000**	58,148,286	–
Applications from unit holders	**54,700,000**	302,271,714	117,297,918
Redemptions from unit holders	**(81,320,000)**	(93,000,000)	(59,149,632)
Closing balance	**240,800,000**	267,420,000	58,148,286
RETAINED EARNINGS			
Opening balance	**(74,712)**	21,505	–
Distributions to unit holders	**(21,277,586)**	(31,282,338)	(27,549,772)
Total comprehensive income attributable to unit holders	**18,666,003**	31,186,121	27,571,277
Closing balance	**(2,686,295)**	(74,712)	21,505
TOTAL EQUITY	**238,113,705**	267,345,288	58,169,791

The comparative figures for distribution to unit holders for the years ended 31 March 2008 and 2009 have been adjusted to reflect the reclassification of the units subscribed from debt to equity in the year ended 31 March 2010.

Summary Financial Statements – Cash Flow Statement

For The Years Ended 31 March

	NZ IFRS Fund 2010 $	NZ IFRS Fund 2009 $	NZ IFRS Fund 2008 $
Net cash flows from operating activities	**78,646,547**	70,878,972	30,302,544
Net cash flows from investing activities	**–**	–	–
Net cash flows from financing activities	**(48,083,860)**	(63,800,000)	(19,046,061)
Net increase in cash	**30,562,687**	7,078,972	11,256,483
Cash at beginning of year	**18,335,455**	11,256,483	–
CASH AT END OF YEAR	**48,898,142**	18,335,455	11,256,483

Notes to Summary Financial Statements

For The Years Ended 31 March

The Equitable Property Mortgage Fund ("the Fund") was constituted by Trustees Executors Limited (the "Trustee") under the Trustee Companies Act 1967 on 29 June 2007. The address of its registered office is 57 Symonds Street, Auckland, New Zealand.

For the purposes of the Securities Regulations 2009, Equitable Mortgages Limited is the issuer, the only borrowing group member and is the sole obligor of the Debentures. Equitable Property Mortgage Fund does not guarantee Equitable Mortgages Limited's obligations in respect of the Debentures. The financial information for Equitable Property Mortgage Fund is provided only for the information of prospective investors.

There are no comparatives for the Fund for the years ended 31 March 2006 and 2007 as the Fund commenced in the year ended 31 March 2008.

The specific disclosures included in the summary financial statements have been extracted from the full financial statements for each relevant period.

The summary financial statements are authorised for issue by the Board of Directors, on the date of this Prospectus.

The dates on which the full financial statements were authorised for issue were:

Balance date	Date issued
31 March 2010	30 June 2010
31 March 2009	6 August 2009
31 March 2008	18 September 2008

The Fund's Manager and Trustees do not have the power to amend these financial statements once issued.

The full financial statements have been prepared in accordance with NZ GAAP ("Generally Accepted Accounting Practice in New Zealand").

The Fund is a reporting entity for the purposes of the Financial Reporting Act 1993 ("the Act"), and has designated itself a profit oriented entity. The financial statements of the Fund have been prepared in accordance with the Act. The Fund does not qualify for differential reporting concessions under the Framework for Differential Reporting issued by the New Zealand Institute of Chartered Accountants.

The full financial statements for the years ended 31 March 2010, 2009 and 2008 include an explicit and unreserved statement of compliance with NZ IFRS ("New Zealand equivalent of International Financial Reporting Standards") and IFRS ("International Financial Reporting Standards").

The information is presented in New Zealand dollars which is also the functional currency and the figures have been rounded to the nearest dollar.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.

The summary financial statements have been prepared in accordance with FRS-43 Summary Financial Statements.

The full financial statements for the year ended 31 March 2010 are available on the Companies Office website www.business.govt.nz/companies or alternatively at the Equitable Group website www.equitable.co.nz.

The full financial statements for the years ended 31 March 2010, 2009 and 2008 have been audited with unqualified audit opinions issued thereon.

The full financial statements have been prepared on a going concern basis.

Notes to Summary Financial Statements (continued)

For The Years Ended 31 March

Subsequent events:

i. *Between the balance date and the date that the full financial statements are authorised for issue.*

On 20 May 2010, the New Zealand Government announced significant tax changes to the corporate and investment entity tax rates. It is anticipated that these changes will not materially affect the financial statements of the Fund.

ii. *Between the date that the full financial statements were authorised for issue and the date that the summary financial statements were authorised for issue.*

As at the date of the summary financial statements a claim is pending in relation to one of the Fund loans. The manager of the Fund appointed a receiver under its first mortgage in relation to the defaulting borrower and sold the secured property. A subsequent ranking lender is claiming that rental proceeds from the property received by the manager of the Fund during the receivership ought to be paid to it. The directors of Fund are of the view that the likelihood of any losses from these proceedings is extremely low. Therefore the proceedings are unlikely to have any material adverse effect on the Fund.

This claim was not disclosed in the full financial statements for the year ended 31 March 2010 as it occurred after the date those financial statements were authorised.

The Fund has no material capital commitments or contingent liabilities.

Appendix 6

EQUITABLE MORTGAGES LIMITED

Trustee's Statement

Trustees Executors

Level 12 45 Queen Street PO Box 4197 Auckland New Zealand
TEL 09 308 7100 DDI 09 308 7118 FAX 09 308 7101
Email: clynton.hardy@trustees.co.nz

28 September 2010

The Directors
Equitable Mortgages Limited
Equitable House
57 Symonds Street
AUCKLAND

Dear Sirs

EQUITABLE MORTGAGES LIMITED – Prospectus dated 28 September 2010

Clause 14(3) of the Schedule 2 to the Securities Regulations 2009 requires us to confirm that the offer of Securities ("the Securities") set out in this Prospectus complies with any relevant provisions of the Trust Deed dated 15 May 1998. These provisions are those which:

(a) entitle Equitable Mortgages Limited to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in the Prospectus;

(b) impose restrictions on the right of Equitable Mortgages Limited to offer the Securities,

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

We confirm that the offer of Securities set out in the Prospectus complies with any relevant provisions (as defined in the first paragraph of this letter) of the Trust Deed. We have given the above confirmation on the basis:

(a) Set out above; and

(b) that, subject to the duties imposed on the Trustee by Schedule 15 to the Securities Regulations 2009, the Trustee relies on the information supplied to it by Equitable Mortgages Limited pursuant to the Trust Deed and does not carry out an independent check of that information.

Trustees Executors Limited, as Trustee, does not guarantee the repayment of the Securities or the payment of interest thereon.

Yours sincerely
TRUSTEES EXECUTORS LIMITED

CN HARDY
NORTHERN REGIONAL MANAGER
CORPORATE TRUST

Appendix 7

EQUITABLE MORTGAGES LIMITED

Auditor's Report

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
188 Quay Street
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Auckland 1142
New Zealand
Telephone +64 9 355 8000
Facsimile +64 9 355 8001
www.pwc.com/nz

The Directors
Equitable Mortgages Limited
Level 2
Equitable House
57 Symonds Street
AUCKLAND

28 September 2010

Dear Directors

Auditors' report for inclusion in this Prospectus

As auditors of Equitable Mortgages Limited ("the Company" and "the Borrowing Group"), we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 ("the Regulations") for inclusion in a prospectus to be dated 28 September 2010.

This report is made solely to the directors in accordance with clause 22 of Schedule 2 of the Securities Regulations 2009. Our work has been undertaken so that we might state to the directors those matters we are required to state to them in a report from the auditor and for no other purpose. To the fullest extent permitted by law and subject to Section 61 of the Securities Act 1978, we do not accept or assume responsibility to anyone other than the directors of this report, or for the opinions we have formed.

Directors' responsibilities

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

(a) the summary of financial statements of the Company for the years ended 31 March 2006, 2007, 2008, 2009 and 2010 as required by clauses 8(2) and 8(3) of Schedule 2 of the Regulations;

(b) the additional financial information in the summary of financial statements of the Consolidated Group for the year ended 31 March 2010; and

(c) the ranking of securities of the Company as at 31 March 2010 as required by clause 13 of Schedule 2 of the Regulations.

Auditors' responsibilities

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

(a) the summary of financial statements of the Company for the years ended 31 March 2006, 2007, 2008, 2009 and 2010; and

(b) the ranking of securities as at 31 March 2010.

We are also responsible for reporting on the additional financial information included in the summary of financial statements of the Consolidated Group for the year ended 31 March 2010.

In addition, we are responsible for reporting on the summary financial statements of Equitable Property Mortgage Fund ("the Fund") for the years ended 31 March 2008, 2009 and 2010.

We have no relationships with or interests in the Company or its subsidiary other than in our capacities as auditors and providers of assurance related and other services.

PRICEWATERHOUSECOOPERS

Equitable Mortgages Limited
28 September 2010

Basis of opinion on the summary of financial statements

We have checked the extraction of information from the financial statements for the years ended 31 March 2006, 2007, 2008, 2009 and 2010 to provide reasonable assurance that the amounts set out in the summary of financial statements in Appendix 4-1 to 4-4 of the Prospectus, pursuant to clauses 8(2) and 8(3) of Schedule 2 of the Regulations have been correctly taken from the audited financial statements of the Company for the years ended 31 March 2006, 2007, 2008, 2009 and 2010.

We have also checked the extraction of the information from the financial statements of the Consolidated Group for the year ended 31 March 2010 to provide reasonable assurance that the additional financial information set out in the summary of financial statements has been correctly taken from the audited financial statements of the Consolidated Group for the year ended 31 March 2010.

In addition, we have checked the extraction of the information from the financial statements of the Fund for the years ended 31 March 2008, 2009 and 2010 to provide reasonable assurance that the financial information set out in the summary of financial statements in Appendix 5-1 and 5-4 of the Prospectus has been correctly taken from the audited financial statements of the Fund for the year ended 31 March 2008, 2009 and 2010.

Basis of opinion on the ranking of securities

We have undertaken procedures to provide reasonable assurance that the amounts set out in the ranking of securities on page 16 of the Prospectus, pursuant to clause 13 of Schedule 2 of the Regulations, have been correctly taken from the audited financial statements of the Company as at 31 March 2010.

Unqualified opinion on the summary of financial statements and the ranking of securities

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

In our opinion:

(a) the amounts or details set out in the summary of financial statements, in Appendix 4-1 to 4-4 of this prospectus, as required by clauses 8(2) and 8(3) of Schedule 2 of the Regulations, have been correctly taken from the audited financial statements of the Company for the years ended 31 March 2006, 2007, 2008, 2009 and 2010 from which they were extracted;

(b) the additional financial information set out in the summary of financial statements of the Consolidated Group has been correctly taken from the audited financial statements of the Consolidated Group for the year ended 31 March 2010 from which they were extracted;

(c) the financial information set out in the summary of financial statements of the Fund in Appendix 5-1 to 5-4 of this Prospectus has been correctly taken from the audited financial statements of the Fund for the years ended 31 March 2008, 2009 and 2010 from which they were extracted; and

(d) the ranking of securities of the Company, on page 16 of this prospectus, as required by clause 13 of Schedule 2 of the Regulations, has been correctly taken from the audited financial statements of the Company for the year ended 31 March 2010 from which they were extracted.

We completed our work for the purposes of this report on 28 September 2010 and our unqualified opinion is expressed at that date.

Yours faithfully

PricewaterhouseCoopers

Chartered Accountants

Auckland

(2)

The Equitable Group Directory

The Issuer:
Equitable Mortgages Limited

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Auckland 1010

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Christchurch 8140

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Directors of Equitable Mortgages Limited
Arthur William Young L.L.B.
Solicitor
Auckland

Allan John Manu Wadams C.A.
Chartered Accountant
Auckland

David Parkes Forgie B.Com.
Company Director
Auckland

David Scott Ferraby
Company Director
Seddon

Christopher Albert Spencer B.Com.
Company Director
Sydney, Australia

Ross Alexander Aitken
Company Director
Auckland

Auditors:
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Auckland 1010

Bankers:
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Level 20, ANZ Centre
23–29 Albert Street
Auckland

Westpac
Level 15
PricewaterhouseCoopers Tower
188 Quay Street
Auckland

Securities Registrar:
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Auckland 1010

Solicitors:
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Level 7
52 Swanson Street
Auckland 1010

Trustee:
Trustees Executors Limited
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45 Queen Street
Auckland 1010

Ratings Agency:
Standard & Poor's
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120 Collins Street
Melbourne 3000

The Equitable Group's directors may be contacted through its registered office.

EQUITABLE

Long-term thinking
in a short-term world

EQ-DEBPROS-SEP-10