Commodity Bonds

Commodity Bonds

Smart investment solutions made simple

MACQUARIE

Lead Manager

Macquarie Equities NewZealand Limited

Co-Lead Managers

Forsyth Barr

Greenslades
Stockbrokers, Investment Advisors & Portfolio Managers

Investment statement and prospectus prepared as at, and dated, 20 July 2006 for the purposes of the Securities Act 1978.

FORWARD thinking

Important information

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

Investment decisions are very important. They often have long-term consequences. Read all documents carefully.

Ask questions. Seek advice before committing yourself.

Choosing an investment

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

In addition to the information in this document, important information can be found in the registered prospectus for the investment. You are entitled to a copy of that prospectus[1] on request. You can obtain a copy of the prospectus by calling 0800 436 378.

Choosing an investment adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you:

- whether the adviser gives advice only about particular types of investments;
- whether the advice is limited to the investments offered by one or more particular financial organisations; and
- whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time advice is given or within one month of receiving the advice.

In addition:

- if an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- if an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

Important notice

This offer document is for an offer by Generator Bonds Limited as trustee of the Commodity Bonds Trust (the "Issuer"), of Commodity Bonds that are secured, fixed interest rate debt securities of the Issuer.

Investments in Commodity Bonds are not deposits with, or other liabilities of, Macquarie Bank Limited ABN 46 008 583 542 or any other member of the Macquarie Bank Group, and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. None of Macquarie Bank Limited, Generator Bonds Limited or any other member of the Macquarie Bank Group guarantee any particular rate of return or the performance of Commodity Bonds nor do they guarantee the repayment of capital from Commodity Bonds.

Macquarie Bank Limited is a company incorporated in Australia and authorised under the Banking Act 1959 (Australia) to conduct banking business in Australia. Neither Macquarie Bank Limited nor any of its worldwide related bodies corporate are registered as a bank in New Zealand by the Reserve Bank of New Zealand under the Reserve Bank of New Zealand Act 1989.

The offer made in this offer document is only available to New Zealand resident investors, and only through application via the application form attached to this document. The offer made in this offer document does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. No action has been or will be taken by the Issuer which would permit a public offering of the Commodity

[1] This is the wording required by Schedule 3D to the Securities Regulations 1983 which contemplates a separate investment statement and prospectus. For this offer the two documents have been combined and accordingly the prospectus available on request is identical to this document.

Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). No Bondholder, or any other person, may purchase, offer, sell, distribute or deliver any Commodity Bonds, or have in its possession, or distribute to any person, any offering material or any documents in connection therewith, in any jurisdiction other than in compliance with all applicable laws and regulations.

The Bond Trustee, New Zealand Permanent Trustees Limited, is not the Promoter of Commodity Bonds, nor does it guarantee the payment of income or the repayment of capital from Commodity Bonds. The Bond Trustee has relied upon the Issuer for the accuracy of the contents of this offer document and therefore it makes no representation as to the accuracy or truth of the contents in this offer document, other than those which refer directly to the Bond Trustee or the provisions of the Bond Trust Deed dated 20 July 2006. A copy of this offer document duly signed by or on behalf of the directors of the Issuer, Macquarie Equities New Zealand Limited and its directors, as Promoter, and having attached to it a copy of the Bond Trust Deed, all material contracts, and an acknowledgement from New Zealand Exchange Ltd (the "NZX") to the effect that application has been made for permission to list the Commodity Bonds (being those documents required by section 41 of the Securities Act 1978), was delivered to the Registrar of Companies for registration in accordance with section 42 of the Securities Act 1978. Potential investors should note that no person is authorised by the Issuer to make any representation to investors other than those set out in this offer document. A number of terms used in this offer document have defined meanings that appear in the Glossary in section 9.

Neither the Managed Commodity Linked Note nor the Commodity Bonds is an obligation of, or guaranteed in any way by, Barclays Bank PLC or the officers, members, directors or employees of Barclays Bank PLC or their respective successors or assigns. Each Bondholder, by subscribing for or purchasing the Commodity Bonds, will be deemed to accept and acknowledge that it is fully aware that it has no right of recourse against Barclays Bank PLC. Barclays Bank PLC shall not be held responsible for the content of any information and materials relating to the Managed Commodity Linked Note set out in this offer document. Barclays Bank PLC makes no representation or warranty (express or implied) of any nature, nor is any responsibility or liability of any kind accepted with respect to the truthfulness, completeness or accuracy of any information, projection, representation or warranty (express or implied) in, or omission from this information.

Belo PLC is a company incorporated and existing under the laws of Ireland whose registered office is at 5 Harbourmaster Place, International Financial Services Centre, Dublin, Ireland. Belo PLC is the Note Issuer who is to issue the fixed interest security referred to as the Managed Commodity Linked Note. For more information see section 7.1.

TCW Asset Management Company (the "Manager") does not accept any responsibility for the accuracy or completeness of any information contained in this offer document.

Disclaimer

This offer document does not constitute a recommendation by the Lead Manager or the Manager to subscribe for, or purchase, any Commodity Bonds. To the maximum extent possible by law, none of the Manager, Lead Manager or their respective directors, officers, employees or agents accepts any liability whatsoever for any loss arising from this offer document or its contents or otherwise arising in connection with this offer.

Rating

An application has been made to Standard & Poor's ("S&P") for a credit rating of Commodity Bonds, which is expected to be within Investment Grade. A credit rating of "BBB" category or above from Standard & Poor's is regarded by the market as Investment Grade. Standard & Poor's rating is expected to be provided on or before the Issue Date. The offer of Commodity Bonds is conditional on achieving a credit rating from S&P within Investment Grade on or before the Issue Date. S&P is an international credit rating agency. A credit rating is not a recommendation to buy, hold or sell the securities; nor does it attest to the suitability of an investment in the securities by any individual investor. Any rating is subject to revision, suspension or withdrawal at any time by S&P.

Combined document

This offer document is an investment statement for the purposes of the Securities Act 1978 and Securities Regulations 1983. It is prepared as at, and dated, 20 July 2006. This document is also a prospectus for the purposes of the Securities Act 1978 and Securities Regulations 1983. Information required to be contained in the investment statement is set out on the previous page under the heading "Important information" and under the heading "Investment Statement – Answers to Important Questions" in section 4.

Important notice continued

Variations of offer terms

The Issuer reserves the right to vary the dates and times of the offer, which includes closing the offer of Commodity Bonds early or extending it, without prior notice. If this occurs, the Issue Date, Maturity Date, distribution dates and any other affected dates may also be extended or brought forward as a consequence.

Note to applicants

The offer contained in this offer document does not take into account your investment objectives, financial situation or particular needs. Commodity Bonds are a complex financial product intended to provide financial returns over their term. It is important that you read this offer document in full and consider and understand all the risk factors that could affect the performance of the Commodity Bonds in light of your own particular investment objectives, financial situation or particular needs before deciding to invest. The Principal Amount outstanding can be reduced to zero in certain circumstances as set out in this offer document. See section 4.6 for further information. You should also seek professional advice from your accountant, financial adviser, taxation adviser, solicitor or other professional adviser prior to deciding whether to invest.

Financial amounts

All financial amounts contained in this offer document are expressed in New Zealand Dollars unless otherwise stated.

Underwriting

This Commodity Bonds offer is not underwritten.

Glossary

Capitalised terms used in this offer document are defined in the Glossary set out in section 9.

Contents

Key dates

The dates listed below are subject to change by the Issuer. For further information refer to page 3 under the heading “Variations of offer terms”.

Open Date	24 July 2006	**Close Date**	31 August 2006 (by 5pm)
Issue Date	7 September 2006	**Expected quotation date**	14 September 2006
Interest payment dates	7 March, 7 June, 7 September and 7 December in each year from 7 December 2006 to and including 7 September 2011[2].		

Application information

Issue price per Commodity Bond	$100	**Minimum investment**	$5,000
Additional investments must be in multiples of	$1,000		

See the application instructions in section 10 on how to apply for Commodity Bonds.

[2] Or if any of those days is not a Business Day, the next Business Day.

Income fixed at 8.20% p.a

Generating fixed income from commodity positions selected from the precious metals, base metals and energy sectors.

A credit rating from S&P within Investment Grade*

* An application has been made for a rating of Commodity Bonds and the offer will only proceed if a credit rating is received from S&P within Investment Grade on or before the Issue Date. A credit rating of "BBB" category or above from S&P is regarded by the market as Investment Grade.

1. Overview

Commodity Bonds are fixed interest securities offering investors a competitive interest rate and have the following features:

- Regular income of 8.20% p.a. paid quarterly for 5 years, irrespective of commodity price levels.
- A credit rating from S&P within Investment Grade[3].
- The portfolio of commodity positions is managed.
- Tradable on the secondary market[4].

This investment is subject to risks set out in section 4.6.

A strong yield…

Commodity Bonds offer a fixed income stream of 8.20% p.a. The interest payments will be made regardless of commodity price levels. For more information on matters that may result in interest not being paid see section 4.5. Interest is payable on the Principal Amount of the Commodity Bonds.

Commodity Bonds do not require commodity prices to rise in order to pay interest during the term or to repay the Principal Amount at the end of the 5-year term. Commodity Bonds offer a higher yield than currently available from certain other traditional fixed interest securities listed on the NZX. They are able to do so because the Principal Amount is subject to commodity price risk, which in certain circumstances could result in a reduction or loss of your initial capital. See section 4.6.

Commodity Bonds are structured investments and as such carry certain risks as set out in section 4.6. Commodity Bonds are able to pay an interest rate of 8.20% p.a. because they include certain risks to the repayment of your Principal Amount that are not prevalent in other traditional fixed income investments. Commodity prices can be volatile. In certain circumstances, falls in the prices of commodities to which the Commodity Bonds are exposed during the Averaging Period may result in a reduction or loss of your Principal Amount, and this can be expected to occur more sharply than a loss of principal on other traditional fixed income investments. If you wish to invest in Commodity Bonds you should have sufficient financial resources to withstand this risk. In general it will not be appropriate for you to invest more than a small part of your overall investment portfolio in Commodity Bonds. However, you should seek financial advice as to whether an investment in Commodity Bonds is suitable for you.

3 An application has been made for a rating of Commodity Bonds and the offer will only proceed if a credit rating within Investment Grade is received from S&P on or before the Issue Date. A credit rating of "BBB" category or above from S&P is regarded by the market as Investment Grade.

4 An active secondary market for Commodity Bonds may not develop.

5 To 31 December 2005. The default rate shown relates to the credit rating expected for Commodity Bonds and is not a default rate for all investment grade corporate issuers. Source: S&P Research: Annual 2005 Global Corporate Default Study And Rating Transitions.

6 The methodology used to determine the credit rating of the Managed Commodity Linked Note (and correspondingly the Commodity Bonds) is new and hence a track record of actual default rates is yet to be established. As with any credit rating actual default rates may differ from expected default rates.

...with an expected credit rating within Investment Grade

The offer of Commodity Bonds is contingent on receiving a credit rating from S&P within Investment Grade[3]. Investment Grade is an investment threshold used by many institutional investors. It is a mark of credit quality and financial security. See Table 3.5.

Corporate issuers with the same credit rating as expected for Commodity Bonds have experienced a historic cumulative average 5-year default rate of approximately 0.5%[5]. This means that over the 25 years to 31 December 2005, 99.5%[5] of all income and principal payments were met for corporate debt with the same credit rating as is expected for Commodity Bonds and a 5-year term[6].

Commodity Bonds are structured investments. They are expected to be rated within Investment Grade[5], however, they may exhibit different risk and return characteristics to other traditional fixed income investments issued by corporates with a credit rating within Investment Grade.[5]

Diversification for New Zealand investors

Commodity Bonds can offer important diversification benefits. While many fixed income investments in New Zealand have their risk linked to the domestic economy or global credit markets, the repayment of the Principal Amount of Commodity Bonds is instead linked to commodity markets, through a portfolio of commodity positions (the “Reference Portfolio”) selected from base metals (such as copper or tin), precious metals (such as gold or silver) and the energy sector (such as oil or gas). Livestock is excluded, further enhancing the diversification away from the New Zealand economy. For more information see section 5.

2. Key features

	Terms of the investment	More information
Issuer	Generator Bonds Limited as trustee of the Commodity Bonds Trust.	Section 4.2
Bond Trustee	New Zealand Permanent Trustees Limited.	Section 4.2
Commodity Bonds Trust	The Commodity Bonds Trust, a New Zealand resident trust established by a deed supplemental to the Generator NZ Master Trust Deed dated 15 July 2003.	Section 6
Bond Trust Deed	The Bond Trust Deed dated 20 July 2006 which sets out the terms and conditions of the Commodity Bonds and the rights of Bondholders.	Section 6
Type of instrument	Commodity Bonds are secured fixed interest rate debt securities of the Issuer. The Issuer will use the proceeds from the offer to invest in a Managed Commodity Linked Note issued by the Note Issuer. The Commodity Bonds Trust passes on the risks and returns from the Managed Commodity Linked Note to Bondholders, net of Trust running fees and expenses including for the Registrar, Issuer, Bond Trustee, auditor, rating agency and NZX listing, with any residual funds paid by the Issuer to one or more charitable institutions in New Zealand.	Section 4.1
Principal Amount	$100 per Commodity Bond, which may be reduced to zero by Portfolio Events exceeding the Protection Amount at the end of the 5-year term. For more information on the risks of this investment, it is important that investors read section 4.6.	Section 4.1
Currency	Commodity Bonds are denominated in New Zealand Dollars.	
Interest payments	Interest payments are calculated at 8.20% p.a. on the Principal Amount and paid quarterly in arrears. Interest payments are not exposed to commodity price risk and will not vary over the 5-year term (subject to the circumstances set out under the heading "Cancellation of interest and other amounts" in section 4.5).	Section 4.5
Maturity Date	Commodity Bonds have a 5-year term, with a Maturity Date of 7 September 2011. In certain circumstances Commodity Bonds may mature earlier.	Section 4.6
Credit rating	The offer of Commodity Bonds is contingent on receiving a credit rating from S&P within Investment Grade. A credit rating of "BBB" category or above from S&P is regarded by the market as Investment Grade. A final credit rating is expected on the Issue Date. If the Issuer is not satisfied with the credit rating, or for any other reason, it reserves the right to withdraw the offer and return all monies invested, with early bird interest. S&P is expected to maintain surveillance on its rating of the Commodity Bonds over the 5-year term. Any rating is subject to revision, suspension or withdrawal at any time by S&P.	Section 4.1
Quotation	Application has been made to NZX for permission to list the Commodity Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this offer document have been duly complied with. However, NZX accepts no responsibility for any statement in this offer document.	
Managed Commodity Linked Note	The Issuer will use the proceeds from the offer to invest in the Managed Commodity Linked Note. This note includes certain commodity price risks on the repayment of principal at maturity.	Section 7
Manager	TCW Asset Management Company is the appointed manager for the Managed Commodity Linked Note.	Section 5
Limited recourse	The liability of the Issuer in respect of the Commodity Bonds is limited to the assets held by the Issuer in its capacity as trustee of the Commodity Bonds Trust. The only substantial asset of the Commodity Bonds Trust will be the Managed Commodity Linked Note.	Section 6

	Terms of the investment continued	
Risks	An investment in Commodity Bonds is subject to risks, some of which apply generally to investments and others which are specific to Commodity Bonds.	Section 4.6
Fees	You are not required to pay any entry, ongoing or brokerage charges in relation to this offer. All returns throughout this offer document are net of fees.	Section 4.4
Promoter and Lead Manager	Macquarie Equities New Zealand Limited and its directors.	Section 4.2
Offer amount	Commodity Bonds with an aggregate Principal Amount of up to $100 million are being offered for subscription. The Issuer, at its discretion, may accept over-subscriptions of up to a further $100 million.	
Issue	Commodity Bonds will be issued on 7 September 2006. The Issuer will advise successful applicants of the allotment of Commodity Bonds to them by a FASTER Statement mailed within 5 Business Days from the Issue Date. If the offer of Commodity Bonds is withdrawn or cancelled, the Issuer will refund the application amount together with early bird interest, within 5 Business Days after the offer is withdrawn or cancelled.	Section 10
Early bird interest	Amounts received in respect of applications that are accepted will earn early bird interest of 8.20% p.a. calculated daily from the next Business Day after the date of receipt of the application amount by the Registrar to the Issue Date. Early bird interest will be paid not later than 10 Business Days after the Issue Date as an interest payment and not as additional Commodity Bonds.	
Key dates	The dates listed below are subject to change by the Issuer without prior notice. Open Date: 24 July 2006 Close Date: 31 August 2006 (by 5pm) Issue Date: 7 September 2006 Expected date of quotation: 14 September 2006 Interest payment dates: 7 March, 7 June, 7 September and 7 December in each year from 7 December 2006 to and including 7 September 2011.[7] Maturity date: 7 September 2011	Page 3
Applications	Applications for Commodity Bonds can only be made by completing the application form attached to this offer document and sending it to any of the groups listed below in time for such applications to be received by the Registrar no later than 5pm on 31 August 2006. ■ Computershare Investor Services Limited ("Registrar") Private Bag 92119, Auckland. ■ Macquarie Equities New Zealand Limited ("Lead Manager"). ■ NZX firms or financial intermediaries approved by the Lead Manager. Applications relating to firm allocations must be lodged with the group through which the firm allocation was obtained. The Issuer reserves the right to refuse or accept applications received after the offer Close Date.	Section 10
Firm allocation	Commodity Bonds with an aggregate Principal Amount of up to $100 million, being 50% of the available offer amount including over-subscriptions, have been reserved for the Lead Manager, NZX firms and other financial intermediaries approved by the Lead Manager.	Section 10
Public pool	Any over-subscriptions accepted by the Issuer may be available for subscription by members of the public.	Section 10

[7] Or if any of those days is not a Business Day, the next Business Day.

3. How Commodity Bonds work

The Issuer will use the proceeds from the offer of Commodity Bonds to invest in a Managed Commodity Linked Note. As shown in the chart alongside, the interest payable on Commodity Bonds is derived from interest earned on the Managed Commodity Linked Note, which in turn is linked to a swap agreement with Barclays Bank PLC.

Commodity Bonds pay an interest rate of 8.20% p.a. because they include certain commodity price risks on the repayment of the Principal Amount at maturity, which could result in a reduction or loss of your initial capital. Commodity Bonds are denominated in New Zealand Dollars, so payments from the Commodity Bonds to Bondholders do not fluctuate due to currency exchange rate movements. See below for more information on the Managed Commodity Linked Note.

The Commodity Bonds

The Commodity Bonds Trust passes on the risks and returns from the Managed Commodity Linked Note to Bondholders, net of trust running fees and expenses including for the Registrar, Issuer, Bond Trustee, auditor, rating agency and NZX listing, with any residual funds paid by the Issuer to one or more charitable institutions in New Zealand.

Interest rate of 8.20% p.a.

Commodity Bonds pay interest quarterly in arrears. Interest will be paid on 7 March, 7 June, 7 September and 7 December in each year from 7 December 2006 to and including 7 September 2011[8]. Whilst interest payments are not exposed to commodity price risk, your Principal Amount is exposed to this risk. For more information on the risks to your income see sections 4.5 and 4.6.

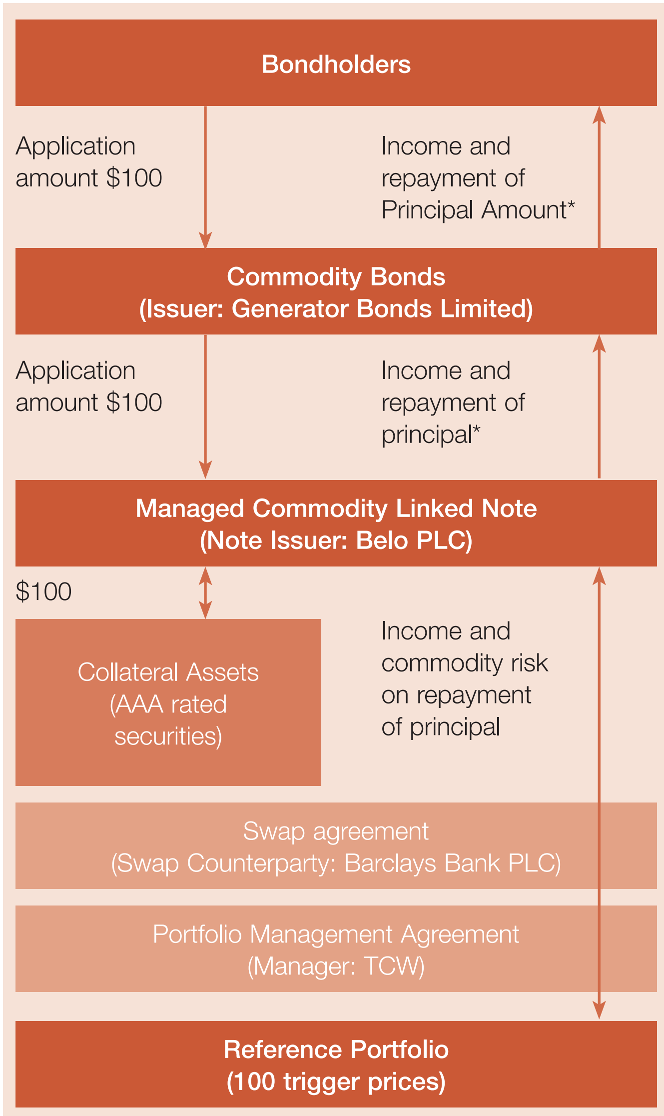
5-year term

Commodity Bonds mature 5 years from the Issue Date, and are repayable on that date subject to certain risks set out in section 4.6 "Commodity price risk". In certain circumstances Commodity Bonds may mature earlier. For more information see section 4.6 "Early termination".

Repayment of the Principal Amount is exposed to falls in commodity prices

The repayment of the Principal Amount may be affected if the average price of one or more commodities over a 10-day Averaging Period near the end of the 5-year term is sufficiently low to cause Portfolio Events. If enough Portfolio Events occur, the Principal Amount will be reduced to zero. Initially eight[9] Portfolio Events will need to occur before the Principal Amount is reduced to zero. For more information see below and section 4.6.

Chart 3.1



The Reference Portfolio does not represent a direct or indirect investment in commodities or commodity futures contracts. The commodity risk on the repayment of principal is linked to the reference price, but not actual holding, of the relevant commodity.

* The repayment of the Principal Amount and principal of the Managed Commodity Linked Note are subject to the risks set out in section 4.6.

8 Or if any of those days is not a Business Day, the next Business Day.

9 The Protection Amount shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date and will be based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term. See section 5 for more information.

A credit rating from S&P within Investment Grade

The offer will only proceed if a credit rating is received from S&P within Investment Grade. The final credit rating is expected on or before the Issue Date. S&P is expected to maintain surveillance on its rating of the Commodity Bonds over the 5-year term. Any rating is subject to revision, suspension or withdrawal at any time by S&P. For S&P definitions see Table 3.5.

NZX listing

Application has been made to NZX for permission to list the Commodity Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this offer document have been duly complied with. However, NZX accepts no responsibility for any statement in this offer document.

Security

Commodity Bonds are secured by a first ranking security interest held by the Bond Trustee over the assets of the Commodity Bonds Trust. Bondholders are secured creditors of the Issuer and do not have any beneficial interest in the Commodity Bonds Trust. The liability of the Issuer under Commodity Bonds is limited to the assets of the Commodity Bonds Trust. The only substantial asset[10] of the Commodity Bonds Trust is the Managed Commodity Linked Note.

A summary of the terms and conditions of the Commodity Bonds is set out in section 6.

The Managed Commodity Linked Note

The Managed Commodity Linked Note is issued by Belo PLC (the "Note Issuer"), a special purpose vehicle for the issuance of commodity linked notes. The Managed Commodity Linked Note includes certain commodity price risks on the repayment of principal at the end of the 5-year term. The Note Issuer will use the proceeds of the issue of the Managed Commodity Linked Note to invest in European asset backed securities (the "Collateral Assets") rated AAA by S&P as at the Issue Date. Any rating is subject to revision, suspension or withdrawal at any time by S&P. The Note Issuer will also enter into a swap agreement with Barclays Bank PLC (the "Swap Counterparty") to obtain the required commodity exposures and associated returns. The Managed Commodity Linked Note is denominated in New Zealand Dollars, so payments from the Managed Commodity Linked Note to holders of the note do not fluctuate due to currency exchange rate movements.

The repayment of principal on the Managed Commodity Linked Note (and hence on the Commodity Bonds) may be affected if the average price of one or more commodities over a 10-day Averaging Period near the end of the 5-year term is sufficiently low to cause "Portfolio Events" (see below). Portfolio Events erode the Protection Amount and after completely eroding the Protection Amount, one further Portfolio Event will reduce the principal of the Managed Commodity Linked Note to zero.

The portfolio of commodities to which the Managed Commodity Linked Note is exposed, the price levels at which Portfolio Events can occur and the initial size of the Protection Amount are set out in section 5.

Reference Portfolio

The Reference Portfolio is made up of 100 trigger prices on up to 16 commodities selected from the precious metals, base metals and energy sectors. Each trigger price exposes the Reference Portfolio to a potential loss. The Reference Portfolio will not be set until the Issue Date and can be changed as explained below. As at 10 July 2006, the Reference Portfolio has little exposure to the energy sector, but this may change over the term of the Commodity Bonds.

Portfolio Event

A Portfolio Event occurs if the average price of a commodity over a 10-day Averaging Period near the end of the 5-year term is below a trigger price for that commodity in the Reference Portfolio. This means that Portfolio Events can only occur at the end of the term of the Managed Commodity Linked Note in relation to the commodity prices over the Averaging Period. Commodity prices at any other time will not affect the repayment of the principal of the Managed Commodity Linked Note.

Each Portfolio Event results in loss to the Reference Portfolio. More than one Portfolio Event can occur in relation to a single commodity, up to a maximum of 20 Portfolio Events per commodity. Portfolio Events are determined on the basis of US$ denominated commodity prices and US$ denominated trigger prices. For the list of trigger prices by commodity see section 5.

[10] Other assets of the Commodity Bonds Trust that will be subject to the security interest may include cash and also rights in relation to, documents of title to, and payments and proceeds in respect of, the Managed Commodity Linked Note.

3. How Commodity Bonds work

Protection Amount

The Protection Amount protects the principal of the Managed Commodity Linked Note from a number of Portfolio Events. Initially the Protection Amount protects the Managed Commodity Linked Note from the first seven[11] Portfolio Events. One subsequent Portfolio Event will reduce the principal of the Managed Commodity Linked Note to zero. The Protection Amount will not be set until the Issue Date and can be changed as explained below.

The Manager

The Manager will keep the Reference Portfolio under review and perform its portfolio management functions with the objective (but without guaranteeing) that losses as a result of Portfolio Events are minimised. Over the 5-year term, the Manager may change the Reference Portfolio and the Protection Amount in accordance with this objective and the management guidelines. The Protection Amount changes as a result of changes to the Reference Portfolio. The Manager will have regard to changes to the Protection Amount when deciding whether to make changes to the Reference Portfolio. For more information see section 5.

Collateral Assets

The Collateral Assets are held by the Note Issuer as security for the Managed Commodity Linked Note for any payments that may be due to the Swap Counterparty, the Manager or the holder of the Managed Commodity Linked Note. The Collateral Assets will comprise European asset backed securities with a term of approximately 5 years, rated AAA by S&P as at the Issue Date. Any rating is subject to revision, suspension or withdrawal at any time by S&P. The Managed Commodity Linked Note, and hence the Commodity Bonds, are exposed to the credit and other risks of the Collateral Assets.

A summary of the terms of the Managed Commodity Linked Note is set out in section 7.

Illustration

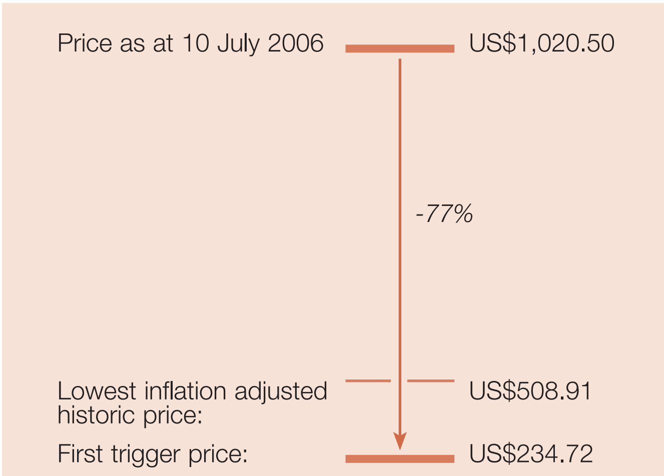
Portfolio Event: Lead

Taking lead as an example:

- The first lead trigger price in the Reference Portfolio is US$234.72 per tonne.
- The price of lead as at 10 July 2006 was US$1,020.50 per tonne.

This means that for a Portfolio Event to occur the average price of lead over the 10-day Averaging Period near the end of the 5-year term would have to be more than 77% lower than the 10 July 2006 price. Putting this in context, the lowest inflation adjusted historic price[12] for lead was US$508.91 per tonne.

Chart 3.2 Lead price and first trigger price



Source: Macquarie Equities New Zealand Limited. Current price - lead reference price as at 10 July 2006. First trigger level - the highest lead trigger price in the Reference Portfolio. Lowest inflation adjusted historic price – using monthly data from 31 January 1945 to 31 March 2006 in 31 August 2011 constant US$ terms, assuming an inflation rate of 2.4% p.a. from 31 March 2006 to 31 August 2011.

Investors should note that past performance of commodity prices is not necessarily indicative of their future performance. The above example is illustrative and does not represent a forecast or projection of the price of lead at any time in the future.

[11] The Protection Amount shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date and will be based on the Manager's view of market conditions at the time and the S&P rating criteria.

[12] 31 August 2011 constant US$ terms, using monthly data from 31 January 1945 to 31 March 2006, assuming an inflation rate of 2.4% p.a. from 31 March 2006 to 31 August 2011.

Chart 3.3 shows, for all commodities that may be included in the Reference Portfolio, the following factors relative to the price as at 10 July 2006:

- the lowest inflation adjusted historic price; and
- the first trigger price.

Each commodity may have up to 20 trigger prices. The first trigger prices for each commodity as at 10 July 2006 are set out in the chart below, for the list of all trigger prices and current commodity prices as at 10 July 2006 see section 5.

Chart 3.3

Source: Macquarie Equities New Zealand Limited. Current price - commodity reference price as at 10 July 2006. First trigger level - the highest trigger price for that commodity in the Reference Portfolio. Lowest inflation adjusted historic price - using monthly data from 31 January 1945 to 31 March 2006 in 31 August 2011 constant US$ terms, assuming an inflation rate of 2.4% p.a. from 31 March 2006 to 31 August 2011.

Investors should note that past performance of commodity prices is not necessarily indicative of their future performance. The above example is illustrative and does not represent a forecast or projection of the prices of the relevant commodities at any time in the future.

3. How Commodity Bonds work

Impact on the repayment of the Principal Amount

Table 3.4 shows the impact of Portfolio Events on the repayment of the Principal Amount assuming that Bondholders hold to maturity, the Manager has been unable to avoid the number of Portfolio Events shown and the Protection Amount has not changed from 7.00%[13] over the 5-year term.

Table 3.4

Number of Portfolio Events	Reference Portfolio cumulative loss	Remaining Protection Amount[13]	Repayment of Principal Amount
0	0%	7%	100%
1	1%	6%	100%
2	2%	5%	100%
3	3%	4%	100%
4	4%	3%	100%
5	5%	2%	100%
6	6%	1%	100%
7	7%	0%	100%
8	8%	0%	0%
9	9%	0%	0%

Source: Macquarie Equities New Zealand Limited.

As illustrated in Table 3.4 above, the eighth Portfolio Event would reduce the Principal Amount of the Commodity Bonds to zero, on the basis of a 7.00%[13] Protection Amount.

The Manager may change the Reference Portfolio and consequently the Protection Amount, in accordance with the management guidelines and its objective. For more information see section 5.

A change to the Protection Amount will impact the number of Portfolio Events needed to reduce the principal of the Managed Commodity Linked Note. For example, assuming the Manager causes the Protection Amount to change to 6.90% over the 5-year term:

- should a seventh Portfolio Event occur it would reduce the principal repayment to 90%; and
- should an eighth Portfolio Event occur it would reduce the principal repayment to 0%.

Any reduction in the principal repayment of the Managed Commodity Linked Note will reduce the repayment of the Principal Amount to Bondholders at maturity.

This means that Portfolio Events that do not exceed the Protection Amount have no impact on the repayment of the Principal Amount. However, the Principal Amount will be reduced to zero if Reference Portfolio cumulative losses exceed the Protection Amount by 1.00% or more. Since each Portfolio Event represents a loss of 1.00% of the Reference Portfolio, a single Portfolio Event exceeding the Protection Amount may reduce the Principal Amount to zero. If a Portfolio Event exceeding the Protection Amount occurs but does not reduce the Principal Amount to zero, one further Portfolio Event would do so.

[13] The Protection Amount shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date and will be based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term.

S&P credit rating

The Managed Commodity Linked Note is expected to receive a credit rating from S&P within Investment Grade[14]. S&P is expected to maintain surveillance on its rating of the Commodity Bonds over the 5-year term. Any rating is subject to revision, suspension or withdrawal at any time by S&P.

There is no way to measure with absolute certainty the likelihood of a Portfolio Event or a reduction in the principal repayment. Ratings agencies, such as S&P, estimate the forward looking probability of such events by analysing their historical frequency and correlation[15], as well as other factors in order to assign a credit rating to the relevant security.

Table 3.5

Investment Grade	Obligations with a “AAA”, “AA”, “A”, or “BBB” credit rating are regarded by the market as Investment Grade. “AAA” is the highest rating assigned to any obligation and indicates that the obligor has an extremely strong ability to meet its financial commitments. “BBB” is the lowest investment grade rating and indicates an adequate ability of the obligor to meet its financial commitments.
Speculative Grade	Obligations with a “BB”, “B”, “CCC”, “CC”, and “C” credit rating are regarded by the market as Speculative Grade, with significant speculative characteristics. “BB” indicates the least degree of speculation and “C” the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.
Plus (+) or minus (-)	The 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.

Source: Macquarie Equities New Zealand Limited.

14 A credit rating of “BBB” category or above from S&P is regarded by the market as Investment Grade.

15 Correlation is a statistical measure of how much the price movement of two securities or asset classes are related.

3. How Commodity Bonds work

The methodology used to determine the credit rating of the Commodity Bonds is new and hence a track record of actual default rates is yet to be established. As with any credit rating actual default rates may differ from expected default rates.

Typically, upon a default of a corporate, creditors seek to recoup some or all of their principal amount from the issuer over a period of time, which may ultimately range from nil to full recovery. By contrast, in the case of the Commodity Bonds, a sufficient number of Portfolio Events may result in a sharp reduction or loss of principal on the Managed Commodity Linked Note (and hence the Commodity Bonds) and Bondholders will not be able to recover their loss from the Issuer. If sufficient Portfolio Events occur, a loss of the Principal Amount can be expected to occur more sharply than on other traditional fixed income investments, where typically the loss of principal may be mitigated by some level of recovery.

4. Investment Statement – Answers to Important Questions

4. Investment Statement – Answers to Important Questions

4.1 What sort of investment is this?

The Commodity Bonds are secured fixed interest rate New Zealand Dollar denominated debt securities of the Issuer. The interest payable on Commodity Bonds is derived from interest earned on the Managed Commodity Linked Note, which in turn is linked to a swap agreement with Barclays Bank PLC.

The Issuer will use the proceeds from the offer of Commodity Bonds to invest in a Managed Commodity Linked Note issued by Belo PLC (the "Note Issuer"). Commodity Bonds pay an interest rate of 8.20% p.a. because they include certain commodity price risks on the repayment of the Principal Amount at maturity, which could result in a reduction or loss of your initial capital. Commodity Bonds are denominated in New Zealand Dollars so payments from the Commodity Bonds to Bondholders do not fluctuate due to currency exchange rate movements. See section 7 for more information on the Managed Commodity Linked Note.

Interest rate of 8.20% p.a.

Commodity Bonds pay interest quarterly in arrears. Interest will be paid on 7 March, 7 June, 7 September and 7 December in each year from 7 December 2006 to and including 7 September 2011[16]. The interest payments are not exposed to commodity price risk. For more information see section 4.5.

5-year term

Commodity Bonds mature 5 years from the Issue Date, and are repayable on that date subject to certain risks set out in section 4.6 "Commodity price risk". In certain circumstances Commodity Bonds may mature earlier. For more information see section 4.6 "Early termination".

Repayment of the Principal Amount is linked to commodity prices

The repayment of the Principal Amount may be affected if the average price of one or more commodities over a 10-day Averaging Period near the end of the 5-year term is sufficiently low to cause Portfolio Events. If enough Portfolio Events occur Bondholders will lose all of their Principal Amount. For more information see section 4.6.

A credit rating from S&P within Investment Grade

The offer will only proceed if a credit rating is received from S&P within Investment Grade. A credit rating of "BBB" category or above from S&P is regarded by the market as Investment Grade. S&P is expected to maintain surveillance on its rating of the Commodity Bonds over the 5-year term. Any rating is subject to revision, suspension or withdrawal at any time by S&P. For S&P definitions see Table 3.5.

NZX listing

Application has been made to NZX for permission to list the Commodity Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this offer document have been duly complied with. However, NZX accepts no responsibility for any statement in this offer document.

Security

Commodity Bonds are secured by a first ranking security interest held by the Bond Trustee over the assets of the Commodity Bonds Trust. Bondholders are secured creditors of the Issuer and do not have any beneficial interest in the Commodity Bonds Trust. The liability of the Issuer under Commodity Bonds is limited to the assets of the Commodity Bonds Trust. The only substantial asset[17] of the Commodity Bonds Trust is the Managed Commodity Linked Note.

A summary of the terms and conditions of the Commodity Bonds is set out in section 6.

4.2 Who is involved in providing it for me?

Issuer

Generator Bonds Limited, in its capacity as trustee of the Commodity Bonds Trust (the "Issuer"), is the issuer of Commodity Bonds. Its address is Level 14, Phillips Fox Tower, 209 Queen Street, Auckland, New Zealand. All of the shares of the Issuer are held by Macquarie New Zealand Limited. Macquarie New Zealand Limited does not guarantee the Commodity Bonds. Generator Bonds Limited was registered under the Companies Act 1993 (New Zealand) on 18 June 2003 and the Commodity Bonds Trust was established by deed dated 20 July 2006, as a supplemental deed to the Generator NZ Master Trust Deed dated 15 July 2003.

[16] Or if any of those days is not a Business Day, the next Business Day.

[17] Other assets of the Commodity Bonds Trust that will be subject to the security interest may include cash and also rights in relation to, documents of title to, and payments and proceeds in respect of, the Managed Commodity Linked Note.

The principal activities carried on by the Issuer since its incorporation have been to act as trustee of the Generator Bonds NZ No. 1 Trust. In its capacity as trustee of that trust, the Issuer issued a prior series of bonds on 21 August 2003. The proceeds of the issue of the prior release were used to purchase Kiwi 1 Credit Linked Notes, which are held as assets of the Generator Bonds NZ No.1 Trust.

The directors of the Issuer are listed in section 8.5.

Promoter and Lead Manager

The Promoter and Lead Manager of the offer is Macquarie Equities New Zealand Limited ("Macquarie"), and its directors. The address of Macquarie is Level 14, Phillips Fox Tower, 209 Queen Street, Auckland, New Zealand.

Details of the directors of Macquarie are set out below. The directors of Macquarie can be contacted at Macquarie's office in New Zealand.

Peter John Coleman
BEc, BBus
25 years' experience in financial services in the United Kingdom, USA and Australia.
Principally resident in Sydney.

John Lloyd Owen
BA, Certificate in Banking, Foundation Broker NZX
27 years' experience in financial services, including 13 years in broking.
Principally resident in Wellington.

James Kenneth McLay
LLB (Bachelor of Laws)
15 years' investment banking experience, 7 years Chairman of Macquarie Equities New Zealand Limited.
Principally resident in Auckland.

John Noel Rowley
BCA, ACA
25 years in the financial industry in New Zealand.
Principally resident in Auckland.

Bond Trustee

New Zealand Permanent Trustees Limited is the Bond Trustee. Its address is Level 35, Vero Centre, 48 Shortland Street, Auckland, New Zealand.

Registrar

Computershare Investor Services Limited is the Registrar and paying agent. Its address is Level 2, 159 Hurstmere Road, Takapuna, Auckland, New Zealand.

4.3 How much do I pay?

Issue price

The issue price of each Commodity Bond is $100.

Minimum investment

The minimum investment in Commodity Bonds is $5,000. Additional investments must be in multiples of $1,000. There is no maximum investment. However, the Issuer may, in its discretion, limit the amount of any subscription as it deems appropriate.

Making an investment

To invest in Commodity Bonds, you must complete the application form attached to this offer document in accordance with the instructions in section 10 and send that form, together with a cheque for the application amount, to Computershare Investor Services Limited ("Registrar") at the address set out below.

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92 119
Auckland
New Zealand

Applications must be sent so as to be received by no later than 5pm on 31 August 2006.

Applications can also be lodged with any NZX firm, the Lead Manager of the offer or other financial intermediary at its place of business in time to be received by the Registrar no later than 5pm on 31 August 2006.

Make the cheque payable to:
"NZPT CBT a/c <Applicant's name>" and cross it "Not Transferable".

Sufficient cleared funds should be held in your account as cheques returned unpaid are likely to result in your application being rejected or your allotment being cancelled. Staple your cheque to the application form. Institutional investors must pay in immediately cleared funds.

For more information on applications generally see section 10.

No cooling-off

Investors should note that there will be no cooling-off period in relation to the applications. Consequently, once an application has been lodged, it cannot be withdrawn, unless the Issuer determines otherwise in its sole discretion.

4.4 What are the charges?

Entry charges

You are not required to pay any entry charges in relation to this offer.

Any upfront fees or expenses payable to the Bond Trustee or the Registrar and all expenses of this offer are to be paid by the Lead Manager. Fees and expenses incurred in relation to this offer and payable by the Lead Manager are estimated at $2,500,000 based on an offer size of $100 million. In consideration of the Lead Manager enabling the placement of the Managed Commodity Linked Note through this offer, Barclays Bank PLC (as arranger of the Managed Commodity Linked Note programme) has agreed to pay the Lead Manager a fee. This fee is expected to vary, based on market conditions during the offer period, between 0% and 1.25% p.a. paid upfront on the principal of the Managed Commodity Linked Note.

Ongoing charges

You are not required to pay any ongoing charges in relation to Commodity Bonds.

If Commodity Bonds are sold or transferred at any time on the secondary market you may receive less for the Commodity Bonds than your initial investment. For more information see section 4.8.

A fee or commission may be charged if the Commodity Bonds are purchased or sold on the secondary market. The Issuer takes no responsibility for the pricing actions of any secondary market participants (including any financial advisers through whom Bondholders purchase or sell the Commodity Bonds), and any fee or commission is to be directly negotiated between the Bondholder and the relevant secondary market participant.

Ongoing Registrar, Issuer, Bond Trustee, auditor, rating agency and NZX listing fees and expenses are to be paid out of the Commodity Bonds Trust.

The Issuer has agreed to indemnify the Bond Trustee for liabilities and expenses incurred by the Bond Trustee in connection with the Commodity Bonds and the performance of the Bond Trustee's duties.

Brokerage

You are not required to pay any brokerage in relation to this offer.

Brokerage at the rate of 1.75% of the issue price of the Commodity Bonds allotted under firm allocations, and 1.25% of those under all other allocations, is payable by the Lead Manager to NZX firms and other financial intermediaries in respect of Commodity Bonds issued under valid applications bearing the stamp of the NZX firm or the intermediary.

If an application form does not bear the stamp of an NZX firm or other intermediary, brokerage will be retained by the Lead Manager at the rate of 1.75% of the issue price of the Commodity Bonds under that application form.

4.5 What returns will I get?

The information set out in this section must be read in conjunction with the information set out in section 4.6 "What are my risks?". Certain events could reduce or eliminate the returns intended to be derived from investing in the Commodity Bonds.

Returns from an investment in the Commodity Bonds will comprise:

- payment of interest on the Principal Amount over the 5-year term;
- repayment of the Principal Amount at maturity (which may be reduced due to Portfolio Events); and/or
- any gain or loss realised upon disposal via a sale on the secondary market.

Payment of interest

Interest payments are calculated at 8.20% p.a. on the Principal Amount. Interest payments are not exposed to commodity price risk and will not vary over the 5-year term (subject to the circumstances set out below under the heading "Cancellation of interest and other amounts").

Calculations of interest are to be made by the Issuer on the basis of the provisions set out in the Bond Trust Deed and summarised below. The Issuer reserves the right in its absolute discretion to increase the interest rate above 8.20% per annum by announcing a higher interest rate to NZX on or prior to the Issue Date.

Interest is paid quarterly in arrears on 7 March, 7June, 7 September and 7 December in each year from 7 October 2006 to and including 7 September 2011[18]. Each quarterly interest payment shall be calculated on the basis of the interest rate per annum divided by four. Interest payments will be made to the Bondholder registered as at the Record Date prior to the relevant interest payment date.

[18] Or if any of those days is not a Business Day, the next Business Day.

Repayment of Principal Amount

Any Principal Amount to be repaid will be paid on the Maturity Date[19].

The Principal Amount is exposed to commodity price risk and will be reduced to zero if a sufficient number of Portfolio Events occur at maturity. For more information on Portfolio Events see section 3. For more information on other risks that may affect the repayment of the Principal Amount to Bondholders see section 4.6.

Except for the payment of interest and repayment of the Principal Amount, no amount of returns, quantifiable as at the date of this offer document and enforceable by investors, has been promised. However, the obligations of the Issuer under the Commodity Bonds are limited recourse. That is, they are not guaranteed by any other person and neither the Note Issuer nor the Issuer, nor any other person, is obliged to make good on any loss suffered by you as the holder of a Commodity Bond. The person legally liable for the payment of interest on the Commodity Bonds and repayment of the Principal Amount is the Issuer.

Key factors determining returns

The key factors that will determine the returns to Bondholders are set out below.

- Commodity prices during the 10-day Averaging Period near the end of the 5-year term, which may cause Portfolio Events. The Principal Amount repayable may be reduced to zero by Portfolio Events in certain circumstances set out in section 3.
- The price at which the Commodity Bonds may be sold on the secondary market, which may fluctuate. There is no guarantee that a liquid secondary market will develop for Commodity Bonds.
- The performance by the Issuer of its obligations as issuer of Commodity Bonds.
- The amounts received from the Note Issuer under the terms of the Managed Commodity Linked Note acquired by the Issuer, which are used by the Issuer to make payments due on Commodity Bonds.
- Whether payments of interest or other amounts are cancelled by the Issuer in accordance with the terms of the Commodity Bonds Trust. The circumstances under which such payments may be cancelled are set out below under the heading "Cancellation of interest and other amounts".
- The performance of the Manager in protecting the principal of the Managed Commodity Linked Note.
- Whether the circumstances outlined in section 4.6 under the heading "Early termination" occur and the other risk factors described in section 4.6.
- Each Bondholder's individual circumstances for tax purposes.

Cancellation of interest and other amounts

Payments of interest and other amounts on the Commodity Bonds will only be made to Bondholders to the extent that the Note Issuer makes payments under the Managed Commodity Linked Note to the Issuer. Any interest or other amount which is not payable by the Issuer as a result of the application of the preceding sentence shall be deemed to be cancelled and will be deemed never to have accrued and never to have been payable. However, if after cancellation, the Issuer receives payments under the Managed Commodity Linked Note which are referable to the previously cancelled amounts, the Issuer will have an obligation to pay any amount, so received, to Bondholders.

Non-payment of any amounts under the Managed Commodity Linked Note as a result of the Note Issuer failing to perform its obligations under the Managed Commodity Linked Note for a period of 14 days or more constitutes an event of default under the Managed Commodity Linked Note which may give rise to early redemption of the Commodity Bonds. See section 4.6 and section 7.5 for more details.

No guarantee

The payment of interest on the Commodity Bonds or repayment of the Principal Amount is not guaranteed by any person.

Taxation

Taxation may affect a Bondholder's returns

Please note that information included in this section is a general summary of the New Zealand tax implications for New Zealand tax resident Bondholders and does not constitute taxation advice to investors. The information herein is believed to be correct as at the time of writing this offer document. Taxation laws are subject to change, and such changes may materially affect your tax position with respect to an investment in Commodity Bonds. You should seek qualified, independent financial and taxation advice before deciding to invest.

[19] Or if the Maturity Date is not a Business Day, the next Business Day.

4. Investment Statement – Answers to Important Questions

Interest and gains subject to tax in New Zealand

New Zealand tax resident Bondholders (except those that are exempt from tax) will be subject to New Zealand tax on all interest income received and, if applicable, on any gain from sale of Commodity Bonds. Generally, Bondholders who are natural persons will only be required to return interest income that is paid, as and when it is paid. Any gain on sale will generally be required to be recognised for tax purposes in the income year of sale. If Commodity Bonds are sold or redeemed at a loss, some Bondholders may be entitled to a deduction for that loss. See further below for tax information for non-natural person Bondholders and natural person Bondholders with significant holdings of debt or similar instruments.

Resident withholding tax ("RWT")

RWT will be deducted by the Issuer from interest paid to or credited to New Zealand tax resident Bondholders, unless a Bondholder provides the Issuer with a valid certificate of exemption from RWT and the Issuer is satisfied that no deduction is required. RWT will be deducted at the following rates as applicable:

- 19.5% where the Bondholder is not a company and the Bondholder provides the Issuer with its IRD number and does not elect an alternative rate.
- Bondholders (not being companies) who have provided their IRD numbers may elect to have RWT deducted at 33% or 39% should they choose.
- 33% where the Bondholder is a company (other than a company holding as trustee) and the Bondholder provides its IRD number.
- 39% where the Bondholder does not provide its IRD number.

Notwithstanding that the Bonds are offered to New Zealand resident investors only, if at any time a Bond is held by a Bondholder who (i) is not a New Zealand tax resident and (ii) is not engaged in business through a fixed establishment (as defined in the Income Tax Act 2004) in New Zealand ("Non-resident Bondholder"), non-resident withholding tax ("NRWT") will be deducted, where appropriate, at the rate required by law from payments made to such Bondholder. If the Issuer is lawfully able to pay an approved issuer levy (as defined in section 86F of the Stamp and Cheque Duties Act 1971) in respect of any payment of interest (or deemed interest) to a Non-resident Bondholder, the Issuer will pay the approved issuer levy to the appropriate authority and will deduct the amount paid from the interest (or deemed interest) payable to that Non-resident Bondholder (without any obligation to make any additional payment on account of such deduction) in lieu of deducting New Zealand NRWT at the rate otherwise applicable from that payment.

Non-resident withholding tax

Provided a Bondholder is a New Zealand tax resident (or a non-resident carrying on business in New Zealand through a fixed establishment), non-resident withholding tax will not be payable on interest paid in respect of Commodity Bonds.

Non-natural person Bondholders and Bondholders with significant holdings

Non-natural person Bondholders and Bondholders who are natural persons with significant holdings of debt or similar instruments must apply an appropriate spreading mechanism for the recognition of income under the financial arrangements rules contained in the Income Tax Act 2004. These Bondholders should obtain their own qualified, independent financial and taxation advice as to which spreading method to apply. Natural person Bondholders affected are those who meet one or more of the following conditions:

- The absolute value of their interest income and interest expenditure per annum under all debt or similar instruments held by them is in excess of $100,000.
- They have entered into debt or similar instruments with an aggregate absolute face value in an income year in excess of $1,000,000.
- The difference between interest actually paid to a Bondholder and income calculated using the spreading methods under the financial arrangements rules, in the particular income year, is greater than $40,000.

New Zealand residency status

If you change residency while you are a Bondholder you must notify the Registrar as this could change your taxation treatment in regard to Commodity Bonds. If you are intending to change your residency status during the proposed life of a Commodity Bond, you should obtain qualified, independent financial and tax advice as to your potential taxation liabilities.

Transactional taxes

Under current New Zealand laws, no transactional taxes such as stamp duties or goods and services tax will be applicable to the issue, redemption, conversion or sale of Commodity Bonds.

4.6 What are my risks?

The principal risks of investing in Commodity Bonds are listed below. These can result in a Bondholder getting back less than or none of the money paid in and/or not receiving the returns outlined in section 4.5.

Some of the following risks apply generally to any investment, while others are specific to the Commodity Bonds. Many of these risks are outside the control of the Issuer.

These risks may also affect the liquidity and trading price of Commodity Bonds on a secondary market.

Risks relating to the Issuer's investments

Managed Commodity Linked Note returns

The Managed Commodity Linked Note is the only substantial asset[20] of the Commodity Bonds Trust and source of returns to Bondholders. Any cancellation of interest and other amounts payable under the Managed Commodity Linked Note will impact payments to Bondholders under the Commodity Bonds. For more information see "Cancellation of interest and other amounts" in section 4.5.

Risks associated with the Note Issuer

The Note Issuer is a special purpose vehicle for the issuance of commodity linked notes and is not an operating company. If the Note Issuer were to become insolvent or otherwise fail to perform its obligations under the Managed Commodity Linked Note, the Issuer may not receive the principal or interest due to it. The obligations of the Note Issuer to the Issuer under the Managed Commodity Linked Note are secured by charges and/or assignments of the rights and interests of the Note Issuer over certain charged assets, including the Collateral Assets. Any proceeds from the disposal or realisation of property underlying the Managed Commodity Linked Note will be used to repay, firstly amounts owing to a trustee or receiver of the Note Issuer, secondly to the Swap Counterparty (unless it is the defaulting party under the swap), thirdly to the Manager, and then the amounts owed by the Note Issuer to the Issuer under the Managed Commodity Linked Note. For more information on payment priorities see section 7.

If the proceeds are insufficient to enable the Note Issuer to perform its obligations under the Managed Commodity Linked Note, the Note Issuer will not be required to perform those obligations. That non-performance would mean the Issuer would therefore not be able to pay interest on the Commodity Bonds or repay the Principal Amount. If that occurs, Bondholders' security will be limited to the proceeds from the disposal of the Managed Commodity Linked Note.

Collateral Assets risk

The Managed Commodity Linked Note, and hence the Commodity Bonds, are exposed to the credit and other risks of the Collateral Assets, in which substantially all of the proceeds of issue of the Commodity Bonds will be invested. The Collateral Assets will comprise European asset backed securities rated AAA by S&P as at the Issue Date. The credit rating of the Collateral Assets is subject to revision, suspension or withdrawal at any time by S&P. Defaults by the obligors of the Collateral Assets may result in early termination and a reduction in the returns of the Managed Commodity Linked Note, and hence the returns of the Commodity Bonds. For more information on the Collateral Assets see sections 3 and 7.2.

Swap Counterparty risk

The Note Issuer will enter into a swap agreement with the Swap Counterparty to obtain the required commodity exposures and associated returns. The obligations of the Swap Counterparty under the Swap Agreement are unsecured contractual liabilities. They are not deposit liabilities of the Swap Counterparty. The Swap Counterparty may default on its obligations to the Note Issuer or may fail to properly perform its functions, which may result in early termination of the Managed Commodity Linked Note and hence early termination of the Commodity Bonds (see "Early termination" below). The swap agreement includes credit downgrade triggers which may result in the Swap Counterparty being required to post collateral against its obligations to the Note Issuer or being replaced by an appropriately rated counterparty.

No obligations to make good on losses

The obligations of the Note Issuer under the Managed Commodity Linked Note and of the Issuer under the Commodity Bonds are limited recourse. That is, they are not guaranteed by any other person and neither the Note Issuer nor the Issuer, nor any other person, is obliged to make good on any loss suffered by the Issuer as holder of the Managed Commodity Linked Note. The Issuer will pass on any such loss to Bondholders.

[20] Other assets of the Commodity Bonds Trust that will be subject to the security interest may include cash and also rights in relation to, documents of title to, and payments and proceeds in respect of, the Managed Commodity Linked Note.

4. Investment Statement – Answers to Important Questions

Commodity price risk

Commodity prices are volatile and can be more volatile than domestic or international equity prices. Factors that drive changes in the prices of commodities include movements in international financial markets, commodity markets and interest rates, as well as various global economic, financial, political, technological and environmental factors. Portfolio Events occur if the average price of a commodity over a 10-day Averaging Period near the end of the 5-year term is below a trigger price for that commodity in the Reference Portfolio. Portfolio Events may reduce to zero the principal repayment of the Managed Commodity Linked Note, and hence the Principal Amount of the Commodity Bonds. Portfolio Events are determined on the basis of US$ denominated commodity prices and US$ denominated trigger prices. For more detailed information on Portfolio Events and how they can impact the Managed Commodity Linked Note see section 3.

Commodity concentration risk

The Reference Portfolio is made up of 100 trigger prices on up to 16 commodities and up to 20 trigger prices may be linked to the same commodity. Multiple Portfolio Events can occur in relation to the same commodity, if the average price of a commodity over the Averaging Period is below more than one trigger price in relation to that commodity. This means that the principal repayment of the Managed Commodity Linked Note, and hence the Principal Amount of Commodity Bonds, may be reduced to zero by a significant fall in the price of one or a few commodities. In addition, the Reference Portfolio may not be diversified across commodity sectors. For information on Portfolio Events and how they can impact the Managed Commodity Linked Note see section 3.

Averaging Period risk

A Portfolio Event occurs if the average price of a commodity over a 10-day Averaging Period near the end of the 5-year term is below a trigger price for the relevant commodity in the Reference Portfolio. The period used to calculate the average price level for each commodity in the Reference Portfolio may not be representative of the price level of each commodity over or near the end of the 5-year term and may be distorted by short term price volatility.

Manager risk

The performance of the Manager in managing the Reference Portfolio or Protection Amount may have an adverse effect on the returns of the Managed Commodity Linked Note, and hence the returns to Bondholders. The Manager may fail to properly perform its functions. The Manager may resign or be removed, its key personnel may leave or change, the Manager's business may fail or the Manager may have to be removed or replaced. There is no certainty that the Manager would be replaced by a new manager willing to perform the obligations on acceptable terms, or a new manager of comparable skill and experience.

The Manager has agreed to perform its functions in good faith, in a manner consistent with practices and procedures followed by prudent institutional investment managers of international standing which are managing investments of the nature or character of the relevant Reference Portfolio and with a level of skill and attention no less than that which the Manager exercises with respect to similar investments (including credit-linked structured derivative products) which it manages for other customers and itself and for its affiliates. However, the Manager, its affiliates and its and their respective members, managers, directors, officers and employees will not be liable to any person for losses incurred as a result of acts, omission or recommendations of the Manager, unless those losses are due to the wilful misconduct, bad faith or gross negligence of the Manager. Bondholders do not have any direct recourse to the Manager.

For more information about the role of the Manager see section 5.

Early termination

The Commodity Bonds may be terminated prior to the end of the 5-year term if a default or early termination event occurs in respect of the Managed Commodity Linked Note. In broad terms, such an event or an early termination event under the Managed Commodity Linked Note occurs if:

- the Note Issuer fails to pay any amount of principal or interest to the Issuer, for a period of 14 days or more, under the terms of the Managed Commodity Linked Note;
- the Note Issuer becomes insolvent as defined under the terms of the Managed Commodity Linked Note;
- the Note Issuer defaults to a material extent in the performance of its obligations;
- a default or early redemption event (at less than par) occurs in relation to the Collateral Assets;
- the Swap Counterparty defaults to a material extent in the performance of its obligations under the terms of the swap;
- the swap between the Swap Counterparty and the Note Issuer is terminated early under its terms; or
- performance of the Managed Commodity Linked Note becomes illegal.

In the event of early termination the security for the Managed Commodity Linked Note will become enforceable by the trustee of the Managed Commodity Linked Note and if such security does become enforceable, the Managed Commodity Linked Note will be redeemed.

In the event of early termination, the redemption proceeds of the Managed Commodity Linked Note, and therefore the Commodity Bonds depend on the realisable value of the charged assets, including the Collateral Assets, and any termination payment that may be due under the Portfolio Commodity Trigger Swap. The redemption proceeds are difficult to predict and may be zero. They may be impacted by early termination.

Upon receipt of any amounts from the trustee of the Managed Commodity Linked Note, the Issuer will redeem the Commodity Bonds early, and pay to Bondholders the amounts which it has received from the trustee of the Managed Commodity Linked Note on a pro rata basis, and the Issuer would have no further obligations under the Commodity Bonds. For more information on early termination, see section 7.5.

By reason of the above risk factors it is reasonably foreseeable that on termination, at any time, of the Commodity Bonds, a Bondholder will receive, in total, less than the amount paid by that Bondholder to acquire the relevant Commodity Bonds.

Conflicts of interest

From time to time, the Issuer, the Note Issuer, the Swap Counterparty or the Manager (or associated entities) may buy and sell instruments or securities to which the returns from the Commodity Bonds or Managed Commodity Linked Note are linked. Such dealings may or may not affect the value of the Commodity Bonds or the Managed Commodity Linked Note. These parties may also have other dealings with each other that do not relate to Commodity Bonds.

Risks relating to the structure and operations of the Issuer

Risks associated with the Issuer

If the Issuer were to default in the performance of its obligations under the Commodity Bonds, Bondholders may not receive the Principal Amount or interest due to them. The Bond Trustee could enforce the security granted by the Issuer over the Managed Commodity Linked Note and any other assets of the Commodity Bonds Trust. Any proceeds from the disposal or realisation of that property will be used to, firstly, pay amounts owing to the Bond Trustee and any receiver appointed by it and then pay the amounts owing by the Issuer under the Commodity Bonds. There is currently no market in which to sell the Managed Commodity Linked Note.

The liability of the Issuer in respect of the Commodity Bonds is limited to the assets held by the Issuer in its capacity as trustee of the Commodity Bonds Trust. The only substantial asset[21] of the Commodity Bonds Trust will be the Managed Commodity Linked Note.

Rating methodology

A new rating methodology has been developed to assess the credit risk of commodity linked notes such as the Managed Commodity Linked Note. This methodology is based on well established modelling techniques. However, as this methodology is new, a track record of actual default rates has not yet been established. Actual default rates may differ from expected default rates.

Credit rating

Application has been made to S&P for a credit rating of the Commodity Bonds, which is expected to be within Investment Grade[22]. The issue of Commodity Bonds is conditional on achieving this credit rating. A credit rating is not a recommendation to buy, sell or hold a security and may be subject to revision or withdrawal at any time by S&P.

S&P is expected to maintain surveillance on its rating of the Commodity Bonds over the 5-year term. Therefore, there can be no assurance that the rating may not be upgraded, downgraded or withdrawn. A change in the credit rating may affect the price of Commodity Bonds on the secondary market.

Liquidity and price fluctuations on the NZX

Bondholders who seek to trade Commodity Bonds at any time within the 5-year term of the Commodity Bonds are exposed to the risk that:

- there will not be a liquid secondary market for the Commodity Bonds during the 5-year term; and
- the trading price of the Commodity Bonds fluctuates or falls below the issue price or the price at which Bondholders purchased Commodity Bonds on the secondary market.

[21] Other assets of the Commodity Bonds Trust that will be subject to the security interest may include cash and also rights in relation to, documents of title to, and payments and proceeds in respect of, the Managed Commodity Linked Note.

[22] A credit rating of "BBB" category or above from S&P is regarded by the market as Investment Grade.

4. Investment Statement – Answers to Important Questions

The trading price of the Commodity Bonds may be affected by changes to the credit rating of the Commodity Bonds, changes to the price of commodities in the Reference Portfolio and/or changes to market conditions such as interest rates. The liquidity and price of the Commodity Bonds on NZX will not of themselves affect the interest payments or, unless Portfolio Events have occurred, the repayment of the Principal Amount if Commodity Bonds are held to the end of the 5-year term.

Change of law

Changes in laws or their interpretation, including taxation and corporate regulatory laws, practice and policy, could have a negative impact on the returns to Bondholders.

Consequences of insolvency

No Bondholder will be liable to pay any further amounts to any person as a result of the insolvency of the Issuer.

At the date of this offer document there are no charges on the assets of the Issuer, in its capacity as trustee of the Commodity Bonds Trust, that will rank ahead of the claims of Bondholders in the event of the Issuer being put into liquidation or wound up. In the event of a liquidation or winding up of the Issuer, the Bondholders in respect of the Commodity Bonds will rank equally among themselves.

4.7 Can the investment be altered?

The terms and conditions of the Bond Trust Deed may be altered with the agreement of the Bond Trustee and the Issuer. The following amendments do not require Bondholder consent and are subject to credit rating affirmation:

- amendments of a formal or technical nature;
- amendments that are convenient to obtain or maintain quotation of the Commodity Bonds;
- amendments that are not materially prejudicial to Bondholders;
- amendments that are required to correct a manifest error; and
- amendments required in order to ensure compliance with statutory or regulatory requirements.

Other amendments to the Bond Trust Deed must be approved by an extraordinary resolution of Bondholders. An extraordinary resolution of Bondholders is a resolution provided in a meeting of Bondholders convened and held in accordance with the rules and procedures for a meeting of Bondholders set out in Schedule 2 of the Bond Trust Deed at which at least 75% of the persons voting on that resolution on a show of hands or if a poll is duly demanded then at least 75% of the votes cast on such a poll, voted in favour of the resolution. An extraordinary resolution is binding on all Bondholders, whether or not they were present at such a meeting.

The Manager of the Managed Commodity Linked Note may make changes to the Reference Portfolio and the Protection Amount in certain circumstances. See section 5 for further details.

Early repayment of the Commodity Bonds

If the Commodity Bonds are repaid prior to the end of the 5-year term, the return the Bondholders will receive will be different from the returns they would have received if the Commodity Bonds were repaid at the end of the 5-year term.

Upon the occurrence of a Default under the Bond Trust Deed, the Bond Trustee may, and immediately upon being directed to do so by an extraordinary resolution of Bondholders shall, declare the Commodity Bonds to be immediately due and payable and demand early repayment.

4.8 How do I cash in my investment?

Bondholders can sell or transfer Commodity Bonds to another person at any time, subject to the terms of the Bond Trust Deed and applicable securities law and regulation, in multiples of $1,000, subject to the requirement that any Bondholder must hold Commodity Bonds with a minimum aggregate Principal Amount of not less than $5,000.

Bonds may be transferred using a transfer document in any commonly used form or by means of the FASTER system operated by NZX.

As this offer is for an initial issue of Commodity Bonds, there is currently no established market for them. There is no guarantee that a liquid secondary market for the Commodity Bonds will develop. Brokerage may be payable by Bondholders on the transfer of their Commodity Bonds.

Application has been made to NZX for permission to list the Commodity Bonds and all the requirements of NZX relating thereto that can be complied with on or before the date of this offer document have been duly complied with. However, NZX accepts no responsibility for any statement in this offer document.

Bondholders are not entitled to terminate, redeem or otherwise receive early repayment of Commodity Bonds prior to the end of the 5-year term. The Issuer may offer an early redemption facility in the future on terms to be decided at the time. There is no guarantee that such an early redemption facility will become available.

The Issuer is entitled to terminate and redeem the Commodity Bonds prior to the end of the 5-year term in the circumstances outlined under the heading “Early termination” in section 4.6.

Commodity Bonds are otherwise only redeemable by the Issuer at the end of the 5-year term at their Principal Amount (if any) together with any interest that has accrued but is unpaid on that date.

4.9 Who do I contact with enquiries about my investment?

For enquiries about the status of applications and Commodity Bond holdings contact Computershare Investor Services Limited, via phone (09) 488 8777, fax (09) 488 8787, or in writing to:

Level 2, 159 Hurstmere Road
Takapuna
Private Bag 92 119
Auckland
New Zealand

Enquiries about Commodity Bonds may be made by contacting your financial adviser or by calling a client service officer at Macquarie Equities New Zealand Limited (acting on behalf of the Issuer) on 0800 436 378 between 8.30am and 5.30pm Monday to Friday. The Issuer’s office address is:

Level 14, Phillips Fox Tower
209 Queen Street
Auckland
New Zealand

4.10 Is there anyone to whom I can complain if I have problems with the investment?

Please contact your financial adviser or the Issuer at the contact phone number and address above if you have any complaints about your investment. If you need to take the issue further, you can write to us by addressing your letter to the attention of the Complaints Officer at the Issuer’s office address above or to:

Generator Bonds Limited
Freepost 55997
PO Box 2006
Shortland Street
Auckland
New Zealand

Alternatively, you could contact the Bond Trustee. Its contact details are as follows:

New Zealand Permanent Trustees Limited
Level 35, Vero Centre
48 Shortland Street
Auckland, New Zealand

There is currently no ombudsman to whom a complaint can be made about your investment.

4.11 What other information can I obtain about this investment?

Offer document and financial statements

Further details about the Commodity Bonds or the Issuer are contained or referred to in this offer document and in financial statements of, or relating to, the Issuer, and in the Bond Trust Deed.

This offer document, the Bond Trust Deed, financial statements in respect of the Issuer, and other documents of, or relating to, the Issuer and the Commodity Bonds can be viewed at any time on the Companies Office website at www.companies.govt.nz. If any of these documents are not available on the website, a request for the documents can be made by contacting Searchlink at info@searchlink.co.nz.

Copies of the following documents, information and other matters may be requested by a Bondholder from the Issuer under section 54B of the Securities Act 1978:

- a copy of the most recent annual report and the most recent audited financial statements of the Issuer;
- the Bond Trust Deed; and
- a further copy of this offer document.

The Issuer will provide the above information free of charge to a Bondholder within 5 Business Days of receiving a Bondholder’s request. A request should be made in writing to the Issuer at its address set out above.

Ongoing reports to Bondholders

Bondholders, who are registered on the relevant Record Dates, will receive:

- a FASTER Statement within 5 Business Days of allotment;
- payment advice and tax certificate with each quarterly payment;
- half-yearly reports; and
- annual reports.

5. Role of the Manager

The Manager

TCW Asset Management Company ("TCW" or the "Manager") will be the appointed manager for the Managed Commodity Linked Note.

TCW is a subsidiary of Société Générale, S.A. and a member of the SG Asset Management division. TCW has over 10 years' experience in structured credit investments ("CDOs") with 82 transactions totalling over US$48 billion under management. S&P ranked TCW number 1 CDO issuer by volume for 2004 and 2005 and Risk Magazine awarded TCW "CDO Manager of the Year 2005".

Products of this type are a recent innovation. While TCW has experience managing structured credit products, it has no substantial track record in managing commodity products. TCW currently manages around US$100 million in structured commodity products of equivalent type to the Managed Commodity Linked Note.

Objective

The Manager will keep the Reference Portfolio under review and perform its portfolio management functions with the objective (but without guaranteeing) that losses as a result of Portfolio Events are minimised. Over the 5-year term the Manager may change the Reference Portfolio and the Protection Amount in accordance with this objective and the management guidelines. The following table summarises the key management guidelines.

Table 5.1

Key management guidelines	
Reference Portfolio composition	100 commodity trigger prices on up to 16 commodities each exposing the Reference Portfolio to a potential loss with a maximum of 20 trigger prices in any one commodity.
Limitations on changes to trigger prices	No more than five trigger prices changed in any one day and no more than 20 trigger prices changed in any 12 month period.
Credit rating impact	No change that will bring the credit rating of the Managed Commodity Linked Note below Investment Grade, or if the current credit rating is below Investment Grade, that will lower such credit rating, is allowed, unless certain criteria are met.
Commodity universe	Gold, Silver, Platinum, Palladium, Copper, Aluminium, Nickel, Tin, Lead, Zinc, WTI Crude Oil, Brent Crude Oil, Heating Oil, Gas Oil, Unleaded Gasoline and Natural Gas only (for more information see Table 5.4).

Philosophy and process

TCW's approach is quantitative and uses long-term fundamental inputs to make forward looking risk assessments of potential Portfolio Events. This means that short-term market volatility will have a limited impact on TCW's risk assessments. TCW does not expect to change the Reference Portfolio and the Protection Amount frequently. As a guide less than four such changes (to five trigger prices each), if any, can be expected in any one year. However, the Issuer does not control TCW in the exercise of its discretion in accordance with the management guidelines.

TCW's approach will seek to exclude commodities on the grounds of excessive risk or inadequate return. For example, the Reference Portfolio as at 10 July 2006 excluded most commodities in the energy sector, due to the relatively low level of return offered for taking price risk linked to those commodities.

Changes to the Reference Portfolio and Protection Amount

The role of the Manager is to manage the commodity price risk in relation to the repayment of principal of the Managed Commodity Linked Note. The Manager is not able to increase the returns to the holder of the Managed Commodity Linked Note over and above the set interest payments and the full repayment of principal.

The commodity price risk of the Managed Commodity Linked Note is determined by the 100 trigger prices in the Reference Portfolio and the Protection Amount. The level of trigger prices contribute to the probability of Portfolio Events occurring. The Protection Amount determines how many Portfolio Events can occur before the principal repayment of the Managed Commodity Linked Note is reduced to zero. For more information see section 7.3.

In order to manage the commodity price risk, the Manager is able to change trigger prices from one commodity to another, or from one price to another. However, changes to trigger prices can cause the Protection Amount to increase or decrease. This is in order to "pay" (or "be paid") for a reduction (or increase) in the commodity price risk within the Reference Portfolio.

The Manager's role is to look for market opportunities to make changes to the Reference Portfolio and Protection Amount that, in its view, reduce the overall commodity price risk in relation to the repayment of principal of the Managed Commodity Linked Note.

Manager fees

TCW will receive the following fees from the Note Issuer for its services as Manager:

- Base fee: 0.10% p.a. of the principal of the Managed Commodity Linked Note, payable quarterly.
- Performance fee: 0.20% p.a. of the principal of the Managed Commodity Linked Note, accrued quarterly. However, the performance fee is only payable net of any reduction in the repayment of principal of the Managed Commodity Linked Note due to Portfolio Events.

The performance fee provides an incentive for the Manager to meet its objective (but with no guarantee) of minimising losses as a result of Portfolio Events.

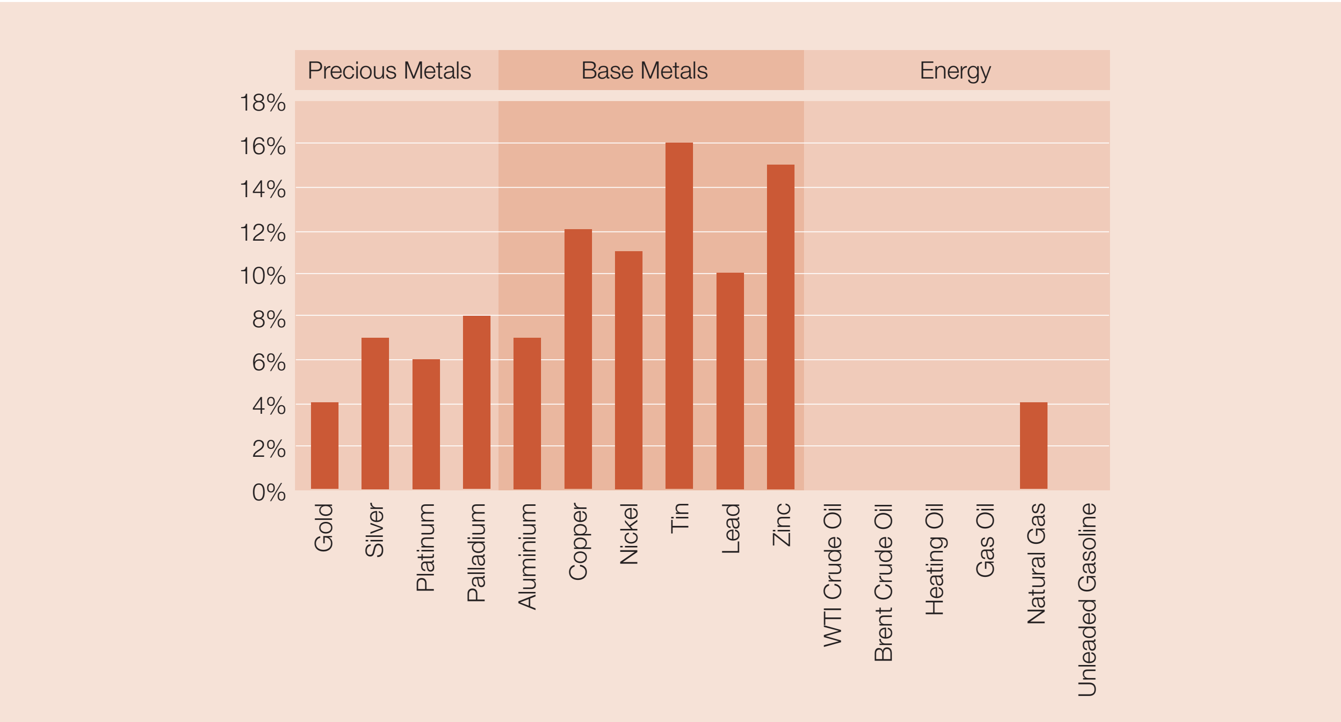
The Reference Portfolio

The Reference Portfolio consists of 100 trigger prices each referencing a particular commodity and each representing 1.00% of the Reference Portfolio. The Reference Portfolio shown in the following charts and tables is dated 10 July 2006 and is subject to change.

The Reference Portfolio will not be set until the Issue Date and will be based on the Manager's view of market conditions at the time and S&P's rating criteria, and may be materially different from the one presented.

The reason for allowing this flexibility is to ensure, as far as practicable, that the interest rate and credit rating of Commodity Bonds on the Issue Date is achieved.

Chart 5.2 Reference Portfolio commodity composition[23]



Source: Macquarie Equities New Zealand Limited.

The majority of trigger prices for the current Reference Portfolio are from the base metals sector[23].

[23] The Reference Portfolio shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date and will be based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term.

5. Role of the Manager

Table 5.3 The Reference Portfolio[24]

Base metals[24]

Commodity	ALUMINIUM	
Price Level (as at 10/07/2006)	$2,498 / Metric Ton	
Lowest inflation adjusted historic price^	$1,609 / Metric Ton	
Trigger price	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
1st	33%	$824
2nd	32%	$799
3rd	31%	$774
4th	30%	$749
5th	29%	$724
6th	28%	$699
7th	27%	$674
8th		
9th		
10th		
11th		
12th		
13th		
14th		
15th		
16th		

Source: Macquarie Equities New Zealand Limited.

All prices are in US Dollars

^ Real prices are Aug 2011 dollar equivalents, USD inflation of 2.4% p.a. assumed from Mar 2006 to Aug 2011.

[24] The Reference Portfolio shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term.

COPPER		LEAD	
$7,680 / Metric Ton		$1,021 / Metric Ton	
$1,854 / Metric Ton		$509 / Metric Ton	
Trigger price as percentage of Price Level as at 10/07/2006.	**Trigger price (as at 10/07/2006)**	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
25%	$1,920	23%	$235
24%	$1,843	22%	$225
23%	$1,766	21%	$214
22%	$1,690	20%	$204
21%	$1,613	19%	$194
20%	$1,536	18%	$184
19%	$1,459	17%	$173
18%	$1,382	16%	$163
17%	$1,306	15%	$153
16%	$1,229	14%	$143
15%	$1,152		
14%	$1,075		

5. Role of the Manager

Base metals[25] continued

Commodity	NICKEL	
Price Level (as at 10/07/2006)	$25,955 / Metric Ton	
Lowest inflation adjusted historic price^	$5,351 / Metric Ton	
Trigger price	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
1st	18%	$4,672
2nd	17%	$4,412
3rd	16%	$4,153
4th	15%	$3,893
5th	14%	$3,634
6th	13%	$3,374
7th	12%	$3,115
8th	11%	$2,855
9th	10%	$2,596
10th	9%	$2,336
11th	8%	$2,076
12th		
13th		
14th		
15th		
16th		

Source: Macquarie Equities New Zealand Limited.

All prices are in US Dollars

^ Real prices are Aug 2011 dollar equivalents, USD inflation of 2.4% p.a. assumed from Mar 2006 to Aug 2011.

[25] The Reference Portfolio shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term.

TIN		ZINC	
$8,750 / Metric Ton		$3,355 / Metric Ton	
$4,992 / Metric Ton		$924 / Metric Ton	
Trigger price as percentage of Price Level as at 10/07/2006.	**Trigger price (as at 10/07/2006)**	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
44%	$3,850	22%	$738
43%	$3,763	21%	$705
42%	$3,675	20%	$671
41%	$3,588	19%	$637
40%	$3,500	18%	$604
39%	$3,413	17%	$570
38%	$3,325	16%	$537
37%	$3,238	15%	$503
36%	$3,150	14%	$470
35%	$3,063	13%	$436
34%	$2,975	12%	$403
33%	$2,888	11%	$369
32%	$2,800	10%	$336
31%	$2,713	9%	$302
30%	$2,625	8%	$268
29%	$2,538		

5. Role of the Manager

Precious metals[26]

Commodity	GOLD		SILVER	
Price Level (as at 10/07/2006)	$626 / Troy Ounce		$11.0 / Troy Ounce	
Lowest inflation adjusted historic price^	$207 / Troy Ounce		$5.3 / Troy Ounce	
Trigger price	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
1st	33%	$206.6	27%	$3.0
2nd	32%	$200.3	26%	$2.9
3rd	31%	$194.1	25%	$2.8
4th	30%	$187.8	24%	$2.7
5th			23%	$2.5
6th			22%	$2.4
7th			21%	$2.3
8th				
9th				
10th				
11th				
12th				
13th				
14th				
15th				
16th				

Source: Macquarie Equities New Zealand Limited.

All prices are in US Dollars

^ Real prices are Aug 2011 dollar equivalents, USD inflation of 2.4% p.a. assumed from Mar 2006 to Aug 2011.

[26] The Reference Portfolio shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term.

PLATINUM		PALLADIUM	
$1,215 / Troy Ounce		$317 / Troy Ounce	
$419 / Troy Ounce		$105 / Troy Ounce	
Trigger price as percentage of Price Level as at 10/07/2006.	**Trigger price (as at 10/07/2006)**	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
27%	$328	29%	$92
26%	$316	28%	$89
25%	$304	27%	$86
24%	$292	26%	$82
23%	$279	25%	$79
22%	$267	24%	$76
		23%	$73
		22%	$70

5. Role of the Manager

Energy[27]

Commodity	BRENT CRUDE OIL	
Price Level (as at 10/07/2006)	$73 / Barrel	
Lowest inflation adjusted historic price^	$14 / Barrel	
Trigger price	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
1st		
2nd	The Reference Portfolio as at 10/07/2006 does	
3rd	not include trigger prices for this commodity	
4th		
5th		
6th		
7th		
8th		
9th		
10th		
11th		
12th		
13th		
14th		
15th		
16th		

Source: Macquarie Equities New Zealand Limited.
All prices are in US Dollars
^ Real prices are Aug 2011 dollar equivalents, USD inflation of 2.4% p.a. assumed from Mar 2006 to Aug 2011.

[27] The Reference Portfolio shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term.

WTI CRUDE OIL		GAS OIL	
$74 / Barrel		$628 / Tonnes	
$15 / Barrel		$131 / Tonnes	
Trigger price as percentage of Price Level as at 10/07/2006.	**Trigger price (as at 10/07/2006)**	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
The Reference Portfolio as at 10/07/2006 does		The Reference Portfolio as at 10/07/2006 does	
not include trigger prices for this commodity		not include trigger prices for this commodity	

5. Role of the Manager

Energy[28] continued

Commodity	HEATING OIL	
Price Level (as at 10/07/2006)	$2.0 / Gallon	
Lowest inflation adjusted historic price^	$0.4 / Gallon	
Trigger price	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
1st		
2nd	The Reference Portfolio as at 10/07/2006 does	
3rd	not include trigger prices for this commodity	
4th		
5th		
6th		
7th		
8th		
9th		
10th		
11th		
12th		
13th		
14th		
15th		
16th		

Source: Macquarie Equities New Zealand Limited.

All prices are in US Dollars

^ Real prices are Aug 2011 dollar equivalents, USD inflation of 2.4% p.a. assumed from Mar 2006 to Aug 2011.

[28] The Reference Portfolio shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date based on the Manager's view of market conditions at the time and the S&P rating criteria. The Manager may also change the Reference Portfolio and the Protection Amount in accordance with its management objective over the 5-year term.

UNLEADED GASOLINE		NATURAL GAS	
$2.2 / Gallon		$5.6 / MMBtu	
$0.4 / Gallon		$0.3 / MMBtu	
Trigger price as percentage of Price Level as at 10/07/2006.	**Trigger price (as at 10/07/2006)**	**Trigger price as percentage of Price Level as at 10/07/2006.**	**Trigger price (as at 10/07/2006)**
		18%	$1.01
The Reference Portfolio as at 10/07/2006 does		17%	$0.95
not include trigger prices for this commodity		16%	$0.90
		15%	$0.84

5. Role of the Manager

Table 5.4 Reference Portfolio commodity universe

Type	Commodity	Reference price	Description
Precious metals	Gold	London Gold Market Fixing Ltd PM Fix (US$)	The main sources of Gold are South Africa, the US, Australia, China, Canada and Russia. Gold is mostly used in coinage, jewellery and electronics. The largest consumer is the United States.
	Silver	London Silver Market Fixing Ltd PM Fix (US$)	The main sources of Silver are Mexico, the United States, Peru, Australia and Canada. Silver is mostly used in jewellery, in electrical and electronics applications, as a catalyst and in photography. The largest consumers are the United States and Europe, helped by strong growth in Thailand and China.
	Platinum	London Platinum & Palladium Market Platinum PM Fix (US Cents)	The main sources of Platinum are mines in South Africa with some supply coming from Russia. Platinum is mostly used in catalytic converters and the jewellery industry. The largest consumers are Europe and North America, with Japan's demand declining and China's dramatically growing.
	Palladium	London Platinum & Palladium Market Palladium PM Fix (US Cents)	The main sources of Palladium are Russia and South Africa, which account for 90% of the market. Palladium is mostly used as a catalyst in the automobile industry to reduce emissions of pollutants. Combined as an alloy with gold, Palladium is used in the jewellery industry as white gold. The largest consumers are Europe, North America and Japan.
Base metals	Copper	London Metals Exchange Copper Spot (US$)	The main sources of Copper are mines in Latin America and the former Eastern Bloc, refined mainly in Latin America, Australia and Asia. Copper is mostly used in construction and electronic products. The largest consumers are Western Europe, Asia and China.
	Aluminium	London Metals Exchange Aluminium Spot Price (US$)	The main sources of Aluminium are in North America, Europe and China. Aluminium is mostly used in transportation, packaging and construction. The largest consumers are currently North America, Europe and China.
	Nickel	London Metals Exchange Nickel Spot (US$)	The main sources of Nickel are the former Eastern Bloc, Oceania and the Americas. Nickel is mostly used in the stainless steel industry. The largest consumers are Western Europe, Asia and Japan.
	Tin	London Metals Exchange Tin Spot (US$)	The main sources of Tin are China, Indonesia and Peru. Tin is mostly used in solders, chemicals and tinplates. The largest consumers are China, Europe and the United States of America.
	Lead	London Metals Exchange Lead Spot (US$)	Main sources of Lead are Australia, North America and Latin America. Lead is mostly used in batteries, pigments and compounds. The largest consumers are North America, Western Europe and Asia.
	Zinc	London Metals Exchange Zinc Spot (US$)	Main sources of Zinc are China, Australia and North America. Zinc is mostly used in the galvanising industry, for brass semis and castings, as well as die casting alloys. The largest consumers are China, Western Europe and North America.

Type	Commodity	Reference price	Description
Energy	WTI Crude Oil	NYMEX WTI closing 1st nearby month futures contract (US$)	The oil Industry classifies crude oil by location of its origin; WTI (West Texas Intermediate) is used as a benchmark for pricing and is the underlying for the New York Mercantile Exchange's oil futures.
	Brent Crude Oil	ICE Brent Blend Crude closing 1st nearby month futures contract (US$)	Brent Crude Oil is a light sweet crude oil from the North Sea. Most refinement takes place in Northwest Europe but there is a significant amount moved to the US Gulf and East Coasts for processing. Brent is refined to give gas oil, the European alternative to heating oil.
	Heating Oil	NTMEX New York Harbour No.2 Heating Oil closing 1st nearby month futures contract (US$)	Heating Oil is a product of the refining process of crude oil accounting for 25% of the yield of a barrel of crude. The futures contract can be used to hedge diesel fuel and jet fuel. The largest consumer is North America.
	Gas Oil	ICE Gas Oil closing 1st nearby futures contract (US$)	The main sources of Gas Oil are the Northwest European refineries of Brent. It is the product equivalent to US heating oil. It is used as a benchmark for European fuel markets including heating oil, jet fuel and diesel fuel.
	Unleaded Gasoline	NYMEX New York Harbour Unleaded Gasoline closing 1st nearby futures contract (US$)	Unleaded Gasoline is a product of crude oil accounting for half the consumption of crude oil in the United States. Unleaded Gasoline is mostly used as a fuel for internal combustion engines. The largest consumers are North America and Europe.
	Natural Gas	NYMEX Natural Gas closing 1st nearby futures contract (US$)	The main sources of Natural Gas are North America and Canada and Russia. Natural Gas is mostly used as a heating source and also in the generation of electricity. The largest consumers are North America and Russia.

Source: Macquarie Equities New Zealand Limited.

6. Summary of Bond Trust Deed and conditions of Commodity Bonds

6.1 Generator Master Trust Programme

The Issuer is the trustee of the Commodity Bonds Trust, which is created under a master trust programme, governed by the Generator NZ Master Trust Deed dated 15 July 2003. The Commodity Bonds Trust was constituted by a Supplemental Deed dated 20 July 2006 and is a separate limited recourse trust as summarised further below under the heading "Limited recourse". The Generator NZ Master Trust Deed and Supplemental Deed can be viewed at the Companies Office website www.companies.govt.nz.

6.2 Summary of Bond Trust Deed

Introduction

The following is a summary of the principal provisions of the Bond Trust Deed under which the Commodity Bonds will be constituted and issued. Investors requiring further information should refer to the Bond Trust Deed which can be viewed at the Companies Office website www.companies.govt.nz.

If the Bond Trust Deed and other trust documents are not available on the Companies Office website, a request for the documents can be made by contacting the Companies Office on 0508 266 726. The Bond Trust Deed and other trust documents are also available for inspection at the registered office of the Issuer or the Bond Trustee, free of charge, during normal business hours.

Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of the provisions of the Bond Trust Deed. Capitalised terms that are used in this section but not defined have the meanings given to those terms in the Glossary in section 9.

General

The Bond Trust Deed is dated 20 July 2006 and was entered into between the Issuer and the Bond Trustee. The Commodity Bonds offered under this offer document will be constituted by and issued in accordance with the Bond Trust Deed. The Commodity Bonds are subject to the detailed provisions of the Bond Trust Deed.

Status and ranking of Commodity Bonds

Commodity Bonds constitute first ranking secured obligations of the Issuer and rank pari passu without priority or preference among themselves.

Security

As security for all amounts of any nature which the Issuer is or may at any time become liable to pay or deliver in respect of the Commodity Bonds, or otherwise under the terms of the Bond Trust Deed ("Secured Money"), and in respect of the performance by the Issuer of all of its other obligations to the Bond Trustee under the Bond Trust Deed, the Issuer has granted to the Bond Trustee a security interest ("Security") in the Managed Commodity Linked Note and all present and future rights relating to that note ("Secured Property"). The Issuer may not dispose of, or permit the disposal of, or permit any other security interest to attach to, any Secured Property.

The Issuer must comply with all laws, deliver all documents of title and transfers and do all things that the Bond Trustee may require at any time so that neither the Secured Property nor the security interest under the Bond Trust Deed are adversely affected.

Limited recourse

The Issuer's obligations are subject to the limited recourse provisions contained in the Bond Trust Deed. Generator Bonds Limited was established in June 2003 with the purpose of being the trustee of separate trusts that could be created from time to time to issue securities and to acquire underlying investments and other assets particular to each such trust. The assets, liabilities and accounts of each trust created under the master trust programme, including the Commodity Bonds Trust, are required by the terms of the Generator NZ Master Trust Deed to be kept separate. No holder of securities issued by one trust has any rights to the assets, revenues or cashflows of any other trust established by the Issuer or is exposed to any losses, liabilities or shortfalls of any other trust.

The Bond Trust Deed also provides that the rights of the Bond Trustee and Bondholders to enforce the obligations of the Issuer are limited in the Bond Trust Deed in the following manner:

- Neither the Bond Trustee nor any Bondholder shall be entitled to enforce payment, repayment or recover any monies owing to the Bond Trustee or any Bondholder against the Issuer personally or against any assets of the Issuer other than the Secured Property.
- Neither the Bond Trustee nor any Bondholder may obtain any judgment or seek or attempt to obtain any judgment for payment by the Issuer of any money in relation to any breach of the Bond Trust Deed.
- The Bond Trustee's and each Bondholder's rights of recovery against the Issuer are limited to the Secured Property. This means that the amount available for distribution to Bondholders is limited to the amounts which the Issuer (or the Bond Trustee) receives or recovers from the Secured Property. If these amounts are less than the amounts owing to Bondholders the payment of the amount available completely discharges the Issuer's liability to Bondholders.

Nothing in those provisions prevents the Bond Trustee from exercising its security rights in relation to the Secured Property or seeking declaratory or injunctive relief.

Default and enforcement

The Security becomes enforceable if any of the following events occur (each a "Default"):

- Liquidation or similar proceedings are commenced in respect of the Issuer.
- The Issuer fails to pay any amount due under the Bond Trust Deed or the conditions in the manner required on the due date and that failure continues for the grace period after receipt by the Issuer of notice from the Bond Trustee specifying the failure and requiring that it be remedied. The grace period is a period of 2 Business Days longer than the period allowed for the Note Issuer to make payment under the terms of the Managed Commodity Linked Note.
- The Issuer fails to comply with any of its obligations under the Bond Trust Deed or the conditions (other than the payment obligation above) and that failure has a material adverse effect on the Issuer which continues for a period of 15 Business Days after receipt by the Issuer of notice from the Bond Trustee specifying the failure and requiring that it be remedied. Something having a "material adverse effect" on the Issuer is a reference to it having a material adverse effect on the Issuer's ability to perform and comply with its payment obligations under the Bond Trust Deed or the conditions.

At any time after a Default occurs, the Bond Trustee may, and shall immediately, subject to being indemnified to its satisfaction, upon being directed to do so by an extraordinary resolution of Bondholders (being a resolution supported by not less than 75% of the votes cast in person or by proxy):

- declare the whole of the Secured Money to have become due and payable whereupon the Secured Money shall immediately become due and payable;
- exercise all the rights of a natural person, or other rights conferred by law, in relation to the Secured Property;
- appoint one or more receivers or managers, or receivers and managers in respect of all or any of the Secured Property;
- whether or not a receiver has been appointed, exercise any of the powers of a receiver, or which a person would have if appointed as receiver under the Bond Trust Deed; and
- pay any expenses incurred in the exercise of any such powers out of the revenue from, or proceeds of realisation of, the Secured Property.

Distribution of proceeds

Any amount received by the Bond Trustee or receiver under or in respect of the Bond Trust Deed must be applied (and pending application must be held by the Bond Trustee or receiver upon trust to be applied) subject to any direction by any court and except as required by law:

- first, in payment or retention of all costs, charges, expenses and liabilities incurred and payments made by or on behalf of the Bond Trustee or receiver;
- secondly, in or towards payment to each Bondholder, pari passu in proportion to the Principal Amounts of the Commodity Bonds held by each Bondholder, of the aggregate Secured Money in relation to the Commodity Bonds held by that Bondholder; and
- thirdly, in payment of the surplus (if any) of such monies to the Issuer, or such other person as may otherwise be lawfully entitled to those monies.

Bond Trust Deed covenants

Under the Bond Trust Deed, the Issuer covenants, amongst other things, to:

- notify the Bond Trustee promptly:
  - of any matter adversely affecting a material part of the Secured Property, and of any Default immediately upon becoming aware of the same (giving full details and of any action taken or to be taken as a result); or
  - if the Issuer intends not to, or fails to, make a payment of interest on the Commodity Bonds when due;
- deposit with the Bond Trustee promptly any documents of title relating to the Managed Commodity Linked Note and any payments or other rights and, if required by the Bond Trustee, a transfer in respect of the Managed Commodity Linked Note, and any certificates or other documents of title issued by the Note Issuer in substitution for the previously mentioned documents of title;
- send to the Bond Trustee a copy of each notice given by it to Bondholders generally;
- do all other things which the Bond Trustee reasonably requires to enable it to ensure that the Secured Property is subject to an effective security interest having first priority and assist the Bond Trustee in exercising any of its rights or powers under the Bond Trust Deed, whether on enforcement of the security interest or otherwise;
- whenever requested, provide the Bond Trustee, any receiver or any other person appointed by the Bond Trustee, within a reasonable time, any oral or written information related to its business or affairs which the Bond Trustee may reasonably require;

6. Summary of Bond Trust Deed and conditions of Commodity Bonds

- send to the Bond Trustee at regular intervals copies of the annual financial statements and annual report of the Issuer (in its capacity as trustee of the Commodity Bonds Trust), a half-yearly directors' report and an annual auditor's report;
- not, in its capacity as trustee of the Commodity Bonds Trust, undertake any business activities other than the issue of Commodity Bonds, investment in the Managed Commodity Linked Note and other activities necessarily incidental to those business activities and shall not amend its constitution or concur in the amendment of the Generator NZ Master Trust Deed and the Supplemental Deed (or otherwise alter the rights of any of the Bondholders) without the prior written consent of the Bond Trustee (whose consent will not be unreasonably withheld if, based on independent legal advice, the Bond Trustee is of the opinion that the amendments will not adversely affect the interests of the Bondholders);
- use reasonable endeavours to ensure that the Commodity Bonds are upon their issue, quoted on an NZX exchange and that such quotation is maintained;
- comply with the provisions of the Securities Act 1978, Trustee Act 1956 and other legislation applicable to the Commodity Bonds;
- whenever so requested, give to the Bond Trustee such information as may be reasonably required for the purposes of the discharge of the duties, trusts and powers vested in the Bond Trustee under the Bond Trust Deed or imposed upon it by law;
- maintain its corporate existence and not amalgamate with any person unless the resulting or surviving entity assumes, to the satisfaction of the Bond Trustee, the obligations of the Issuer under the Commodity Bonds;
- not issue an investment statement or prospectus in respect of the issue of Commodity Bonds without prior notice to the Bond Trustee and not include any statement in any such investment statement or prospectus concerning the Bond Trustee or the Bond Trust Deed without the prior consent of the Bond Trustee;
- promptly inform the Bond Trustee in writing of any reduction, or the occurrence of any event which will result in the reduction, of the Principal Amount; and
- not terminate, waive, novate, modify, amend, release any party from its obligations under, or consent to any termination, waiver, novation, modification or amendment of any document in relation to the Generator NZ Master Trust Deed and the Supplemental Deed of the Secured Property, in a manner which would materially and adversely affect the rights of the Bondholders or the Bond Trustee.

Bond Trustee's powers and duties

The Bond Trustee is appointed to represent the interests of Bondholders and to hold the security interest for itself and on behalf of Bondholders and will be entitled to collect or preserve the claims of Bondholders to amounts due, payable and enforceable upon a Default and to enforce the Security. The Bond Trustee may, among other things, in relation to the Commodity Bonds:

- do all things as it thinks desirable to remedy any default by the Issuer or to protect the Secured Property or Security under the Bond Trust Deed;
- determine whether or not to enforce the Bond Trust Deed or any other security or rights;
- make any arrangement or compromise with the Issuer or any other person which the Bond Trustee thinks fit;
- give certain waivers and make certain determinations which will be binding on Bondholders, if in the case of a waiver, the Bond Trustee is satisfied that the interest of Bondholders will not be materially prejudiced or if the waiver is approved by an extraordinary resolution of Bondholders;
- notify Bondholders of certain matters affecting their interests, convene meetings or otherwise seek directions from them or the court in respect of such matters;
- in performance of its duties, rely on reports from the directors and auditors and the advice or opinion of professional advisers;
- decline to act unless protected for its liabilities, costs and expenses;
- assume that the Issuer is not in breach of its obligations under the Bond Trust Deed unless the Bond Trustee receives specific advice that a breach has occurred or may occur or the Bond Trustee is aware that liquidation of the Issuer has commenced;
- remove the Issuer as trustee of the Commodity Bonds Trust in accordance with, and subject to, the documents which established that trust;
- delegate its discretions and responsibilities under the Bond Trust Deed and authorise such persons as it thinks fit to represent it at any meeting; and
- attend general meetings of Bondholders and of shareholders of the Issuer and to speak at such meetings.

The Bond Trust Deed contains provisions limiting the liability of the Bond Trustee in certain circumstances. In addition, the duties set out in clause 1 of the Fifth Schedule to the Securities Regulations 1983 are deemed to be included in the Bond Trust Deed, construed and interpreted to recognise and take into account the characteristics of the Commodity Bonds as set out in the Bond Trust Deed.

The Bond Trustee will exercise reasonable diligence to ascertain whether or not any breach of the terms of the Bond Trust Deed or the offer of Commodity Bonds has occurred, and except where it is satisfied that the breach will not materially prejudice the interests of investors will do all things as it is empowered to do to cause any breach of those terms to be remedied.

The Bond Trustee will not be liable to the Issuer or the Bondholders unless the Bond Trustee has acted in gross negligence, fraudulently, dishonestly or in wilful breach of trust or any law or had otherwise failed to show the degree of care and diligence required of it having regard of the powers, authorities and discretions conferred or imposed upon it by the Bond Trust Deed or by law and without limitation, the Bond Trustee shall not be liable for any loss, expense or liability suffered as a result of the Secured Property howsoever arising or for any loss, expense or liability suffered as a result of the Secured Property being uninsured or inadequately insured, or being held to the order of the Issuer or by a clearing organisation.

The Bond Trust Deed also provides for all remuneration payable to the Bond Trustee and/or any receiver that may be appointed and all the fees and outgoings of the Bond Trustee and/or receiver arising out of its duties under the Bond Trust Deed (including certain indemnities in favour of the Bond Trustee) to rank in priority to the claims of Bondholders, and contains restrictions on the disclosure of information by the Bond Trustee.

Amendments to Bond Trust Deed

Subject to the requirements of NZX, the Bond Trustee may, in certain circumstances without the consent of the Bondholders, concur with the Issuer in making any modification or addition to the Bond Trust Deed in the circumstances specified in the Bond Trust Deed, including where the Bond Trustee is of the opinion that the proposed amendment:

- will correct a manifest error or is made to comply with law or the NZX Listing Rules, is of a formal or technical nature or is convenient for the purpose of obtaining or maintaining the quotation of the Commodity Bonds on the relevant NZX exchange;
- is authorised by an extraordinary resolution of the Bondholders; or
- in the opinion of the Bond Trustee, is not, and is not likely to become, materially prejudicial to the interests of the Bondholders generally.

Each such variation will be binding on all Bondholders and will only be effective if it is in writing and signed by both the Issuer and the Bond Trustee.

Meetings

Meetings of Bondholders are to be conducted in accordance with the Bond Trust Deed.

An extraordinary resolution of Bondholders passed at a meeting of Bondholders duly convened is binding on all Bondholders, whether or not the Bondholders are present or represented at the meeting. An extraordinary resolution requires a majority of not less than 75% of votes cast on that resolution by Bondholders and requires a quorum of persons representing not less than 25% of the aggregate Principal Amount outstanding of the Commodity Bonds.

Miscellaneous

The Bond Trust Deed also contains detailed provisions relating to meetings of Bondholders, registration of the holdings of Bondholders, the transfer of Commodity Bonds and various other matters.

Each Bondholder may be issued a FASTER Statement. Each Bondholder must (where required by law) be issued a certificate representing his or her Commodity Bonds. The Bond Trustee and the Issuer are entitled to rely on the register of the Commodity Bonds as the sole and conclusive record of the Commodity Bonds, notwithstanding any discrepancy between the register of the Commodity Bonds and any FASTER Statement. Neither the Bond Trustee nor the Issuer is liable to the other or to any Bondholder for relying on the register of the Commodity Bonds or for accepting in good faith as valid the details recorded on the register if they are subsequently found to be forged, irregular or not authentic.

6. Summary of Bond Trust Deed and conditions of Commodity Bonds

6.3 Conditions of Commodity Bonds

1. DEED

1.1 **Deed binding:** These conditions are subject to the provisions of the commodity bonds – NZ security trust deed dated 20 July 2006 (the "Deed") between Generator Bonds Limited in its capacity as trustee of the Commodity Bonds Trust and New Zealand Permanent Trustees Limited, as Bond Trustee.

1.2 **Notice of Deed:** Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the Deed.

1.3 **Definitions:** In these conditions, terms defined in the Deed have the same meanings where used in these conditions and, unless the context otherwise requires:

"Accrued Interest" means all interest on the Principal Amount of the Commodity Bonds which has accrued and is payable in accordance with these conditions.

"Approved Issuer Levy" means, in relation to any payment of interest (as defined in section 86F of the Stamp and Cheque Duties Act 1971) under any Commodity Bond, the levy payable by the Issuer in accordance with sections 86J, 86K and 86KA of the Stamp and Cheque Duties Act 1971.

"Corresponding Payment" has the meaning given in Condition 3.1.

"Interest Date" means:

(a) each day falling at intervals of 3 months from the Issue Date to but excluding the Maturity Date; and

(b) the Maturity Date.

"Issue Date" means the date the Commodity Bonds are issued.

"MCLN Terms" means the terms and conditions, of or relating to the Managed Commodity Linked Note.

"Minimum Holding" has the meaning in Condition 9.1.

"Maturity Date" means the date falling 5 years after the Issue Date.

"Proportion" in respect of a Commodity Bond means the proportion which the Principal Amount of that Commodity Bond bears to the aggregate Principal Amounts of all Commodity Bonds.

"Record Date" in respect of a payment of interest means the day that is 10 calendar days (or such other period as is approved by the Stock Exchange) before the Interest Date for that payment of interest.

"Reduction" has the meaning in Condition 5.1.

"Repayment Amount" means, in respect of a Commodity Bond on a particular date, the Principal Amount of the Commodity Bond on that date plus all Accrued Interest.

2. STATUS OF THE COMMODITY BONDS

2.1 **Status and ranking:** The Commodity Bonds constitute first ranking secured obligations of the Issuer and rank pari passu and without priority or preference among themselves.

2.2 **Provisions of Deed:** In the event of any conflict between the Deed and these conditions, these conditions shall prevail.

3. PAYMENTS SUBJECT TO PAYMENTS UNDER MANAGED COMMODITY LINKED NOTE

3.1 **Obligation to pay is limited:** The obligations of the Issuer in respect of the Commodity Bonds are, pursuant to clause 4.4 of the Deed, limited to the Managed Commodity Linked Note and payments arising from the Managed Commodity Linked Note. The only source from which the Issuer will obtain funds to make payments in respect of the Commodity Bonds is the Managed Commodity Linked Note. Accordingly, notwithstanding anything else in the Deed or these conditions:

(a) the obligation of the Issuer to make a payment under the Commodity Bonds (whether in respect of Principal Amount, interest, or otherwise) is subject to the Note Issuer having an obligation, at the time that payment under the Commodity Bonds is due to be made, to make a corresponding payment ("Corresponding Payment") to the Issuer, so that the Issuer is put in funds to make that payment under the Commodity Bonds, to the intent that the Issuer is obliged to make that payment under the Commodity Bonds only to the extent that under the MCLN Terms the Note Issuer is obliged to make a Corresponding Payment;

(b) any amount payable under the Commodity Bonds which is not paid as a result of the application of paragraph (a) may be cancelled by the Issuer by notice to the Bond Trustee, and upon the Issuer giving that notice that amount shall (subject to paragraph (c)) be deemed to be cancelled and never to have accrued or been payable by the Issuer; and

(c) if, after the Issuer gives notice of cancellation under paragraph (b) in respect of a payment under the Commodity Bonds, the Issuer receives a Corresponding Payment which is referable to the payment under the Commodity Bonds which was cancelled, the obligation of the Issuer to make that payment under the Commodity Bonds shall be deemed to be reinstated to the extent of the Corresponding Payment received.

3.2 **Failure to pay not a Default:** Failure by the Issuer to make, or delay by the Issuer in making, any payment under the Commodity Bonds by reason of the application of Condition 3.1 shall not constitute a Default under the Commodity Bonds.

3.3 **Notice to Bond Trustee:** The Issuer shall promptly notify the Bond Trustee if by reason of the application of Condition 3.1 the Issuer does not pay any amount payable under the Commodity Bonds.

3.4 **No application on default:** Notwithstanding Condition 3.1, the Issuer does not have any obligation to make a payment in respect of any Corresponding Payment in a situation where the Note Issuer defaults in the performance of its obligations under the MCLN Terms to make the Corresponding Payment.

3.5 **Condition to prevail:** This Condition 3 prevails over any other provision of these conditions or the Deed.

4. REDEMPTION ON MATURITY DATE

4.1 **Redemption on maturity:** Unless and until the Commodity Bonds become due and payable earlier by operation of the provisions of the Deed or these conditions, the Issuer shall redeem the Commodity Bonds by payment of the Repayment Amount on the Maturity Date, without any requirement for the Bondholders to give notice that payment of the Repayment Amount is required. The making of the payment under this Condition 4.1 in respect of a Commodity Bond redeems that Commodity Bond in full and discharges the obligations of the Issuer in respect of that Commodity Bond, whether or not the Repayment Amount on the Maturity Date is less than the initial aggregate Principal Amount.

5. REDUCTION OF PRINCIPAL

5.1 **Reduction of principal:** Without limiting Condition 3, if any event occurs which under the MCLN Terms has the effect of reducing the aggregate Principal Amount of the Managed Commodity Linked Note by an amount calculated in accordance with the MCLN Terms (a "Reduction"), the following provisions shall apply:

(a) The Principal Amount of each Commodity Bond shall be reduced by that Commodity Bond's Proportion of the Reduction, provided that if the Reduction would cause the Principal Amount to reduce to zero or below, the Principal Amount shall be reduced to zero.

(b) If the effect of the Reduction would be to reduce the aggregate Principal Amount of the Commodity Bonds to zero, then, on payment of any Accrued Interest on the Commodity Bonds, the Commodity Bonds shall be taken to have been redeemed in full and the Issuer's obligations in respect of the Commodity Bonds shall be discharged.

5.2 **Notice to Bond Trustee:** The Issuer shall promptly notify the Bond Trustee if the Principal Amount of the Commodity Bonds is reduced pursuant to Condition 5.1.

6. REDEMPTION

6.1 **Early redemption:** If:

(a) any event occurs which under the MCLN Terms causes or requires the Managed Commodity Linked Note to be redeemed earlier than the Maturity Date; and

(b) the Issuer receives amounts upon that redemption (including as a result of the sale of any security or other property or rights received upon enforcement of any charge or other security interest under the MCLN Terms);

the Issuer shall pay those amounts to the holders of Commodity Bonds in their respective Proportions.

6.2 **Payment discharges obligations:** The making of payment under Condition 6.1 in respect of a Commodity Bond redeems that Commodity Bond in full and discharges the obligations of the Issuer in respect of that Commodity Bond, whether or not the amount paid in respect of that Commodity Bond is less than the initial aggregate Principal Amount.

7. INTEREST

7.1 **Interest:**

(a) **Interest Rate:** Each Commodity Bond bears interest at 8.20% per annum on the Principal Amount of that Commodity Bond. The Issuer reserves the right in its absolute discretion to increase the interest rate above 8.20% per annum by announcing a higher interest rate to the Stock Exchange on or prior to the Issue Date and causing that rate to be entered on the Register ("Interest Rate").

(b) **Calculation:** Interest for periods of less than 3 months will be calculated on the Principal Amount on the basis of the actual days elapsed and a 365 day year. If the period is 3 months, the calculation will be a quarter of the annual amount.

(c) **Accrual of interest:** Interest will accrue on a daily basis from and including each Interest Date to but excluding the next Interest Date.

(d) **Payment:** Interest is payable in arrears on each Interest Date.

6. Summary of Bond Trust Deed and conditions of Commodity Bonds

8. PAYMENTS

8.1 **Payments:** All payments in relation to a Commodity Bond may be satisfied by:

(a) **Post:** mailing cheques to the addresses; or

(b) **Direct credit:** direct credit to any New Zealand bank account nominated in writing (prior to the Record Date) by the Bondholder entered in the register of the Commodity Bonds on the Record Date. Such mailing or direct credit will occur prior to 5pm on the relevant Interest Date or other date on which payment is required to be made.

8.2 **Withholding tax:**

(a) **Deduction for withholding:** All payments or credits to, or to the account of, Bondholders (including payments of, and credits in respect of, interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Issuer, except to the extent that the Issuer is satisfied that the Bondholder is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Bondholder claiming any such exemption or to be such a person must provide the Issuer with such evidence as the Issuer may from time to time require to satisfy itself in respect of the validity of that claim.

(b) **Taxation indemnity from Bondholder:** If, in relation to any Commodity Bond, the Bond Trustee or the Issuer becomes liable to make any payment of or on account of tax payable by the Bondholder or in relation to any Commodity Bonds, the Bond Trustee and the Issuer is each indemnified by the Bondholder and the personal representatives or successor of that Bondholder (and, as concerns the Bond Trustee, also by the Issuer) in respect of any such liability, and any monies paid by the Bond Trustee and the Issuer in respect of any such liability may be recovered by action from such Bondholder and the personal representatives or successor of the Bondholder (as the case may be) as a debt due to the Bond Trustee or the Issuer. Nothing in this Condition prejudices or affects any other right or remedy of the Bond Trustee or the Issuer.

8.3 Non-resident Withholding Tax: If at any time a Commodity Bond is held by a Bondholder who:

(a) is not a New Zealand tax resident; and

(b) is not engaged in business through a fixed establishment (as defined in the Income Tax Act 2004) in New Zealand,

(each a “Non-resident Bondholder”) non-resident withholding tax (“NRWT”) will be deducted, where appropriate, at the rate required by law from payments made to such Bondholder. If the Issuer is lawfully able to pay an Approved Issuer Levy in respect of any payment of interest (as defined in section 86F of the Stamp and Cheque Duties Act 1971) to a Non-resident Bondholder (and receives sufficient notice that the Bondholder is a Non-resident Bondholder), the Issuer will pay the Approved Issuer Levy to the appropriate authority and will deduct the amount paid from the interest (as defined in section 86F of the Stamp and Cheque Duties Act 1971) payable to that Non-resident Bondholder (without any obligation to make any additional payment on account of such deduction) in lieu of deducting New Zealand NRWT at the rate otherwise applicable from that payment.

9. TRANSFERS OF COMMODITY BONDS

9.1 **Transfers:** The Commodity Bonds may be transferred in minimum aggregate Principal Amounts of $1,000 or such lesser amount as the Issuer may from time to time permit subject to this Condition 9, provided that, following any such transfer:

(a) the transferee holds Commodity Bonds with a minimum aggregate Principal Amount of $5,000 (the “Minimum Holding”); and

(b) the transferor holds either at least the Minimum Holding or no Commodity Bonds.

9.2 **Form of Transfer:** Subject to these conditions and the Deed, a Bondholder may transfer any Commodity Bond held by him or her by:

(a) **Written instrument:** a written instrument of transfer in the usual or common form signed by the transferor and the transferee; or

(b) **FASTER system:** means of the FASTER system operated by the Stock Exchange; or

(c) **Other method:** any other method of transfer of marketable securities which is not contrary to any law and which may be operated in accordance with any Listing Rules, and which is approved by the Issuer.

9.3 **Registration process:**

(a) **Transfers other than through FASTER:** The following provisions apply to instruments of transfer other than any transfer under Condition 9.2 (b) or (c):

(i) the instrument of transfer must be left at the Registrar accompanied by the Certificate (if any) in respect of the Commodity Bonds to be transferred or such other evidence as the Registrar or the Bond Trustee requires to prove the transferor's title to, or right to transfer, the Commodity Bonds; and

(ii) on registration of a transfer of a Commodity Bond, a FASTER Statement will be issued to the transferee of such Commodity Bond.

(b) **Fees:** The Issuer will direct the Registrar not to charge a fee to any Bondholder for:

(i) registering transfers of Commodity Bonds; or

(ii) splitting holdings in relation to Commodity Bonds; or

(iii) issuing FASTER Statements (where bound to do so) and transmission receipts in relation to Commodity Bonds; or

(iv) using holder or FASTER identification numbers in relation to Bondholders; or

(v) effecting conversions between sub-registers (if any) of the register of the Commodity Bonds; or

(vi) noting transfer forms in relation to Commodity Bonds.

9.4 **Transfers must be registered:** Subject to Condition 9.5, the Issuer must direct the Registrar not to refuse to register or fail to register or give effect to, a transfer of Commodity Bonds.

9.5 **Refusal to register transfers:** The Issuer may direct the Registrar to refuse to register any transfer of Commodity Bonds where these conditions, the Deed, any Listing Rules or any applicable legislation permits or requires the Issuer to do so.

9.6 **Notice of refusal to register:** Where registration of a transfer of Commodity Bonds is refused under Condition 9.5, the Issuer must direct the Registrar to give written notice of the refusal and the precise reasons for the refusal to the party lodging the transfer, if any, within 5 Business Days after the date on which the transfer was lodged. The failure to give such a notice will not invalidate the decision not to register.

9.7 **Retention of transfers:** The Issuer must direct the Registrar to retain all instruments of transfer of Commodity Bonds which are registered, but any instrument of transfer of Commodity Bonds the registration of which was declined or refused (except on the ground of suspected fraud) is to be returned to the party lodging the transfer.

9.8 **Powers of attorney:** Any power of attorney granted by a Bondholder empowering the donee to deal with, or transfer Commodity Bonds, which is lodged, produced or exhibited to the Registrar will be deemed to continue and remain in full force and effect as between the Issuer, the Bond Trustee, the Registrar and the grantor of that power, and may be acted on, until express notice in writing that it has been revoked or notice of the death of the grantor has been received by the Registrar.

9.9 **Transmission by operation of law:** Any person becoming entitled to any Commodity Bond by operation of law (including the death or bankruptcy of any Bondholder) may, upon producing such evidence of entitlement as is acceptable to the Issuer, obtain registration as the Bondholder of such Commodity Bond or execute a transfer of such Commodity Bond. This provision includes any case where a person becomes entitled as a survivor of persons registered as joint Bondholder.

9.10 **Notices:** All notices given by Bondholders in accordance with these conditions will be irrevocable.

9.11 **Sale of less than Minimum Holding:** The Board may at any time give notice to any Bondholder holding less than a Minimum Holding of Commodity Bonds that if at the expiration of 3 months after the date the notice is given the Bondholder still holds Commodity Bonds which are less than a Minimum Holding, the Board may exercise the power of sale of those Commodity Bonds set out in this Condition 9.11. If that power of sale becomes exercisable:

(a) the Board may arrange for the sale of those Commodity Bonds through the Stock Exchange or in some other manner approved by the Stock Exchange;

(b) the Bondholder shall be deemed to have authorised the Issuer to act on the Bondholder's behalf and to execute all necessary documents for the purposes of that sale;

(c) the Issuer shall account to the Bondholder for the net proceeds of sale of the Commodity Bonds (after deduction of reasonable sale expenses), which shall be held on trust for the Bondholder by the Issuer and paid to the Bondholder on surrender of any certificates for the Commodity Bonds sold; and

(d) the title of a purchaser of any Commodity Bonds sold pursuant to this Condition 9.11 shall not be affected by any irregularity or invalidity in the exercise of the power of sale or the sale itself.

New Zealand Permanent Trustees Ltd

A subsidiary of Public Trust

20 July 2006

The Directors
Generator Bonds Limited
Level 14
Phillips Fox Tower
209 Queen Street
AUCKLAND

Dear Sirs

TRUSTEE'S STATEMENT

Clause 13(3) of the Second Schedule to the Securities Regulations 1983 requires us to confirm that the offer of Commodity Bonds (the Securities) set out in this Prospectus dated 20 July 2006 complies with any relevant provisions of the Trust Deed dated 20 July 2006.

These provisions are those which:

(i) entitle Generator Bonds Limited (in its capacity as trustee of the Commodity Bonds Trust) (the **Issuer**) to constitute and issue under the Trust Deed the Securities offered in this Prospectus;

(ii) impose restrictions on the right of the Issuer to offer Securities,

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

Our statement does not refer to any material in the Prospectus which does not relate to the Trust Deed.

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

(a) set out above; and

(b) that the Trustee relies on the information supplied to it by the Issuer pursuant to the Trust Deed and does not carry out an independent check of that information.

New Zealand Permanent Trustees Limited does not guarantee the repayment of the Securities or the payment of interest or principal thereon. In addition, New Zealand Permanent Trustees Limited does not make any representations in respect of the Securities being offered other than in paragraphs (i) and (ii) above.

Yours faithfully

New Zealand Permanent Trustees Limited
Dennis Church
Manager Client Services
Corporate Trustee Services

7. Description of Managed Commodity Linked Note

7.1 Managed Commodity Linked Note

The Managed Commodity Linked Note is a fixed interest security issued by Belo PLC (the "Note Issuer"). The Note Issuer is a special purpose vehicle incorporated in Ireland, which has the sole purpose of issuing notes and entering into alternative investments, one series of which is the Managed Commodity Linked Note to be purchased by the Issuer.

Repayment of the principal of the Managed Commodity Linked Note is linked to the occurrence of certain "Portfolio Events" in a managed portfolio of commodity trigger swaps, each referencing a particular commodity. These swap transactions are summarised in the section below entitled "Portfolio Commodity Trigger Swap".

The proceeds of the issue of the Managed Commodity Linked Note will be used by the Note Issuer to acquire interest-bearing investments relating to that series and to make any payments required under the Portfolio Commodity Trigger Swap.

In summary, the Managed Commodity Linked Note will have the following features and terms:

- **Term:** The Managed Commodity Linked Note will have a term of 5 years (which will correspond to the term of the Commodity Bonds).
- **Payments:** The Note Issuer will pay interest to the Issuer quarterly at a fixed interest rate on the principal of the Managed Commodity Linked Note, at a margin to the rate payable on the Commodity Bonds. This margin will be used to cover ongoing expenses of the Commodity Bonds Trust, including: Bond Trustee, Issuer Registrar, auditing, NZX listing and rating agency ongoing fees. Any residual funds from the interest paid to the Issuer will be paid to one or more charitable organisations in New Zealand. The payment of interest on the Managed Commodity Linked Note is not subject to or affected by Portfolio Events occurring under the Portfolio Commodity Trigger Swap (other than as referred to in section 4.5).
- **Risk of Loss:** The Issuer, as the investor in the Managed Commodity Linked Note, bears the risk of a reduction in principal as a result of Portfolio Events occurring in relation to the Reference Portfolio. The amount payable on redemption of the Managed Commodity Linked Note may also be reduced if the redemption proceeds of the Collateral Assets are less than the principal of the Managed Commodity Linked Note. If the principal of the Managed Commodity Linked Note is reduced, the Issuer will receive on redemption of the Managed Commodity Linked Note less than its initial investment. The Issuer passes this risk through to Bondholders of the Commodity Bonds by reducing the Principal Amount paid on redemption of the Commodity Bonds, and ultimately by the limited recourse nature of the security under the Bond Trust Deed.
- **No Obligation to Make Good Losses:** Neither the Note Issuer, the Manager nor any other person:
  - will guarantee the performance of the Managed Commodity Linked Note; or
  - will be obliged to make good any losses suffered by the Issuer as a result of Portfolio Events or the sale of the Collateral Assets or otherwise.
- **Security Interest:** The obligations of the Note Issuer under the Managed Commodity Linked Note will be secured by a security over certain charged assets referable to the transactions contemplated by the Managed Commodity Linked Note documents.
- **Charged Assets:** The charged assets will comprise (broadly) the Note Issuer's rights, title, interest, benefits and claims in, or to:
  - the interest-bearing investments acquired by the Note Issuer (see below under "Collateral Assets");
  - all present and future bank accounts of the Note Issuer in relation to the Managed Commodity Linked Note, including operational accounts for payment of interest or repayment of principal on the Managed Commodity Linked Note and the depositary account in which the Custodian will hold the Collateral Assets;
  - funds held from time to time by the Principal Paying Agent to meet payments due under the Managed Commodity Linked Note;
  - the Portfolio Management Agreement, under which the Manager will provide management services in relation to the Reference Portfolio; and
  - documents in connection with the foregoing.

7. Description of Managed Commodity Linked Note

- **Limited Recourse:** The obligations of the Note Issuer under the Managed Commodity Linked Note will be limited in recourse to the charged assets referred to above. The Issuer as holder of the Managed Commodity Linked Note does not have recourse to any other assets of the Note Issuer. The charged assets will also serve as collateral to secure the obligations of the Note Issuer to the Swap Counterparty under the Portfolio Commodity Trigger Swap and the Manager under the Portfolio Management Agreement.
- **Payment Priorities:** Under both the terms of the Managed Commodity Linked Note and of the security interest described above, the Swap Counterparty and the Manager will be entitled to payment before the Issuer receives payment as a noteholder. This priority is altered where the Swap Counterparty is the defaulting party or the sole affected party of a Rating Downgrade Termination Event only (each as defined in the Portfolio Commodity Trigger Swap), in which case the Issuer as noteholder will receive payment after the Manager but ahead of the Swap Counterparty.
- **Mandatory Early Redemption:** The Managed Commodity Linked Note may be subject to early redemption in the circumstances described in section 7.5.

7.2 Collateral Assets

The Note Issuer will use the proceeds of the issue of the Managed Commodity Linked Note to acquire fixed-income debt securities (the "Collateral Assets") in an amount equal to the principal of the Managed Commodity Linked Note. The Collateral Assets will comprise European asset-backed securities rated AAA by S&P as at the Issue Date. Any rating is subject to revision, suspension or withdrawal at any time by S&P.

The Collateral Assets will redeem prior to the maturity of the Managed Commodity Linked Note. If the principal of the Managed Commodity Linked Note has not been reduced as a result of Portfolio Events, the proceeds of such redemption will be used to pay the Issuer and ultimately the Bondholders of the Commodity Bonds. If amounts are required to be paid to the Swap Counterparty as a result of the occurrence of the required number of Portfolio Events, the proceeds of such redemption will be paid to the Swap Counterparty and the remainder, if any, to the Issuer. If the obligor fails to repay the principal of the Collateral Assets or if otherwise the proceeds of redemption of the Collateral Assets are deficient, the amount payable on redemption of the Managed Commodity Linked Note will be reduced and this loss will be passed on to the Bondholders of the Commodity Bonds by reducing the Principal Amount paid on redemption of the Commodity Bonds.

7.3 Portfolio Commodity Trigger Swap

The Note Issuer has entered into a type of commodity derivative transaction called a Managed Portfolio Commodity Trigger Swap (the "Portfolio Commodity Trigger Swap") with Barclays Bank PLC as the Swap Counterparty.

A commodity trigger swap is a type of derivative which enables one party to transfer commodity price risk to another party. Under a commodity trigger swap, the party which takes on the commodity price risk agrees that, in return for premium payments paid upfront or during the term of the swap, it will pay to the party transferring the risk a specified sum if the market price of a referenced commodity or commodities falls below a specified "trigger price" during a defined averaging period in the future.

In the case of the Portfolio Commodity Trigger Swap, the Swap Counterparty is the person transferring the commodity price risk of the various commodities that make up the Reference Portfolio to the Note Issuer and ultimately the Bondholders of the Commodity Bonds. In return, during the term of the Portfolio Commodity Trigger Swap the Swap Counterparty makes payments to the Note Issuer. It is these payments that, together with the interest payable on the Collateral Assets described above, will enable the Note Issuer to make payments to the Issuer under the Managed Commodity Linked Note and, in turn, will enable the Issuer to provide the returns on the Commodity Bonds.

In summary, the Portfolio Commodity Trigger Swap will have the following features and terms:

- **Reference Portfolio:** The managed portfolio is made up of 100 commodity trigger swaps each referencing a particular commodity (together the "Reference Portfolio") and each with a notional amount equal to 1% of the Reference Portfolio.
- **Eligible Commodities:** The Portfolio Commodity Trigger Swap may reference up to 16 commodities (the eligible commodities in this case are described in Table 5.4).
- **Trigger Price:** Each of the commodities in the Reference Portfolio will have at least one Trigger Price, set at a specified percentage of the relevant commodity's reference market price on a particular strike date preceding the date of issue of the Managed Commodity Linked Note. In most cases, the Portfolio Commodity Trigger Swap will include a series of Trigger Prices at 1% increments for each commodity.

- **Reference Price:** The Portfolio Commodity Trigger Swap will stipulate the particular reference market price from a specified exchange or other price source and standard unit size of the relevant commodity. These will form the basis for the determination as to whether the average price (being the average market price derived from that exchange during the Averaging Period near to the maturity date of the Managed Commodity Linked Note) is less than the specified Trigger Price.
- **Averaging Period:** A Portfolio Event can only occur during a short Averaging Period near to the maturity date of the Managed Commodity Linked Note. The Averaging Period is a 10-Business Day period commencing 20 Business Days prior to the termination date of the Portfolio Commodity Trigger Swap and the maturity date of the Managed Commodity Linked Note. Business Day in this context is defined according to the market practices of the relevant exchanges on which the commodities are traded.
- **Notional Amount:** The Notional Amount is the amount that the Note Issuer would be required to pay to the Swap Counterparty in respect of a Portfolio Event relating to any of the individual commodity trigger swaps in the Reference Portfolio. Because it is a Portfolio Commodity Trigger Swap each such Notional Amount would be aggregated to form an Aggregate Loss Amount on the portfolio, which would be required to be paid by the Note Issuer to the Swap Counterparty to the extent it exceeds the Protection Amount.
- **Portfolio Events:** A Portfolio Event occurs if the Reference Price (being the average of the daily reference market prices during the Averaging Period) of one or more of the commodities in the Reference Portfolio is less than any Trigger Price for that commodity. If a Portfolio Event occurs and the Protection Amount for the Portfolio Commodity Trigger Swap has been exhausted (see below), then the Note Issuer will be required to pay to the Swap Counterparty the aggregate of the Notional Amounts for Portfolio Events exceeding the Protection Amount. In that event, the principal of the Managed Commodity Linked Note would be reduced in order to permit the Note Issuer to make the required payment and the Issuer would need to pass on to the Bondholders of the Commodity Bonds the effect of this by reducing the Principal Amount paid on redemption of the Commodity Bonds.
- **Protection Amount:** The Protection Amount protects the principal of the Managed Portfolio Linked Note from a certain number of Portfolio Events. The initial Protection Amount equates to 7.00%[19] of the aggregate Notional Amount of the Reference Portfolio and each Portfolio Event erodes it by 1.00%. Accordingly, the investment can absorb seven[29] Portfolio Events before there is any reduction of principal on the Managed Commodity Linked Note. Each Portfolio Event subsequent to the exhaustion of the Protection Amount would reduce the principal of the Managed Commodity Linked Note. In the case of the initial Reference Portfolio, the occurrence of eight[19] Portfolio Events would reduce the Principal Amount of the Commodity Bonds to zero.
- **Concentration:** The aggregate notional amount for all commodity trigger swaps in respect of a particular eligible commodity is not permitted to exceed 20% of the aggregate Notional Amount of all commodity trigger swaps comprising the Reference Portfolio.
- **Management of Portfolio:** The commodity trigger swaps comprising the Reference Portfolio may be amended by the Manager under the terms of the Portfolio Management Agreement (as discussed in the section below entitled “Portfolio Management Agreement”). The actions undertaken by the Manager can also result in a change in the Protection Amount.
- **Termination Events:** The Portfolio Commodity Trigger Swap is subject to early termination events as described in section 7.5.

7.4 Portfolio Management Agreement

The Manager has been appointed by the Note Issuer under the Portfolio Management Agreement to perform certain management functions in respect of the Managed Commodity Linked Note. The Manager will keep the Reference Portfolio under review and perform its portfolio management functions under the Portfolio Management Agreement with the objective (but with no guarantee) that losses as a result of Portfolio Events are minimised.

The Manager has agreed to perform its functions in good faith, in a manner consistent with practices and procedures followed by prudent institutional investment managers of international standing which are managing investments of the nature or character of the reference Portfolio and with a level of skill and attention no less than that which the Manager exercises with respect to similar investments (including credit-linked structured derivative products) which it manages for other customers and itself for its affiliates. However the Manager, its affiliates and its and their respective members, managers, directors, officers and employees will not be liable to any person for any losses incurred as a result of any acts, omissions or recommendations of the Manager, unless those losses are due to the wilful misconduct, bad faith or gross negligence of the Manager.

[29] The Protection Amount shown is dated 10 July 2006 and is subject to change. The Reference Portfolio and the Protection Amount will not be set until the Issue Date and will be based on the Manager’s view of market conditions at the time and the S&P rating criteria.

7. Description of Managed Commodity Linked Note

The Note Issuer will pay the Manager a quarterly management fee and, on maturity of the Managed Commodity Linked Note, an amount contingent on the performance of the Manager.

In performing its duties the Manager may from time to time propose the replacement of any commodity trigger swap in the Reference Portfolio by delivering a replacement notice. The Swap Counterparty will calculate the adjustment to be made to the Protection Amount to ensure that the value of the Portfolio Commodity Trigger Swap to the Swap Counterparty is unchanged. Following confirmation that the proposed replacement complies with the eligibility criteria, and acceptance by the Manager of the adjusted Protection Amount, the replacement will be effected. See section 5 for more detail on the eligibility criteria.

The obligations of the Manager are enforceable only by the parties to the Portfolio Management Agreement and not by the Issuer or Bondholders.

7.5 Termination Events under the Managed Commodity Linked Note and Portfolio Commodity Trigger Swap

Both the Managed Commodity Linked Note and the Portfolio Commodity Trigger Swap are subject to a number of early termination or mandatory redemption events, which are summarised below. These events may have a number of potential consequences as described in more detail below, which may include the acceleration of the maturity of the Managed Commodity Linked Note, the determination of an early redemption amount in respect of the Managed Commodity Linked Note and/or the security interest in respect of the Collateral Assets ("MCLN Security Interest") becoming enforceable. There is no provision for early redemption of the Managed Commodity Linked Note at the option of the Issuer as noteholder of that note.

Investors should note that:

- The net sums (if any) realised upon the MCLN Security Interest becoming enforceable may be insufficient to pay all the claims of the Swap Counterparty, the Manager and the Issuer as noteholder (including the scheduled payments of principal and interest to the noteholder). In such event, the early redemption amount payable to the Issuer as noteholder will be reduced to reflect such shortfall and any such losses would be passed on to the Bondholders of the Commodity Bonds by way of reduction in the Principal Amount or cancellation of interest amounts (see sections 4.6 and 4.5 respectively for further information).
- Amounts recoverable upon an early redemption or upon the MCLN Security Interest becoming enforceable are required to be paid to meet any claims of the Swap Counterparty or the Manager in priority to the claims of the Issuer as noteholder of the Managed Commodity Linked Note, so that any shortfall as described above would be borne first by the noteholder.
- The maximum amount on early redemption that is due to the Issuer as noteholder is the principal amount of the Managed Commodity Linked Note plus any interest accrued to the early redemption date.
- Only the trustee for the Managed Commodity Linked Note, Deutsche Trustee Company Limited ("MCLN Trustee"), is entitled to pursue the remedies available under the Managed Commodity Linked Note and related documents or to enforce the rights of any noteholder or the Swap Counterparty. The Issuer as noteholder is not entitled to proceed directly against the Note Issuer or the Collateral Assets unless the MCLN Trustee, having become bound to proceed, fails to do so within a reasonable period.
- If an early redemption occurs under the terms of the Managed Commodity Linked Note and the Issuer receives any early redemption payment as a result, the Issuer will pay those amounts to the Bondholders in proportion to their respective holdings. Any such payment will redeem the Commodity Bonds in full and discharge the obligations of the Issuer in respect of the Commodity Bonds, whether or not the amount paid is less than the initial aggregate Principal Amount.

Early Termination Events in respect of the Managed Commodity Linked Note

The Managed Commodity Linked Note is subject to early termination events, which are divided into mandatory early redemption events and events of default, each of which is summarised below. In either case, such events may result in acceleration of the maturity of the Managed Commodity Linked Note and determination of an early redemption amount that may be payable to the Issuer as noteholder of the Managed Commodity Linked Note.

The Managed Commodity Linked Note may become subject to mandatory early redemption in the following circumstances:

- non-payment by an obligor of amounts due under the Collateral Assets or any other charged assets (since the Collateral Assets described in section 7.2 will be the only substantial asset in relation to the Managed Commodity Linked Note other than the Note Issuer's rights under certain documents, the charged assets will be referred to in this section as the Collateral Assets);
- an obligor under the Collateral Assets disclaims, repudiates or rejects or challenges the validity of its obligations under the Collateral Assets;
- an early redemption of the Collateral Assets at less than par pursuant to an unscheduled early redemption;[30]
- the Portfolio Commodity Trigger Swap Agreement is terminated by the Note Issuer or the Swap Counterparty or becomes capable of being terminated (other than as a result of either an event of default where the Swap Counterparty is the defaulting party or as a result of a rating downgrade termination event where the Swap Counterparty is the sole affected party[31]); or
- the performance by the Note Issuer of its obligations under the Managed Commodity Linked Note has become or will become unenforceable, illegal, or otherwise prohibited.

The following are events of default under the Managed Commodity Linked Note:

- default for a period of 14 days or more in the payment of any sum due in respect of the Managed Commodity Linked Note;
- the Note Issuer fails to perform any of its other obligations under the Managed Commodity Linked Note for a period of 30 days following the service by the Trustee on the Note Issuer of notice requiring the same to be remedied;
- any order is made for the winding-up or dissolution of the Note Issuer, other than for the purposes of an amalgamation, merger, consolidation, reorganisation or other similar arrangement on terms approved by the Trustee;
- the Note Issuer ceases or threatens to cease to carry on the whole or substantially the whole of its business, or stops or threatens to stop payment of, or is unable to or admits inability to pay, its debts as they fall due, or becomes insolvent;
- proceedings are initiated against the Note Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made for the appointment of a receiver or similar official in relation to the Note Issuer or its assets or distress, execution or similar process is levied against its assets;
- the Note Issuer initiates or consents to insolvency or similar proceedings being brought against it or makes a conveyance or assignment for the benefit of its creditors generally; or
- the Note Issuer becomes required to register as an "investment company" under the Investment Company Act of 1940 (US).

The Note Issuer may also redeem the Managed Commodity Linked Note if the note is transferred to certain United States persons or to investors in employee benefit plans in breach of United States laws. However, the Issuer, which is a New Zealand resident company and trustee of a New Zealand resident trust, is the only holder of the Managed Commodity Linked Note and is not permitted to transfer or otherwise dispose of the Managed Commodity Linked Note.

[30] If Collateral Assets are redeemed at par under an early unscheduled redemption, the Swap Counterparty will require that the proceeds of such early redemption are used to purchase assets meeting specified eligibility criteria in substitution for the redeemed assets and this will not trigger a mandatory early redemption.

[31] The Manager will have the right, but not the obligation, to replace the Swap Counterparty with another entity prior to early termination due to an Event of Default where the Swap Counterparty is the Defaulting Party or following a Rating Downgrade Termination Event, provided S&P confirms that the then current rating of the Managed Commodity Linked Note would not be adversely affected and that payment of the termination payment is made under the swap. In that case there would not be an early redemption of the Managed Commodity Linked Note.

7. Description of Managed Commodity Linked Note

Consequences of Early Termination of the Managed Commodity Linked Note

If any of the above mandatory redemption events or events of default occur, the Managed Commodity Linked Note may become due and payable prior to its maturity date:

- in the case of a mandatory redemption event, if the Swap Counterparty gives notice to the Note Issuer and to the MCLN Trustee; or
- in the case of an event of default, by declaration of the MCLN Trustee either (a) in its discretion or (b) compulsorily, if directed by the Swap Counterparty or by an extraordinary resolution of at least 75% in principal amount of holders of the Managed Commodity Linked Note, in each case subject to appropriate indemnities in favour of the MCLN Trustee. The Issuer will be the only holder of the Managed Commodity Linked Note.

In either case, the acceleration of the maturity of the Managed Commodity Linked Note would result in the MCLN Security Interest becoming enforceable by the MCLN Trustee and the determination of an early redemption amount.

Upon the MCLN Security Interest becoming enforceable, the Note Issuer will give notice to the Issuer as noteholder of the Managed Commodity Linked Note of the following options:

- to take delivery of the Collateral Assets; or
- to direct the Note Issuer to sell the Collateral Assets at their market value.

In either case, the amount due will be the early redemption amount, calculated on the basis of the net proceeds of enforcement of the MCLN Security Interest less any amounts that may be due to the Swap Counterparty or the Manager. Consequently, if a swap termination cost is payable to the Swap Counterparty in respect of the Portfolio Commodity Trigger Swap, the Note Issuer will be required to sell sufficient Collateral Assets to pay such amounts, with the result that the principal payable upon early redemption of the Managed Commodity Linked Note may not equal the amount of the initial investment (see below for more information on the termination of the swap). The amount that is due to the Issuer as noteholder is capped at the principal amount of the Managed Commodity Linked Note plus any interest accrued to the early redemption date.

Under the terms of the Commodity Bonds, if an early redemption occurs under the terms of the Managed Commodity Linked Note and the Issuer receives any amount upon that redemption, the Issuer will pay those amounts to the Bondholders in the proportions that their respective holdings bear to the aggregate Principal Amount of the Commodity Bonds. Any such payment redeems the Commodity Bonds in full and discharges the obligations of the Issuer in respect of the Commodity Bonds, whether or not the amount paid is less than the scheduled Principal Amount.

Early Termination Events under the Portfolio Commodity Trigger Swap

The Portfolio Commodity Trigger Swap is subject to early termination events, which are divided into events of default and termination events, each of which is summarised below.

The following are events of default under the Portfolio Commodity Trigger Swap:

- failure to make when due any payment or delivery under the Portfolio Commodity Trigger Swap on or before the 14th day after the due date;
- the occurrence of an event of default in respect of the Managed Commodity Linked Note (in which case the defaulting party is deemed to be the Note Issuer);
- failure of any credit support provider to comply with or perform its obligations under any relevant credit support document, or the termination or repudiation of such document; or
- insolvency events, including dissolution, winding up or bankruptcy proceedings; appointment of administrators, receivers or similar officials; and execution or other enforcement against assets.

The following are termination events under the Portfolio Commodity Trigger Swap:

- it becomes illegal by virtue of any change in law to perform any payment, delivery or other material obligation under the Portfolio Commodity Trigger Swap or any credit support document;
- the Managed Commodity Linked Note becomes repayable in full prior to its maturity date (in which case the sole affected party is the Note Issuer); or
- with respect to the Swap Counterparty only, if (i) the short-term credit rating by S&P of the Swap Counterparty or any credit support provider ceases to be at least A-1+ or (ii) the long-term credit rating by S&P of the Swap Counterparty or any credit support provider ceases to be at least BBB+, and the Swap Counterparty fails to meet its obligations under the Managed Commodity Linked Note to, amongst other things, post collateral.

Consequences of Early Termination of the Portfolio Commodity Trigger Swap

Upon any early termination of the Portfolio Commodity Trigger Swap as a result of either an event of default or a termination event, the Note Issuer or the Swap Counterparty may be liable to make a termination payment to the other, regardless of which party may have caused the termination. Such termination payment is calculated in accordance with a close-out mechanism based on market quotation, which is one of the standard payment measures under international swap documentation terms and seeks to arrive at an appropriate close-out market value for the swap based on obtaining quotations from swap dealers. It is not possible in advance to specify either which party (the Swap Counterparty or the Note Issuer) would be required to make any termination payment or the amount of any such payment, as each of these matters is dependent upon market factors (including changes in commodity prices) occurring in the future.

Early termination payments made under the Swap Agreement are subject to the same payment priorities as payments under the Managed Commodity Linked Note. Accordingly, any amounts that may be payable to the Swap Counterparty and Manager rank in priority to amounts due to the Note Issuer (and, by extension, the Bondholders), except if the Swap Counterparty is the Defaulting Party or the Sole Affected Party in respect of a Rating Downgrade Termination Event, in which case the Note Holder will only rank behind the Manager.

7.6 S&P credit rating

There is no way to measure with absolute certainty the likelihood of a Portfolio Event or a reduction in the principal repayment. Ratings agencies, such as S&P, estimate the forward looking probability of such events by analysing their historical frequency and correlation[32], as well as other factors in order to assign a credit rating to the relevant security.

In the case of the Managed Commodity Linked Note:

- S&P assigns an implied credit rating to each trigger price for each commodity based on its assessment of the probability of a Portfolio Event in relation to that trigger price.
- S&P then assigns a credit rating to the Managed Commodity Linked Note based on their implied credit ratings of all trigger prices in the Reference Portfolio, correlations among reference commodity prices, the Protection Amount and the structure of the Managed Commodity Linked Note.

S&P assigns a credit rating to the Commodity Bonds based on:

- the assigned credit rating of the investments of the Commodity Bonds Trust, in this case the Managed Commodity Linked Note; and
- the structure of the Commodity Bonds Trust.

[32] Correlation is a statistical measure of how much the price movement of two securities or asset classes are related.

8. Statutory information

The following information is provided in accordance with the requirements of the Second Schedule to the Securities Regulations 1983.

8.1 Main terms of offer

Generator Bonds Limited as trustee of the Commodity Bonds Trust is the issuer of Commodity Bonds whose registered office is at Level 14, Phillips Fox Tower, 209 Queen Street, Auckland, New Zealand. A brief description of Commodity Bonds is set out in section 4.1 of this offer document. The maximum amount of Commodity Bonds being offered is $200 million (including over-subscriptions). The issue price of a Commodity Bond is $100.

8.2 Name and address of offeror

Not applicable.

8.3 Details of incorporation of issuer

The Issuer was incorporated under the Companies Act 1993 on 18 June 2003. Its registered number is AK1332891. Information relating to the incorporation of the Issuer can be viewed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, they may be requested by contacting the Companies Office on 0508 266 726.

8.4 Guarantors

Not applicable.

8.5 Directorate and advisers

The names, addresses and technical or professional qualifications of every director of the Issuer are set out below. The directors of the Issuer can be contacted at the Issuer's office in New Zealand at Level 14, Phillips Fox Tower, 209 Queen Street, Auckland, New Zealand.

Bruce Neil Terry
BA(Hons), ACA
22 years' experience in banking and merchant banking, previously 8 years in accounting.
Principally resident in Sydney.

James Kenneth McLay
LLB (Bachelor of Laws)
15 years' investment banking experience, 7 years Chairman of Macquarie Equities New Zealand Limited.
Principally resident in Auckland.

John Noel Rowley
BCA, ACA
25 years in the financial industry in New Zealand
Principally resident in Auckland.

Craig Nicholas Swanger
BCom (UQ) Hons (Adel) GradDip Finance & Investment (SIA)
12 years' experience in financial services.
Principally resident in Sydney.

Giles Lancelot James Ellis
BCom, CA
11 years' investment banking experience in the UK
Principally resident in Auckland.

No director has been adjudged bankrupt during the 5 years preceding the date of registration of this offer document.

Auditor to the Issuer
PricewaterhouseCoopers
188 Quay Street
Level 8, Mail Centre
Private Bag 92162
Auckland
New Zealand

Registrar to the Issuer
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna,
Private Bag 92 119
Auckland
New Zealand

Solicitors to the Issuer
Russell McVeagh
Level 30, Vero Centre
48 Shortland Street
Auckland
New Zealand

Bond Trustee
New Zealand Permanent Trustees Limited
Level 35, Vero Centre
48 Shortland Street
Auckland
New Zealand

8.5 A Restrictions on directors' powers

The only modifications, exceptions or limitations on the powers of the board specified in the constitution of the Issuer are that the board must not authorise a name change without the prior written approval of its sole shareholder. The Companies Act 1993 contains a number of other provisions, which could have the effect or consequence, in certain circumstances, of restricting the powers of the directors. Such provisions are common to any company registered under the Companies Act.

8.6 Description of activities of borrowing group

The business that the Issuer has conducted since its incorporation is to act as trustee of the Generator Bonds NZ No. 1 Trust. In its capacity as trustee of that trust, the Issuer issued a prior series of bonds on 21 August 2003. The proceeds from the issue of the prior release were used to purchase Kiwi 1 Credit Linked Notes, which are held as assets of the Generator Bonds NZ No. 1 Trust. Generator Bonds Limited registered a prospectus for a further offer of securities on 30 October 2003. That offer did not proceed due to a tightening of credit spreads, as announced to NZX on 5 November 2003.

The proceeds of the issue of Commodity Bonds will be invested in a Managed Commodity Linked Note issued by the Note Issuer, and that note will be charged as security for the Commodity Bonds. The security is described in more detail in section 7.1 under the headings "Security Interest" and "Charged Assets".

8.7 Summary of financial statements

The financial statement summary is disclosed in sections 8.15 to 8.32.

8.8 Acquisitions of business or subsidiary

Not applicable.

8.9 Material contracts

The Issuer has entered into the following contracts in respect of the Commodity Bonds Trust during the 2 years preceding the date of registration of this offer document (not being contracts entered into in the ordinary course of business):

- the Bond Trust Deed dated 20 July 2006 between the Issuer and the Bond Trustee;
- Commodity Bonds Trust - Supplemental Deed dated 20 July 2006 entered into by the Issuer,

in relation to the establishment of the Commodity Bonds Trust.

8. Statutory information

8.10 Pending proceedings

At the date of this offer document there are no legal proceedings or arbitrations pending which may have a material adverse effect on the Issuer.

8.11 Issue expenses

The estimated expenses of this issue, at the date of this offer document are $2,500,000. These expenses include all legal, accounting, auditing, underwriting, brokerage, issue management and printing costs and will be borne by the Lead Manager.

Brokerage at the rate of 1.75% of the Principal Amount of the Commodity Bonds allotted under firm allocations, and 1.25% of those allotted under all other allotments, is payable by the Lead Manager to NZX firms and other financial intermediaries in respect of Commodity Bonds issued under valid applications bearing the stamp of the relevant NZX firm or those intermediaries. The brokerage rate for Co-Lead Managers varies, based on allocation volume, between 1.75% and 2.25% of the Principal Amount of the Commodity Bonds allotted under each Co-Lead Manager's allocation.

8.12 Ranking of securities

The Commodity Bonds will constitute secured first ranking obligations of the Issuer. As at the date of the latest statement of financial position referred to in this offer document (being 31 March 2006), there were no securities ranking in point of security ahead of, or equally with, the Commodity Bonds.

8.13 Provisions of Bond Trust Deed and other restrictions on borrowing group

On 20 July 2006, the Issuer entered into a trust deed with New Zealand Permanent Trustees Limited relating to the Commodity Bonds. A summary of the Bond Trust Deed (including the duties of the Bond Trustee) is set out in this offer document in section 6.

The terms of the Bond Trust Deed provide that the Issuer shall not dispose of or permit any other security interest to attach to the Managed Commodity Linked Note. The Bond Trust Deed contains no provision that imposes limitations relating to any ratio of liabilities to assets of the Issuer.

Brief particulars of the duties stated by the Bond Trust Deed to be those of the Bond Trustee are set out in this offer document in section 6. The statement required to be made by the Bond Trustee pursuant to clause 13(3) of the Second Schedule to the Securities Regulations 1983 is set out on page 51.

8.14 Other terms of offer and securities

All the terms of the offer, and all terms of the Commodity Bonds are set out in this offer document, except for those implied by law or set out in a document that is registered with a public official available for public inspection, and referred to in this offer document.

8.15-32 Requirements in respect of financial statements

The latest financial statements for the Issuer that have been registered under the Financial Reporting Act 1993 contain or are accompanied by audited financial statements for Generator Bonds Limited (as the borrowing group in terms of the Securities Regulations 1983) containing the information required to be contained in the offer document as a registered prospectus by clauses 16 to 31 of the Second Schedule to the Securities Regulations 1983. The most recent accounting period covered by those financial statements is the financial year of Generator Bonds Limited ended 31 March 2006. Accordingly, pursuant to clause 15(2) of the Second Schedule to the Securities Regulations 1983, this offer document incorporates by reference the audited consolidated statement of financial position, the audited consolidated statement of financial performance and the consolidated statement of cash flows for Generator Bonds Limited for the financial year ended 31 March 2006 ("2006 Audited Financial Statements").

The 2006 Audited Financial Statements can be viewed on the Registrar of Companies, Business and Registries Branch, Ministry of Economic Development's website at www.companies.govt.nz.

If the 2006 Audited Financial Statements are not available on the website, a request for the documents can be made by contacting the Companies Office on 0508 266 726. The 2006 Audited Financial Statements can also be inspected by appointment at the offices of the Issuer at Level 14, Phillips Fox Tower, 209 Queen Street, Auckland, New Zealand or New Zealand Permanent Trustees Limited at Level 35, Vero Centre, 48 Shortland Street, Auckland, New Zealand.

The business that Generator Bonds Limited has conducted to date is that of trustee of the Generator Bonds NZ No. 1 Trust. The assets, liabilities and financial performance of that trust are not reflected in the financial statements of Generator Bonds Limited.

Summary of financial statements

Generator Bonds Limited

	31 March 2006 NZ$	31 March 2005 NZ$	10 months ended 31 March 2004 NZ$
Financial performance			
Trustee fees	38,655	38,655	23,722
Expenses	0	4,460	0
Earnings before income tax	38,655	34,195	23,722
Income tax expense / credit	(12,756)	7,828	(7,828)
Net earnings attributable to shareholders	25,899	42,023	15,894
Dividends	0	0	0
Net surplus after dividends	**25,899**	**42,023**	**15,894**
Financial position			
Current assets	96,672	58,017	23,822
Non current assets	0	0	0
Total assets/Total tangible assets	96,672	58,017	23,822
Current liabilities	12,756	0	7,828
Term liabilities	0	0	0
Total liabilities	12,756	0	7,828
Equity	83,916	58,017	15,994
Total liabilities and equity	**96,672**	**58,017**	**23,822**

Amounts shown for the years ended 31 March 2006 and 31 March 2005 and for the 10-month period ended 31 March 2004 are extracted from the audited financial statements prepared in accordance with NZ Generally Accepted Accounting Practice ("NZ GAAP"). Total Assets and Total Tangible Assets are the same amount. There were no material changes in accounting policies over these periods. This summary of financial statements covers all of the completed financial periods after which Generator Bonds Limited has commenced operations.

8. Statutory information

8.33 Places of inspection of documents

Copies of the Issuer's constitution, any of the material contracts disclosed in section 8.9 above, and the Bond Trust Deed may be inspected at any time on the Registrar of Companies, Business and Registries Branch, Ministry of Economic Development's website at www.companies.govt.nz.

If any of these documents are not available on the website, a request for the documents can be made by contacting the Companies Office on 0508 266 726. These documents can also be inspected by appointment at the offices of the Issuer at Level 14, Phillips Fox Tower, 209 Queen Street, Auckland, New Zealand or New Zealand Permanent Trustees Limited at Level 35, Vero Centre, 48 Shortland Street Auckland, New Zealand.

8.34 Other material matters

Except as set out below, there are no other material matters relating to the offer, other than those set out in this offer document, and contracts entered into in the ordinary course of business. The NZX has granted the Issuer a waiver from NZX Listing Rule 11.1.1, to enable the minimum amount of Commodity Bonds to be transferred with an aggregate Principal Amount of $1,000 (or such lesser amounts as determined by the Issuer).

8.35 Directors' statement

The directors of the Issuer after due enquiry by them in relation to the period between the date of the latest statement of financial position referred to in this offer document, being 31 March 2006, and the date of registration of this offer document, are of the opinion that no circumstances have arisen that materially adversely affect:

- the trading or profitability of the Issuer; or
- the value of the Issuer's assets; or
- the ability of the Issuer to pay its liabilities due within the next 12 months.

8.36 Auditor's report

A copy of the auditor's report required by clause 36 of the Second Schedule of the Securities Regulations 1983 is set out on the following pages. PricewaterhouseCoopers has consented to the report appearing in this offer document in the form in which it appears. PricewaterhouseCoopers takes no responsibility for, nor has it authorised the issue of, any part of this offer document, except for the auditor's report. While PricewaterhouseCoopers is a professional adviser to the Issuer, neither PricewaterhouseCoopers nor any officer or employee of PricewaterhouseCoopers is intended to be a director, officer or employee of the Issuer.

PricewaterhouseCoopers
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The Directors
Generator Bonds Limited
Level 14, Philip Fox Tower
209 Queen Street
Auckland

20 July 2006

Auditors' Report for Inclusion in the Offer Document

Dear Directors

As auditors of Generator Bonds Limited ("the Company") we have prepared this report pursuant to clause 36 of the Second Schedule of the Securities Regulations 1983 for inclusion in an Offer Document to be dated 20 July 2006.

Directors' Responsibilities

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

(a) the financial statements for the year ended 31 March 2006 that comply with the requirements of clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983;

(b) the summary of financial statements of the Company for the period ended 31 March 2004 and the years ended 31 March 2005 and 2006 as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983; and

(c) the amounts in respect of the ranking of securities of the Company as at 31 March 2006 as required by clause 12 of the Second Schedule of the Securities Regulations 1983.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on whether or not the financial statements of the Company for the year ended 31 March 2006 comply with the requirements of the Second Schedule of the Securities Regulations 1983 and reporting our opinion in accordance with clause 36(1) and 36(3) of the Second Schedule of the Securities Regulations 1983.

We are also responsible for reporting, in accordance with clause 36(1)(g) of the Second Schedule of the Securities Regulations 1983, on the following matters which have been prepared and presented by the Directors:

(a) the amounts included in the summary of financial statements of the Company of the period ended 31 March 2004 and the years ended 31 March 2005 and 2006 on page 61; and

(b) the amounts on respect of the ranking of securities for the Company on page 60.

We have no relationship with or interests in the Company other than in our capacities as auditors and tax advisers.

PRICEWATERHOUSECOOPERS

Basis of Opinion on the Financial Statements

We have undertaken procedures to provide reasonable assurance that the financial statements of the Company referred to in the Offer Document on page 61 comply with the requirements of clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983.

Basis of Opinion on the Summary of Financial Statements and the Ranking of Securities

We have undertaken procedures to provide reasonable assurance that:

(a) the amounts set out in the summary of financial statements of the Company on page 61, pursuant to clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the period ended 31 March 2004 and the years ended 31 March 2005 and 2006; and

(b) the amounts in respect of the ranking of securities on page 60, pursuant to clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the year ended 31 March 2006.

Unqualified opinion on the Financial Statements and the Summary of Financial Statements and Ranking of Securities

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

In our opinion:

(a) the financial statements of the Company for the year ended 31 March 2006 upon which we issued our audit opinion on 12 June 2006 that have been registered under the Financial Reporting Act 1993 and are referred to in this Offer Document, and that are required by clauses 16 to 31 of the Second Schedule of the Securities Regulations 1983, have been drawn up to comply with the Regulations;

(b) the amounts or details set out in the summary of financial statements, on page 61 of this Offer Document, as required by clauses 7(2) and 7(3) of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company for the period ended 31 March 2004 and the years ended 31 March 2005 and 2006 from which they were extracted; and

(c) the ranking of securities of page 60 of this Offer Document, as required by clause 12 of the Second Schedule of the Securities Regulations 1983, have been correctly taken from the audited financial statements of the Company, from which they were extracted.

Yours faithfully

Chartered Accountants
Auckland

The offer document has been signed as follows:

The directors of the Issuer (or by their agent authorised in writing)*:

John Noel Rowley

Bruce Neil Terry*

James Kenneth McLay

Craig Nicholas Swanger*

Giles Lancelot James Ellis

Macquarie Equities New Zealand Limited (or by two directors or their agents authorised in writing) as promoters:

John Noel Rowley

James Kenneth McLay

The directors of Macquarie Equities New Zealand Limited (or by their agent authorised in writing)* as promoters:

John Noel Rowley

John Lloyd Owen*

James Kenneth McLay

Peter John Coleman*

9. Glossary

Term	Definition
Averaging Period	The period near the end of the 5-year term of the Managed Commodity Linked Note during which the average price of commodities in the Reference Portfolio is determined for the purpose of assessing whether any Portfolio Events have occurred. It is a 10-Business Day period commencing 20 Business Days prior to the termination date of the Managed Commodity Linked Note. Business Day in this context is defined according to the market practices of the relevant exchanges on which the commodities are traded.
Bond Trustee	New Zealand Permanent Trustees Limited.
Bondholders	Holders of the Commodity Bonds.
Business Day	A business day in each of Dublin, New York, and Auckland.
Collateral Assets	The assets acquired by the Note Issuer under the terms of the Managed Commodity Linked Note (being European asset backed securities rated AAA by S&P) (see section 7).
Close Date	31 August 2006 (by 5pm).
Issue Date	7 September 2006.
Issuer	Generator Bonds Limited in its capacity as trustee for the Commodity Bonds Trust.
Investment Grade	A credit rating of "BBB" category or above from Standard & Poor's is regarded by the market as Investment Grade. See section 3, page 16.
Lead Manager	Macquarie Equities New Zealand Limited.
Managed Commodity Linked Note	The note issued by the Note Issuer that the Issuer will invest in, as more fully described in section 7.
Manager, or TCW	TCW Asset Management Company, which performs management functions in relation to the Reference Portfolio as described in section 5.
Maturity Date	7 September 2011.
Note Issuer	Belo PLC, a company incorporated and existing under the laws of Ireland whose registered office is at 5 Harbourmaster Place, International Financial Services Centre, Dublin, Ireland. Belo PLC will enter into the Portfolio Commodity Trigger Swap Agreement with the Swap Counterparty.
NZX	New Zealand Exchange Limited.
Open Date	24 July 2006.
Portfolio Event	A Portfolio Event occurs if the average price of a commodity in the Reference Portfolio over the Averaging Period is less than a specified trigger price for that commodity. If a sufficient number of Portfolio Events occur to exhaust the Protection Amount, subsequent Portfolio Events will reduce the principal of the Managed Commodity Linked Note, and therefore the Principal Amount of Commodity Bonds, to zero.
Principal Amount	The principal amount of the Commodity Bonds (which may be reduced upon the occurrence of Portfolio Events or in other circumstances referred to in section 4.6) to be repaid to Bondholders at Maturity Date[33].
Promoter	Macquarie Equities New Zealand Limited.
Protection Amount	The Protection Amount protects the principal of the Managed Commodity Linked Note from a number of Portfolio Events. Initially the Protection Amount protects the Managed Commodity Linked Note from the first seven Portfolio Events. One subsequent Portfolio Event will reduce the principal of the Managed Commodity Linked Note to zero. See the illustration in Table 3.4. The Protection Amount will not be set until the Issue Date and can be changed over the 5-year term by the Manager.
Record Date	In respect of a payment of interest means the day that is ten calendar days (or such other period as is approved by the NZX) before the interest date for that payment of interest.
Reference Portfolio	The portfolio of 100 trigger prices each referencing a particular commodity and each representing 1.00% of the Reference Portfolio.
Register	The register of persons who hold Commodity Bonds established and maintained in accordance with the Bond Trust Deed by the Registrar.
Registrar	Computershare Investor Services Limited.
S&P	Standard & Poor's Rating Services, a division of the McGraw-Hill Companies acting through its wholly owned Australian subsidiary Standard & Poor's (Australia) Pty Ltd.
Swap Counterparty	Barclays Bank PLC is a public limited liability company registered in England and Wales with a long-term S&P credit rating of AA. Barclays Bank PLC will enter into the Portfolio Commodity Trigger Swap Agreement with the Note Issuer.

33 Or if the Maturity Date is not a Business Day, the next Business Day.

10. Application instructions

You should read this offer document carefully before completing the application form.

General

Applications must be for a minimum of 50 Commodity Bonds (or $5,000) and thereafter in multiples of 10 Commodity Bonds (or $1,000). Applications for Commodity Bonds may be lodged from the Open Date. The offer will remain open until 5pm on 31 August 2006 or such other date as the Issuer may determine.

An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the number of Commodity Bonds specified on the application form (or such lesser number which the Issuer may determine) on the terms and conditions set out in this offer document and on the application form.

Amounts received in respect of applications that are accepted will earn early bird interest of 8.20% p.a. calculated daily from the next Business Day after the date of receipt of the application amount by the Registrar to the Issue Date.

Scaling

Applications may be subject to scaling and some applications may be rejected in full, at the Issuer's discretion, if there is demand for Commodity Bonds beyond the amount offered by the Issuer under this offer document. This may include scaling back below the stated minimum application of Commodity Bonds of $5,000. Applications relating to firm allocations that are received by the Registrar no later than 5pm on 31 August 2006 will not be subject to scaling.

If an investor is allotted fewer than the number of Commodity Bonds applied for, that investor will receive a refund of their excess application money within 5 Business Days of the Issue Date of 7 September 2006.

Any amounts received in respect of applications that are not accepted will be refunded no later than 5 Business Days after the Issue Date of 7 September 2006. No interest will be payable on any such refunds.

The application form

Please complete all relevant sections of the application form using CAPITAL BLOCK LETTERS.

1. Your details

(A) Full name details

Enter your FULL NAME. Up to three applicants may apply jointly. You should refer to the back of the application form under the heading "Correct Form of Registrable Names" for the correct form of name that can be registered. Applications using the wrong form of name may be rejected for that reason.

(B) Contact details

Enter your POSTAL ADDRESS for all correspondence. All communications to you from the Issuer (holding statements of bondholding, periodic reports, correspondence etc) will be mailed to person(s) at the address as shown. For joint applicants, only one address is to be entered.

Please let us know your TELEPHONE NUMBER(S) and contact name in case we need to contact you in relation to your application.

(C) Application amount

Insert the DOLLAR AMOUNT (at the price of $100 per Commodity Bond) you wish to apply for. Applications must be for a minimum of $5,000 and thereafter in increments of $1,000.

(D) Interest and maturity payments

Interest payments will be paid by cheque or credited directly to an account with your bank. Please ensure that the appropriate details are entered.

(E) Resident withholding tax

Please enter your IRD NUMBER for Resident Withholding Tax purposes. For joint applicants, please fill in the IRD number of the first named applicant. Indicate by ticking the appropriate box whether or not you hold a Resident Withholding Tax Exemption certificate. If you hold a certificate, the Issuer will not be obliged to deduct Resident Withholding Tax on interest payments, if it has seen the relevant certificate. A copy of the certificate must be attached to the application form.

10. Application instructions

(F) Common Shareholder Number

If you currently have a Common Shareholder Number (CSN), please enter it in the box provided.

The Financial Transactions Reporting Act 1996 requires all fund managers to verify the identification of all new investors. You may be asked to provide identification depending on how you make your first investment payment to the Issuer.

(G) Declaration and signature

Read the declaration carefully and SIGN the application form. It must be signed by applicants personally. Companies or other bodies corporate must sign in the same way as they would sign a formal deed or other formal legal document. Applications may, in either case, be executed by an attorney. If your application form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate at the bottom of the application form. Joint applicants must all sign the application form.

2. Payment

Payment must accompany each application form. Payment must be made by a cheque drawn on a New Zealand bank, for New Zealand Dollars, for value immediately. Post-dated cheques will not be accepted. Please ensure that the total of the cheque equals the amount payable. Make the cheque payable to:

"NZPT CBT a/c <Applicant's name>"and cross it "Not Transferable".

Sufficient cleared funds should be held in your account as cheques returned unpaid are likely to result in your application being rejected or your allotment being cancelled. Staple your cheque to the application form. Institutional investors must pay in immediately cleared funds.

3. Delivery

Applications cannot be revoked or withdrawn. Application forms must be mailed or delivered with payment to arrive before 5pm on 31 August 2006 to:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Private Bag 92 119
Takapuna, Auckland.

You may lodge your application with any NZX firm or the Lead Manager but must deliver it in time to enable the application form to be forwarded to the Registrar before 5pm on 31 August 2006.

Please lodge your application form AS SOON AS POSSIBLE.

4. Note

The Issuer may, at its discretion, treat any application form as valid even if it does not comply with the requirements above or is otherwise irregular. The Issuer may also, in its absolute discretion, rectify any errors, or omissions from, any application form to enable that form to constitute a valid acceptance of the offer and to facilitate registration of the investor as a Bondholder, including inserting or correcting details and filling in any blanks. An application form may be treated by the Issuer as a valid application form whether or not it is received before the Close Date. The Issuer reserves the right to refuse all or any part of any application without giving a reason.

11. Directory

Registered office of the Issuer
Generator Bonds Limited
Level 14, Phillips Fox Tower
209 Queen Street
Auckland
New Zealand

Phone: 0800 436 378
Fax: 0800 768 686

Registrar to the Issuer
Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna,
Private Bag 92 119
Auckland
New Zealand

Phone: (09) 488 8777
Fax: (09) 488 8787

Solicitors to the Issuer
Russell McVeagh
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New Zealand

Auditor to the Issuer
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Auckland
New Zealand

Lead Manager
Macquarie Equities New Zealand Limited
Level 14, Phillips Fox Tower
209 Queen Street
Auckland
New Zealand

Phone: (09) 357 6931
Fax: (09) 363 1434

Co-Lead Manager
Forsyth Barr Limited
Forsyth Barr House
The Octagon
Private Bag 1999
Dunedin

Co-Lead Manager
Greenslades Limited
1st Floor Greenslades Building
330 Moray Place
PO Box 5545
Dunedin

Bond Trustee
New Zealand Permanent Trustees Limited
Level 35, Vero Centre
48 Shortland Street
Auckland
New Zealand

Phone: (09) 985 5300
Fax: (09) 358 5213

Solicitors to the Bond Trustee
Morrison Daly
Level 14
45 Johnston Street
Wellington
New Zealand

Rating agency
Standard & Poor's (Australia) Pty Limited
120 Collins Street
Melbourne, VIC, 3000
Australia

You should direct all your enquiries to your financial adviser or Macquarie Equities New Zealand Ltd (acting on behalf of the Issuer) by phoning 0800 436 378.

Or by writing to:	Generator Bonds Limited Freepost 55997, PO Box 2006, Shortland Street, Auckland, New Zealand
Office hours:	8:30am - 5:30pm
Office address:	Level 14, Phillips Fox Tower 209 Queen Street, Auckland, New Zealand
Toll free:	0800 436 378

FORWARD thinking

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