

BRIEFING NOTES

July 2010

Dear Debenture Holder

Welcome to this quarter's Briefing Notes.

Whilst the activities of the Company through this quarter **do not** enable the Company to make a distribution to Stockholders, the Company continues its progress in meeting the twin objectives of the Moratorium; protecting the capital value of the Company's assets (and therefore your investment) and to convert these assets to cash as soon as practicable.

With respect to the first point it is pleasing that the book value of each \$1 of debenture stock is unchanged this quarter at 91¢.

With regard to the second point and as previously stated, any attempt to accelerate the asset realisation process is likely to result in assets being realised at significant losses, thereby effectively transferring the underlying value in the assets from the Company and its Stockholders to third party purchasers of the assets.

In this Briefing Notes, we have continued to provide additional disclosure about the financial position of the four mortgage securitisation Trusts which the Company has developed.

Moratorium Regulations

With effect from 31 January 2010, finance companies which are under a moratorium must comply with the Securities (Moratorium) Regulations 2009.

These Regulations set out the minimum standards for periodic reporting to Stockholders and the first of these reports was issued at the end of May 2010. The next report will be issued on or before the end of August 2010 for the quarter ended 30 June.

We have posted a full copy of the Regulations on the Company's website. For those who would like additional details we refer you to – www.propertyfinance.co.nz.

Please note that this Briefing Notes is not a report for the purposes of the new Regulations. This report will be sent to Stockholders by 31 August 2010.

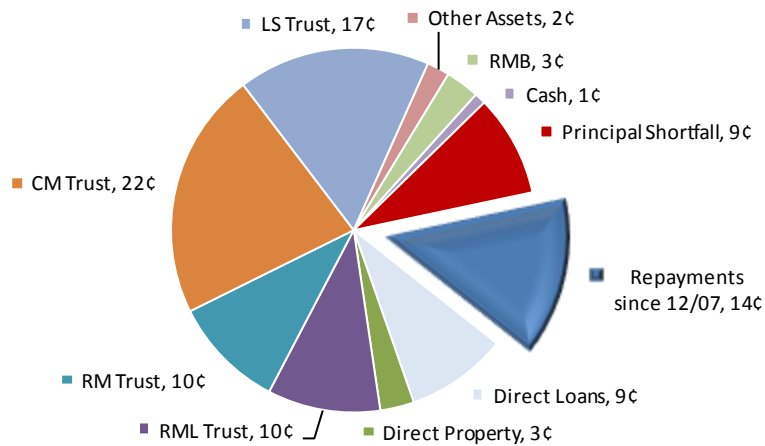
Distributions

As noted above, the Company is not able to make a distribution to Stockholders this quarter.



Where is Your Money?

As a guide to understanding where the Company has invested its assets, we have set out below the latest pie graph, reflecting the current position as at 30 June 2010.



Total Assets as at 30 June 2010: \$72.8 million

The segment denoted "Principal Shortfall" represents the current shortfall of principal to Stockholders if the Company's assets were realised at current book values.

Securitisation Trusts

The Company has today some 83% of its residual assets invested in its securitisation Trusts.

Today the Company's principal focus will remain on working with its advisors on avenues to accelerate the winding down of these Trusts so that distributions can be made to the Company and in turn to Stockholders. The Company is also concerned to make sure that the Trusts are being managed on a timely and cost effective basis.

A current summary of the four Trusts is:

Trust Name	Asset Type	Initial Size* (\$)	Today's Size (\$)	PFSL Investment (\$)
RM 2005-1	Residential 1 st mortgages	86,043,257	27,332,947	8,251,322
RML 2005-3	Residential 1 st mortgages	317,006,497	95,469,074	7,717,128
CM 2005-2	Commercial 1 st mortgages	157,212,541	89,690,392	17,716,920
LS 2005-4	Home Equity / Residential 1 st mortgages	75,749,913	58,498,202	13,998,694

* 29/08/07 at receivership.

Expanding on each Trust:

■ RM Trust

Comprises a pool of residential first mortgages for owner-occupied homes.

This pool of mortgages has reduced substantially from \$86.0m (311 loans) at receivership to \$27.3m today (103 loans). The Company has \$8.4m invested in this Trust and based on the information available today expects a full recovery of this investment over time.

Average Loan Size	\$281,783
90 day arrears (current)	3.3%

The Company has conducted two promotional campaigns encouraging borrowers within this trust to refinance. A further promotion is currently underway and we are hopeful of further substantial decreases in the number of loans.



- **RML Trust**

Comprises a pool of residential first mortgages for both owner-occupied and investment properties.

This pool of mortgages has reduced substantially from \$317m (1,031 loans) at receivership to \$95.5m today (349 loans). The Company has \$9.6m invested in this Trust. The Company is presently unable to access the detailed information required to fully assess the recoverability of the Company's investment in this Trust. Based on the information available, this investment is at risk and has therefore been written down in the Company's accounts. Our best assessment at this time is that a partial recovery will be made over time.

Average Loan Size	\$347,160
90 day arrears (current)	6.6%

- **CM Trust**

Comprises a pool of commercial first mortgages for commercial properties.

This pool of mortgages has reduced substantially from \$157.2m (114 loans) at receivership to \$89.7m today (59 loans). The Company has \$19.1m invested in this Trust. The Company has rehabilitated a number of loans within this Trust and this has seen 90 day arrears reducing from over 20% to 4% today. It is expected that the value of this investment will need to be written down in the near future. However, based on the information we currently have access to, it is expected that most of this investment will be recovered over time.

Average Loan Size	\$1,630,734
90 day arrears (current)	4.0%

- **LS Trust**

Comprises a pool of first mortgages for owner-occupied properties.

This pool of mortgages has reduced from \$75.7m (980 loans) at receivership to \$58.5m today (736 loans). The Company has \$13.7m invested in this Trust. Over time, the Company expects a full recovery of its investment.

Average Loan Size	\$71,466
90 day arrears (current)	0%

Projects

There has been no material change to the residual projects/direct loans the Company is recovering during the quarter; a summary of these as at 30 June is:

Direct Loan Receivables	\$6,682,441
Property Held For Re-sale	\$2,314,600
Other	\$337,308
	\$9,334,349

Cash Movements – Quarter Ended 30 June 2010

	(\$)
Opening cash	784,250
Net cashflow	420,061
Closing cash	1,204,311
Management fees	135,000
Distribution	Nil
Official cash rate	2.75%



Annual Financial Statements

The annual financial statements for the year ended 31 March 2010 have been audited by Ernst & Young and are available, without cost, by either downloading from the Company's website (www.propertyfinance.co.nz) or by phoning the Company on 03 379 9336. The financial statements have received a qualified audit report.

The reported profit for the 31 March 2010 year has been materially distorted with the requirement that the Company re-state the value of its debenture stock due to the changed terms arising from the Moratorium programme. This requirement is pursuant to the New Zealand International Accounting Standard IAS 39. The strict interpretation and application of IAS 39 results in the use of a discounted cash flow methodology to determine a "fair value".

Debenture Stock	Legal Outstanding Amount at 31 March 2010	Accounting "Fair Value" at 31 March 2010
Debenture stock	68,797,316	32,153,493
Debenture interest	3,225,209	2,013,266

This adjustment then flows into an accounting profit of \$40.6million when clearly the Company did not, in a traditional sense, make any profit on the revaluation of a liability, i.e. its debenture stock.

The accounting fair value is entirely different to the legal contractual position between the Company and its debenture holders and the latter is not subject to any change.

Statements

We have not included a revised statement of your investment at this time; updated statements will be provided after the next payment is made.

However, if you have any queries in this regard or require any clarification please do not hesitate to contact us.

Information

All correspondence is available on the Company's website, www.propertyfinance.co.nz.

We are happy to address any queries that you may have. Please feel free to call us on 03 379 9336 or if it is more convenient, by email to catherine@propertyfinance.co.nz.

Thank you.

Darryl Queen
Managing Director

Disclaimer

The Company makes every effort to ensure the accuracy of the information provided at the date of publication, however, due to the non-availability of key information and changes in market conditions no warranty or representation can be provided regarding the accuracy of such information.