

# BRIEFING NOTES

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July 2011

Welcome to this quarter's Briefing Notes.

## Overview

The Company's total assets as at 30 June 2011 are \$55.2m, this compares with \$55.8m as at 31 March 2011.

During the quarter there have been no material changes in either the conduct of the Moratorium or the assets being managed. A further distribution of 2¢ in debenture principal will be made by direct credit on 20<sup>th</sup> July 2011.

During the quarter a number of additional asset impairments have occurred reducing the asset backing per \$1 of original debenture stock principal to \$0.85. A summary of these impairments is:

Securitisation Mortgage Trusts	1,301,565
Loans	404,343
Development property	566,906
	<b>2,272,004</b>

These impairments result from loan losses either within a securitisation trust that has impacted on the value of the Company's investment or loans held directly by the Company.

Please find included with this Briefing Note both the quarterly and half yearly reports as required by the Securities (Moratorium) Regulations 2009.

It is our intention to endeavour to combine these reports with the Company's quarterly Briefing Notes to reduce the number of mailouts in future.

## Distributions/Statements

As noted above, the Company will be making a distribution of 2¢ per \$1 of original debenture principal on the 20<sup>th</sup> July 2011. Updated investor statements will be posted to you at the same time as the next Briefing Notes. If in the meantime you require a statement please contact the office.

The last distribution of 2¢ was made to stockholders on 11<sup>th</sup> May 2011.

The interest rate applying under the moratorium (being the Official Cash Rate (OCR) + 2.0%) remains at 4.5%.

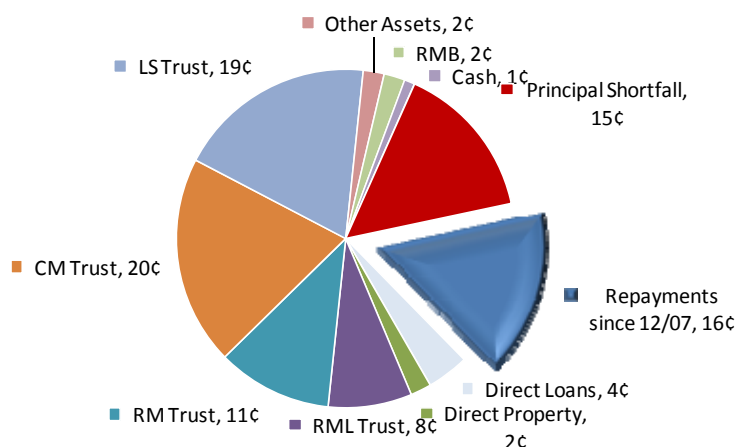


## Annual Financial Statements

The 31 March 2011 audited financial statements and annual report has been completed and posted on the Company's website [www.propertyfinancesecurities.co.nz](http://www.propertyfinancesecurities.co.nz). Stockholders are welcome to contact the office if they wish a hard copy to be posted to them.

## 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 2011.



**Total Assets as at 30 June 2011: \$55.2 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.

## Direct Assets

The level of involvement in the Company's direct assets is now decreasing or becoming passive as recoveries have been made and the residual assets do not require as much hands on management.

A summary of the direct assets as at today and the current book values are:

Asset Name	Asset	Book Value
Maymorn	Residual lots from a Wellington subdivision	340,463
Market Place	A restructure/workout of an Auckland commercial loan; now a new second mortgage	2,460,000
Lifestyle Loans	Residual first mortgages	674,263
Okura/Tinopai	Northland land holdings now owned by PFSL	973,938
Miscellaneous Loans		32,417
		4,481,081

Each of the abovementioned assets is being managed in accordance with an agreed recovery strategy with the Financing Advisor.

## Securitisation Trusts

The Company's focus is now 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 <sup>st</sup> mortgages	86,043,257	23,459,954	8,283,996
RML 2005-3	Residential 1 <sup>st</sup> mortgages	317,006,497	69,217,339	6,509,358
CM 2005-2	Commercial 1 <sup>st</sup> mortgages	157,212,541	84,283,059	15,594,364
LS 2005-4	Home Equity / Residential 1 <sup>st</sup> mortgages	75,749,913	53,183,423	15,059,343

\* 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 \$23.5m today (90 loans). The Company has \$8.3m invested in this Trust and based on the current information expects a full recovery of this investment over time.

Average Loan Size	\$275,999
90 day arrears (current)	4.14%

▪ **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 \$69.2m today (270 loans). The Company has \$6.5m 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 current assessment remains that a partial recovery may be made over time.

Average Loan Size	\$328,044
90 day arrears (current)	6.90%

▪ **CM Trust**

Comprises a pool of first mortgages for commercial properties.

This pool of mortgages has reduced substantially from \$157.2m (114 loans) at receivership to \$84.3m today (57 loans). The Company has \$15.6m invested in this Trust. 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	\$1,590,246
90 day arrears (current)	10.82%



- **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 \$53.2m today (674 loans). The Company has \$15.1m invested in this Trust. Over time, the Company expects a full recovery of its investment.

Average Loan Size	\$75,540
90 day arrears (current)	0%

## Cash Movements – Quarter Ended 30 June 2011

Period	
<b>Opening Cash</b>	<b>1,880,521</b>
Amounts Received	1,228,784
	<b>3,109,305</b>
Amounts Paid	2,038,606
	<b>1,070,699</b>
<b>Net Cash Decrease</b>	<b>809,822</b>
<b>Closing Cash</b>	<b>1,070,699</b>
Management fees	77,625
Distribution - 2¢	1,600,000
Official cash rate	2.5%

## Information

All significant correspondence is available on the Company's website, [www.propertyfinance.co.nz](http://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](mailto:catherine@propertyfinance.co.nz).

Thank you.

**Darryl Queen**  
Managing Director