

# BRIEFING NOTES

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May 2011

Welcome to this quarter's Briefing Notes.

I apologise for the delay in getting this quarterly Briefing Note and Moratorium Regulation Report to you.

The Directors have been working with both the Trustee and the Moratorium Monitor so that a further distribution of 2¢ can be made. The Trustee is satisfied that this further payment is in order and accordingly the payment will be processed on Wednesday 11 May.

## Christchurch Earthquake

Following the 22 February earthquake a number of initial comments/observations can be provided to you:

- The Company's management staff has relocated from the Christchurch CBD and have a new operational base up and running. There have been no changes in either our contact details or staff.
- The Company's key Christchurch advisors; legal, audit and monitoring, have all established new offices and are operational albeit with some limitations.
- Our **initial** assessment is that the earthquake will not impact on the Company's direct assets. However it is anticipated that earthquake losses **may** arise in two of the four mortgage trusts from exposures to Christchurch property. Unfortunately it may take some time for the position to crystallize due to Civil Defence restrictions on property access currently in place and while owners work through insurance claims.

We will continue to work with the mortgage trusts' trustee (NZGT) as previously advised on any opportunities to minimise losses, costs and the general winding up of the trusts.

## Overview

Total assets as at 31 March 2011 are \$58.2m this compares with \$58.4m as at 31 December 2010.

During the quarter a number of additional asset impairments have occurred reducing the asset backing per \$1 of original debenture stock principal to \$0.87. A summary of these impairments is:

Securitisation Mortgage Trusts	507,778
Loans	358,124
	<b>865,902</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

## Distributions/Statements

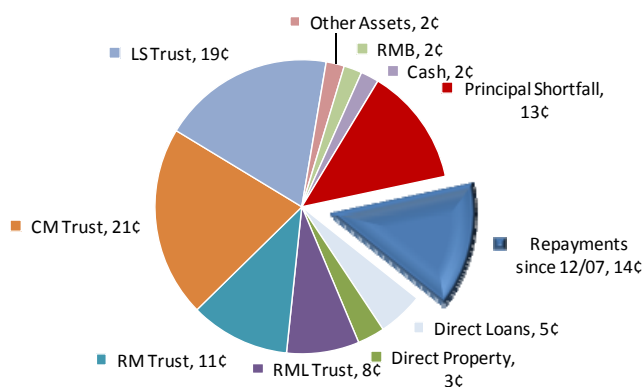
As noted above, the Company will be making a distribution of 2¢ per \$1 of original debenture principal on the 11<sup>th</sup> May 2011. Updated investor statements will be posted to you shortly after the 2¢ distribution has been made.

The interest rate applying under the moratorium (being the Official Cash Rate (OCR) + 2.0%) adjusted to 4.5% from 1 April in line with the new OCR of 2.5%.



## 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 31 March 2011.



### Total Assets as at 31 March 2011: \$58.2 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

There have been no material changes in the direct loans /property assets during the quarter.

## Securitisation Trusts

The Company has approximately 60% of its residual assets invested in its securitisation Trusts.

The Company's principal focus remains 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 <sup>st</sup> mortgages	86,043,257	24,895,730	8,323,092
RML 2005-3	Residential 1 <sup>st</sup> mortgages	317,006,497	74,961,729	6,655,250
CM 2005-2	Commercial 1 <sup>st</sup> mortgages	157,212,541	85,702,816	16,710,858
LS 2005-4	Home Equity / Residential 1 <sup>st</sup> mortgages	75,749,913	55,724,317	14,802,330

\* 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 \$24.9m today (96 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	\$276,619
90 day arrears (current)	3.82%

### 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 \$75.0m today (290 loans). The Company has \$7.2m 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 will be made over time.

Average Loan Size	\$331,689
90 day arrears (current)	7.32%

■ **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 \$85.7m today (57 loans). The Company has \$16.7m 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	\$1,617,034
90 day arrears (current)	10.43%

■ **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 \$55.3m today (697 loans). The Company has \$14.5m invested in this Trust. Over time, the Company expects a full recovery of its investment.

Average Loan Size	\$74,749
90 day arrears (current)	0%

### Cash Movements – Quarter Ended 31 March 2011

Period	
<b>Opening Cash</b>	<b>1,646,906</b>
Amounts Received	504,650
	<b>2,151,556</b>
Amounts Paid	271,035
	<b>1,880,521</b>
<b>Net Cash Increase</b>	<b>248,704</b>
<b>Closing Cash</b>	<b>1,880,521</b>
Management fees	92,000
Distribution	2¢
Official cash rate	2.5%

### Information

All 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