PROPERTYFINANCE SECURITIES LIMITED ("Company")
HALF YEARLY MORATORIUM REPORT

10 December 2010

Introduction

This report is prepared pursuant to the Securities (Moratorium) Regulations 2009 ("Regulations").

This report has been prepared by the Directors and is a half yearly report (for the half year ended 30 September 2010) as required by Regulation 11 of the Regulations.

The headings in italics follow the format in Regulation 11.

11.1(a) *A summary of the state of affairs with respect to the property of the issuer as at the end of the half year to which the report relates.*

There has been no material change in the nature of the assets of the Company although it is noted that the carrying values have been further impaired by the Directors during the six months ending 30 September 2010.

A full table setting out the Company's assets and current carrying values net of impairments is set out in this report under the heading Table A.

There has been no material change in the conduct of the moratorium proposal.

In the Moratorium material provided to stockholders prior to the June 2009 Special Meeting the Company forecast a total return to stockholders of $1.23 over the seven year forecast period.

On 31 May 2010 the Company's sole shareholder, propertyfinance group limited (PFG), passed a shareholder resolution to delist from the NZX and be placed in voluntary liquidation. This resulted in a write off of a loan to PFG of $270,687.

11.1(b) *A summary of the conduct of the moratorium, including all amounts received and paid, during the half year to which the report relates.*

(i) Conduct of Moratorium

The primary management of the Moratorium is undertaken by the directors. Oversight is provided by:

(i) The Trustee,
(ii) The Financing Advisor, who must approve any trading activities as defined in the Trust Deed,
(iii) The Monitor who reviews and reports on the activities of the directors and relevant costs.

The directors' strategy is to preserve the capital value of the Company's assets and realise these assets as quickly as practicable given market conditions.

(ii) Amounts received and paid

Period	Actual 01/04/10 – 30/09/10	Moratorium Forecast
Opening Cash	**784,250**	**2,538,293**
Amounts Received		
Interest	779,654	1,956,785
Income tax refunded	172,336	
Sale of debt notes	274,176	
Loan repayments	472,862	938,084
RMB loan repayment	200,000	
Other receipts	17,205	
Release of Indemnity Fund	0	4,262,795
RM Repayment	0	50,225
	1,916,233	**7,207,889**
Amounts Paid		
Operating expenses	677,019	325,000
Loan draw downs	693,616	0
Repayments of debentures	0	5,162,189
	1,370,635	**5,487,189**
Net Cash Increase	**545,598**	**1,720,700**
Closing Cash	**1,329,848**	**4,258,993**

11.1(c) A statement identifying:

(i) The most recent audited annual financial statements of the borrowing group; and

(ii) The most recent interim financial statements of borrowing group, including a statement of whether or not those are audited.

The most recent audited financial statements for the Company and borrowing group were prepared as at 31 March 2010.

The most recent interim financial statements for the Company were prepared as at 30 September 2010. The interim financial statements were not audited.

11.1(d) A statement to the effect that the financial statements referred to in paragraph (c):

(i) Are filed on a public registered at the Companies Office of the Ministry of Economic Development and are available for public inspection (including at www.companies.govt.nz)

(ii) Will be made available on request, and free of charge, by the issuer.

The audited financial statements prepared as at 31 March 2010 are filed on a public register at the Companies Office of the Ministry of Economic Development and available for public inspection at www.companies.govt.nz and are available, free of charge, by contacting the Company.

11.1(e) A statement explaining how a request under paragraph (d)(ii) should be made.

A copy of the most recent audited financial statements can be obtained, free of charge, from the Company, during normal working hours, by either:

- phone 03 379 9336
- facsimile 03 379 4256
- email mail@propertyfinance.co.nz

11.2 The report must include details of—

(a) the property disposed of since the date of any previous report and any proposals for the disposal of the property of the issuer; and

The Company continues to:

i) realise property assets that it has a security interest over;

ii) offer for sale through registered real estate agents property owned by the Company; and

iii) take recovery action on defaulting loans.

(b) amounts owing, as at the date of the report, to creditors of the issuer who would have preferential claims if the issuer were in receivership or liquidation; and

Amounts owing to the Trustee, Financing Advisor and Monitor have a priority claim arising from the Trust Deed (Trustee) or, in respect to the Financing Advisor and Monitor, security is provided by way of a cash bond.

(c) other amounts likely to be available as at the date of the report for payment to creditors; and

Normal trade creditors are payable under the Moratorium from normal cash receipts.

(d) a statement as to all transactions (if any) that are material related party transactions under generally accepted accounting practice and were entered into or were being performed in the half-year to which the report relates; and

There are no material related party transactions.

(e) if prospective financial information about amounts to be received by the borrowing group was contained or referred to in the prospectus or investment statement for the moratorium proposal, a comparison (if practicable, in the same form and for the same period as the prospective information) of the actual receipts against the prospective receipts; and

See 11.1(b)(ii) on page 2.

(f) a statement of the trading prospects of the borrowing group, together with any material information that may be relevant to those trading prospects; and

The prospects of the Company and therein the ability of the Company to make payments to debenture stockholders during the Moratorium is largely dependent on the successful winding down of the Company's securitisation programme.

The Company established four special purpose securitisation trusts, the details of which are set out in Table E.

Whilst each trust holds, as its only assets, first mortgages and cash, each trust must firstly repay notes that rank in priority to the Company's investment.

Accordingly the Company will be effected by the level of bad debts in each trust and the costs of servicing these trusts.

(g) a statement updating any forecasts in any prospective financial information that has been previously disclosed to security holders; and

See (e) above.

(h) a statement of the extent to which any outcomes referred to in the prospectus or the investment statement relating to the moratorium proposal have been achieved, with particular reference to any milestones identified in those documents which were stated to enable achievement of those outcomes to be tracked on a quarterly basis; and

See (e) above and Tables C on page 4.

(i) a statement of any other matters that are material to the ability of the issuer to achieve any outcomes, forecasts, or milestones that have been previously disclosed to security holders.

See (f) above.

11.3 The statement required by subclause (2)(f) must include a description of all special trade factors and risks that:

(a) are not likely to be known or anticipated by the general public; and

(b) could materially affect the prospects of the borrowing group.

(i) Management Services

As the Company has a complex structure it is reliant on the on-going support of its directors to assist with historical matters that can and may have a bearing on ultimate recoveries.

(ii) *Property Values*

The Company's lending activities are all New Zealand property-based and accordingly the performance of the property sector affects the Company.

(iii) *Securitisation Trusts*

The Company has invested in debt notes issued from the securitisation trusts the Company established. The notes held by the Company ranked behind debt notes issued to institutional investors and accordingly a shortfall for any securitisation trust could lead to loss to the Company.

(iv) *Securitisation Trust Management*

The repayment of the Company's debt note investments in the respective trusts may be impacted upon by the level of fees and costs charged to the trusts for these services and the actions of the service providers in managing delinquent accounts.

TABLE A: Statement of Assets and Liabilities

	Mar-2010	Jun-2010	Sep-10
Assets			
Cash and cash equivalents	784	1,204	1,330
Term deposits & cash in Trusts	5,613	5,662	5,716
Expense reserve deposits - RMB Trusts	1,050	1,050	1,144
Advance to RMB Trusts – issue expenses	1,633	1,608	1,543
Accrued interest	10	11	13
Sundry debtors & advances	115	40	38
Property held for sale	2,315	2,315	2,315
Loans receivable	6,658	6,682	5,157
Mortgage-Backed Securities	42,221	42,030	42,085
Trust debtors	205	205	205
Property, plant & equipment	23	22	17
Income tax prepayment	178	1	1
Deferred tax asset*	0	0	0
	60,805	**60,830**	**59,564**
Liabilities			
Trade and other payables	187	87	112
Debenture repayments outstanding	15	15	15
Debenture Stock**	34,151	34,922	36,377
Trust creditors	205	205	205
	34,558	**35,229**	**36,709**
Net assets	26,247	25,601	22,855

* Deferred tax asset of estimated $3.6m has not been recognised.

** Debenture stock is shown at fair value based on management's expectations of cash repayments of principal and interest to debenture stock holders. Previously debenture stock was shown at amortised cost. This 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.

The contractual liability to debenture holders principal is $68.797m plus accrued interest to 30 June 2010 of $3.995m, totalling $72.792m. The fair value of the debenture stock liability including interest totals $34.937m.

There was a credit to the income statement of $37.856m at 31 March 2010 as a result of the requirement to show debenture stock at fair value. This also resulted in an increase in equity and a decrease in the debenture stock of $37.856m.

TABLE B: Management Costs

Quarter Ending	Dec-2009	Mar-2010	Jun-10	Sep-10
Total operating costs	466,243	285,102	109,861	270,196
Net cash flows	(1,459,649)	(111,967)	420,061	125,537

TABLE C: Intervention Strategies Since July 2009

In addition to the Company's asset management and collection activities the Moratorium specifically provided for the Company to undertake a range of intervention strategies. Each intervention requires the prior approval of the Financing Advisor.

The Moratorium forecast that interventions in the CM Trust would avoid $4.0m of realised loan losses in the first two years. CM Trust interventions has been the principal activity undertaken however the Company has also undertaken interventions where the direct benefit is not easily measured, an example of this is promotional activity undertaken to clients with residential mortgages to highlight and/or incentivise the repayment of home loans.

No. of Loan Interventions	Benefit*
5 commercial loans	$3.0-$3.25m

* The benefit is the directors' assessment after taking account of the known loan balances and likely property realisation values at the time of the intervention

The Company's CM Trust Investment Impairment Review

Quarter Ending	31-Mar-10	30-Jun-10	30-Sep-10	Total
Moratorium Forecast				
Directors' Scenario	375,000	375,000	375,000	1,125,000
Receivership Scenario	750,000	750,000	750,000	2,250,000
Actual	1,429,918	10,000	10,000	1,449,918

TABLE D: Investor Returns

(i) Expectations 29 June 2009 Moratorium Explanatory Memorandum

	Receivership	Moratorium	Difference
Projected period	3-7 years	7 years	0-4 years
Costs over projected period (7 years)	$1.95m	$3.5m	$1.55m
Projected returns (cents per $)	$0.81-$1.14	$1.23	9-42¢
Projected returns (cents per $ NPV)	65-74¢	78¢	4-13¢
Contractual interest rate	9.33%[1]	OCR+2%[2]	n/a
Interest written off (forgiven)	-	$12.3m	$12.3m

(ii) Moratorium Expectations 30 September 2010

	Expectation 30-Jun-2010	Moratorium	Difference
Projected period from commencement	7 years	–	No change
Costs over projected period (7 years)	$3.4m	$3.4m	No change
Project returns ($)	$1.23	$0.98	$(0.25)
Projected returns ($ NPV)	$0.78	$0.67	$(0.11)
Contractual interest rate	OCR + 2%	OCR + 2%	No change
Interest written off (forgiven)	$12.3m	$12.3m	No change

TABLE E: Securitisation Programme

Propertyfinance RM 2005-1 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010	30-Sep-10
Pool size	86,043,257	42,456,876	28,775,467	27,332,947	26,755,646
Number of loans	323	162	108	103	101
Average by size	283,971	284,945	284,906	281,783	281,638
Average loan to value ratio	95.20%	95.00%	94.70%	94.30%	94.10%
Owner occupied	100%	100%	100%	100%	100%
90-day arrears	–	5.30%	4.30%	3.30%	4.50%
Charge-offs**	–	110,000	347,598	357,598	385,554

Propertyfinance RML 2005-3 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010	30-Sep-10
Pool size	317,006,497	317,006,497	104,317,685	95,469,074	88,616,131
Number of loans	1,031	1,031	389	349	328
Average loan size	385,653	357,240	338,694	347,160	347,514
Average loan to value ratio	78.50%	78.50%	78.60%	79.20%	79.10%
Owner occupied	426	287	232	207	197
Investment	288	200	157	142	131
90-day arrears	3.30%	13.00%	7.60%	6.60%	8.40%
Charge-offs**	–	6,453,855	10,583,870	10,771,921	11,068,615

Propertyfinance CM 2005-2 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010	30-Sep-10
Pool size	157,212,541	111,380,862	91,261,620	89,690,392	87,392,222
Number of loans	114	72	62	59	58
Average loan size	1,588,005	1,687,589	1,576,476	1,630,734	1,618,374
Average loan to value ratio	68.70%	69.40%	68.40%	68.40%	67.70%
90-day arrears	–	14.60%	5.20%	4.00%	2.50%
Charge-offs**	–	110,240	3,569,205	3,579,205	3,589,205

Propertyfinance LS 2005-4 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010	30-Sep-10
Pool size	75,749,913	62,917,325	59,324,986	58,498,202	56,519,115
Number of loans	980	813	751	736	715
Average loan to value ratio	16.10%	28.50%	30.60%	31.30%	32.10%
Average age of borrower	77	79	79	79	80

* This information is supplied by The New Zealand Guardian Trust Company Limited through its noteholder monthly reports.

** Charge-offs are the impairment charge against the Company's investment due to losses within the underlying loan portfolio. At this time and based on available information the Company assumes these impairments are actual losses on the relevant investment.

TABLE G: Key Assumptions by Scenario

Assumption	The Company Directors' Scenario	Receivership Scenario	Latest Expectation
Interest on debentures	OCR + 2%; average total rate of 6.5% assumed	Accrues at a fixed rate of 9.3%	OCR + 2%; average total rate of 6.5% assumed
Free-cash return	75%	100%	75%
Realisation from MBS	Sold in year 7 at 90% face value	Sold in year 3 at 60% of face value, in year 5 at 70% and year 7 at 80%	Sold in year 7 at 90% face value
Losses within CM Trust	$3m losses in years 1&2	$7m losses in years 1 & 2	$3m losses in years 1&2
Loan life – RM	1 year	2 years	1 year
Loan life – RML	1 year	2 years	2 years
Capital losses on MBS	No further net losses	No further net losses	$4,544,760 impairment
Realisation of other assets	Recognised at face value	Sold in year 3 at 10% of face value, in year 5 at 20% and year 7 at 40%	$2,518,113 impairment