

PROPERTYFINANCE SECURITIES LIMITED ("Company")
QUARTERLY MORATORIUM REPORT
6 August 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 quarterly report (for the quarter ended 30 June 2010) as required by Regulation 12 of the Regulations.

The headings in italics follow the format in Regulation 12.

12.1(a) A statement summarising any material change in either the state of affairs with respect to the property of the Company, or the conduct of the moratorium proposal, since 31 March 2010.

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.

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.

The \$1.23 comprised \$1 of principal and \$0.23 of interest. At the date of this report the carrying value of the Company's assets has reduced due to impairment charges, resulting in a revised principal backing of \$0.91 for each dollar of debenture stock. The level and source of these additional impairment charges is set out in this report under the heading Table G.

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.

12.1(b) A statement identifying:
(i) most recent audited annual financial statements of the borrowing group; and
(ii) most recent interim financial statements of the 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 2009. The interim financial statements were not audited.

- 12.1(c) *A statement to the effect that the financial statements referred to in paragraph (b):*
- (i) *are filed on a public register 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 Company.*

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.

- 12.1(d) *A statement explaining how a request under paragraph (c)(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

- 12.1(e) *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.*

TABLE A: Statement of Assets and Liabilities

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

* Deferred tax asset of estimated \$3.6 million 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 \$68.797 million plus accrued interest to 30 June 2010 of \$3.995 million, totalling \$72.792 million. The fair value of the debenture stock liability including interest totals \$34.937 million.

There was a credit to the income statement of \$37.856 million 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 \$37.856 million.

TABLE B: Management Costs

Quarter Ending	Sep-2009	Dec-2009	Mar-2010	Jun-10
Total Operating Costs	393,597	466,243	285,102	109,861
Net Cash Flows	2,231,120	(1,459,649)	(111,967)	420,061

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

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 June 2010*

	Expectation 30-Jun-2010
Projected period from commencement	7 years
Costs over projected period (7 years)	\$3.4m
Current asset backing (cents per \$)	0.91¢
Projected returns (cents per \$ NPV)	-
Contractual interest rate	OCR + 2%
Interest written off (forgiven)	\$12.3m

TABLE E: Securitisation Programme

Propertyfinance RM 2005-1 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010
Pool size	86,043,257	42,456,876	28,775,467	27,332,947
Number of loans	323	162	108	103
Average by size	283,971	284,945	284,906	281,783
Average loan to value ratio	95.2%	95.0%	94.7%	94.3%
Owner occupied	100%	100%	100%	100%
90-day arrears	–	5.3%	4.3%	3.3%
Charge-offs**	–	110,000	347,598	357,598

Propertyfinance RML 2005-3 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010
Pool size	317,006,497	317,006,497	104,317,685	95,469,074
Number of loans	1,031	1,031	389	349
Average loan size	385,653	357,240	338,694	347,160
Average loan to value ratio	78.5%	78.5%	78.6%	79.2%
Owner occupied	426	287	232	207
Investment	288	200	157	147
90-day arrears	3.3%	13.0%	7.6%	6.6%
Charge-offs**	–	6,453,855	10,583,870	10,771,921

Propertyfinance CM 2005-2 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010
Pool size	157,212,541	111,380,862	91,261,620	89,690,392
Number of loans	114	72	62	59
Average loan size	1,588,005	1,687,589	1,576,476	1,630,734
Average loan to value ratio	68.7%	69.4%	68.4%	68.4%
90-day arrears	–	14.6%	5.2%	4.0%
Charge-offs**	–	110,240	3,569,205	3,579,205

Propertyfinance LS 2005-4 Trust	Aug-2007	31-Mar-2009	31-Mar-2010	30-Jun-2010
Pool size	75,749,913	62,917,325	59,324,986	58,498,202
Number of loans	980	813	751	736
Average loan to value ratio	16.1%	28.5%	30.6%	31.3%
Average age of borrower	77	79	79	79

* 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	OCT + 2%; average total rate of 6.5% assumed	Accrues at a fixed rate of 9.3%	OCT + 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