

Equitable Mortgages Limited (In Receivership) ('EML') Company No. 907414

EQU30516
15 August 2013

Introduction

Investors have now received four partial repayments of their investments on 8 August 2011, 15 December 2011, 17 August 2012 and 1 March 2013. Those payouts collectively amount to approximately 52.5% of the total principal amount owing to investors as at 29 November 2010 (although there were very small differences in the amount each investor received depending on individual entitlements).

We are now able, on behalf of the Trustee, to make another payout, which will be paid on 29 August 2013. This payout will equate to a further 10% of the principal amount you were owed on the date of receivership. The letter enclosed with this update details the amount you are being paid.

Please contact us if you have not received any of the first four repayments, or you have any other questions. Our contact details are as follows:

Email: eml@kordamentha.com

Phone: (09) 307 7865

Post: C/- KordaMentha, PO Box 982, Auckland 1140

Loan recoveries

- At the date of receivership, \$190.6 million was owed by EML's borrowers across 50 individual loans. The investor update we issued in December 2011 provided details about the loans.
- By 30 June 2013, we had collected \$90.1 million from 37 loans. At this stage collections have been proceeding in accordance with our expectations.
- At 30 June 2013, eight loans remained owing by two borrower groups, with a gross balance of \$45.0 million. It will not be possible to collect the gross amount that is owed.
- We have excluded loans which have collateral subject to unsettled sales agreements:

Loan book	30-Jun-13		Date of Receivership	
	\$000	# of Loans	\$000	# of Loans
Performing	-	-	32,348	15
Arrears	-	-	78,094	21
Receivers appointed	45,028	8	54,200	10
Mortgagee in possession	-	-	25,976	4
Total	45,028	8	190,619	50

Corporate Recovery Services
Turnaround & Restructuring Services
Real Estate Advisory
Forensics

Independent New Zealand
firm internationally affiliated
with the KordaMentha Group

nz@kordamentha.com
www.kordamentha.com

New Zealand

Level 16, 45 Queen Street
Auckland 1010

PO Box 982, Shortland Street

Auckland 1140

Office: +64 9 307 7865

Fax: +64 9 377 7794

Offices

Adelaide Perth
Brisbane Singapore
Gold Coast Sydney
Melbourne Townsville
New Zealand

Cooperation with AlixPartners

Chicago Munich
Dallas New York
Detroit Paris
Düsseldorf San Francisco
London Shanghai
Los Angeles Tokyo
Milan Washington, DC

- We have continued to adopt loan strategies that we believe have the best chance of maximising recoveries for investors. As noted in our previous updates, we will only be able to recover a portion of the amount that is owed by EML's borrowers.

Estimated potential return to investors

On 29 August 2013, we will pay another distribution that will be equivalent to 10% of the principal amount investors were owed at the date of receivership.

After this payment, investors will have received approximately 63% of the total principal amount owing on 29 November 2010.

Estimating returns continues to be difficult, considering the state of the loan book.

We can however estimate that we might be able to repay between 65% and 70% (\$125.0 to \$134.6 million) of the total principal amount that was owing to investors on the day receivers were appointed. This estimate includes the amounts we paid investors in the first four distributions and the amount that we will pay investors on 29 August 2013. We therefore will not be paying any interest.

Investor Distributions		\$000	%
Aug-11	1st interim distribution	35,000	18%
Dec-11	2nd interim distribution	15,000	8%
Aug-12	3rd interim distribution	35,000	18%
Mar-13	4th interim distribution	16,000	8%
Aug-13	5th interim distribution	20,000	10%
Estimated balance to be paid		4,000 - 13,550	2% - 7%
Total Estimated Recovery		125,000 - 134,550	65% - 70%
Nov-10	Principal amount owed to investors	192,203	

The timing of distributions to investors is determined by the timing of loan recoveries so it is difficult to provide dates for future repayments. We expect however to be in a position to pay another distribution by April 2014. We will always provide you with at least 14 days' notice of our intention to pay a distribution.

Some collateral subject to the remaining loans is located in Christchurch. We expect these are likely to be the last recoveries in the receivership and that recoveries may not be possible by the end of 2013. If that is the case, the receivership will continue through until these last loans are realised (in 2014 or later).