

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

EQU30516  
15 February 2013

### Introduction

Investors have now received three partial repayments of their investments, on 8 August 2011, 15 December 2011 and 17 August 2012. Those payouts collectively amount to approximately 44% 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 1 March 2013. This payout will equate to a further 8% 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 three 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 31 December 2012, we had collected \$68.5 million from 35 loans. At this stage collections have been proceeding in accordance with our expectations.
- At 31 December 2012, 20 loans remained owing by six borrower groups, with a gross balance of \$118.5 million. It will not be possible to collect the gross amount that is owed.
- Most of the loans that remain outstanding are subject to some form of enforcement action:

Loan book	31-Dec-12		Date of Receivership	
	\$000	# of Loans	\$000	# of Loans
Performing	-	-	32,348	15
Arrears	23,656	7	78,094	21
Receivers appointed	84,260	12	54,200	10
Mortgagee in possession	10,573	1	25,976	4
<b>Total</b>	<b>118,489</b>	<b>20</b>	<b>190,619</b>	<b>50</b>

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- 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 1 March 2013, we will pay another distribution that will be equivalent to 8% of the principal amount investors were owed at the date of receivership.

After this payment, investors will have received approximately 52% 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% (\$124.9 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 August 2011, December 2011 and August 2012, and the amount that we will pay investors on 1 March 2013. It is highly unlikely that we will be able to pay 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%
Feb-13	4th interim distribution	16,000	8%
	Estimated balance to be paid	24,000	12%
<b>Total Estimated Recovery</b>		<b>125,000</b>	<b>65%</b>
<b>Nov-10</b>	<b>Principal amount owed to investors</b>	<b>192,203</b>	

The timing of distributions to investors is determined by the timing of loan recoveries so it is difficult to advise timeframes for future repayments. We believe however that we will be able to make another repayment to investors between September and December 2013. Some collateral to the remaining loans is located in Christchurch. We expect these are likely to be the last recoveries in the receivership and that recoveries will 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).

We will always provide you with at least 14 days' notice of our intention to pay a distribution.