



Investor update

Equitable Mortgages Limited (In Receivership) ('EML')

14 June 2016 | EQU30516

1 Introduction

This letter provides an update on the receivership.

We had hoped by now to be in a position where we could pay a further distribution to investors. Unfortunately, for the reasons explained in this Investor Update, we cannot pay a further distribution at this time. There will be a further distribution in the future but the timing and amount is uncertain.

We will provide a further update in the middle of 2016, unless circumstances warrant us doing so sooner.

2 Investors payments to date

Investors have now been paid 75% of the principal owing to them on the date of receivership.

There have been seven partial repayments. Those payments were made on 8 August 2011, 15 December 2011, 17 August 2012, 1 March 2013, 29 August 2013, 17 April 2014 and 12 December 2014.

Please contact us if you did not receive any of the first seven 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, Shortland Street, Auckland 1140

3 Estimated potential return to investors

The recoveries will still expect to make largely relate to two loans.

The largest outstanding recovery relates to a property in Christchurch that was damaged in the Canterbury Earthquakes. To protect its interests, Equitable has receivers appointed to the company that owns the property.

There has been (and still is) a protracted argument between the insurer of the property and the receivers Equitable appointed. The argument is principally about the insurer's liability as a result of the damage caused by the earthquakes, and the terms on which that liability should be settled. There have so far been hearings in the High Court and the Court of Appeal on aspects of the dispute. The dispute is not resolved and further Court action seems likely.

It will be possible to pay a further distribution to investors when the dispute in relation to this property is resolved, one way or another. Given the nature of the dispute and the fact that further Court action is likely, it is not possible to provide an accurate estimate of the timing of that next distribution.

It is also not possible to provide an accurate indication of the amount of a future distribution. Based on the current circumstances, we expect investors will finally receive between 77% and 79% of the amount they were owed at the start of the receivership. The actual amount could however be lower, depending on the outcome of the dispute mentioned above.

We appreciate the delay in paying a further distribution is disappointing. We can assure you that we are working to try to expedite the final loan recovery but the circumstances are extremely complicated and primarily in the hands of the receivers who control the property.