

Specialist Advisory**Grant Thornton New Zealand Ltd**
L1, The Antarctic Attraction
38 Orchard Road
PO Box 2099
Christchurch 8053T +64 (0)3 379 9580
F +64 (0)3 366 3720
www.grantthornton.co.nz

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Dear Investor

Report to Aorangi Securities Limited Investors

You will all be aware of the recent tragic death of Allan Hubbard. We are working through the effect of Mr Hubbard's death on the statutory management process with the Government agencies, the Hubbard family and their advisers.

From our previous reports you will be aware that there is a significant group of assets which the Hubbards held personally which they stated that they intended to introduce into Aorangi Securities Limited for the benefit of investors. The availability of those assets to Aorangi remains a significant factor in the ultimate return to investors and we have been continuing our work to determine the availability of those assets, as well as managing them and realising them in the meantime as appropriate.

During September action was taken to control a property development where the refinance did not come to fruition. Liquidators were appointed to this company and they will now control the sale process of the properties. Aorangi's exposure to this borrower is \$750,000 with Mr Hubbard owed a further \$2.5 million. Steps are being taken through a court process to place a related company with exposure of \$2.5 million to Aorangi and \$3.8 million to Mr Hubbard in liquidation. This process is required due to the lack of valid security to Aorangi.

In our last report we commented on an impending refinance of a \$5 million loan that would enable a further repayment to investors. This was recently completed and it is pleasing to report that a further 5 cent capital distribution will be paid to investors on 7 October 2011.

Yours sincerely

Trevor F Thornton
Statutory ManagerRichard G Simpson
Statutory ManagerGraeme C McGlenn
Statutory Manager