Grant Thornton

Fourth Statutory Managers' Report

Aorangi Securities Limited, Hubbard Management Funds, Hubbard Churcher Trust Management Limited, Forresters Nominee Company Limited, Mr AJ and Mrs MJ Hubbard and Associated Charitable Trusts.

28 October 2010

Introduction

History

On 20 June 2010, Richard Grant Simpson and Trevor Francis Thornton were appointed statutory managers of Aorangi Securities Limited ("Aorangi"), a number of charitable trusts and Mr Allan and Mrs Margaret (Jean) Hubbard personally. Graeme Carson McGlinn was appointed as an additional statutory manager on 13 September 2010.

On 13 September 2010 the Barns Charitable Trust and the Temple Bar Family Trust were placed into statutory management. On 20 September 2010 Hubbard Churcher Trust Management Limited ("HCTML") and Forresters Nominee Company Limited ("Forresters") were placed into statutory management.

Purpose of this report

This fourth report has been prepared to provide an update for investors on the status of their investments in Aorangi and Hubbard Management Funds ("HMF").

In exercising our role as statutory managers, we recognise the need to protect the interests of the shareholders, creditors and beneficiaries of Aorangi and HMF, resolve the difficulties that have been encountered and preserve, as far as possible, the business interests and investments of Aorangi, HMF and Mr and Mrs Hubbard.

References

In this report, we refer to a number of entities. Aorangi received money from investors and has apparently applied the money to a combination of independent parties and entities associated with Mr and Mrs Hubbard. A number of charitable trusts (the Otipua Charitable Trust, Oxford Charitable Trust, Regent Charitable Trust, Morgan Charitable Trust, Benmore Charitable Trust, Wai-iti Charitable Trust, Barns Charitable Trust and a family trust called Temple Bar Family Trust (together referred to collectively in this report as "the Charitable Trusts"), now under our management, have or have purported to have taken ownership of some assets associated with Mr and Mrs Hubbard and Aorangi. One charitable trust, Te Tua Charitable Trust ("Te Tua") has provided interest free loans to a range of business people. Mr Hubbard has pledged approximately $25 million of Te Tua assets to Aorangi. HMF is an investment management business operated by Mr Hubbard. HCTML holds the majority of the investment assets of HMF as a bare trustee. Forresters operates the bank account associated with HMF.

Report Summary

Aorangi Securities

Aorangi borrowers and investments paid only a quarter of the $3.25 million income expected by 30 September 2010. This shortfall has been a trend for sometime. The cash received to date is less than half what would be required to meet Aorangi's interest obligations to investors on the pre statutory management interest payment regime. Total loan and investment arrears are now estimated at $3 million.

In the past Mr Hubbard has been able to use his own assets and cash to make up the shortfall in the income of Aorangi. However, given Mr Hubbard's position, there is uncertainty whether investors can rely on this support in the future.

We are working with Mr Hubbard on the disposal of some Aorangi assets while also trying to rectify loans that are not meeting their obligations. From the approximately 50 loans and farm investments, we hope to realise $20 million by the middle of 2011.

There is a portfolio of dairy farm assets that, over time, are likely to have good prospects. These will only be sold when the price is right. Buyers looking for a "fire sale" will be disappointed. We have previously reported that these dairy farms were transferred by Mr Hubbard to charitable trusts. We have investigated this arrangement and have concluded that these transfers are of doubtful validity. A formal annulment process is under way and all shareholders of each company will be contacted with regard to the annulment.

Te Tua Trust

The state of Te Tua's loan records is very poor. The report separates the Te Tua loan book into nine categories covering 104 loans. Of Aorangi's $24 million investment, a "worst case" estimate indicates that only $6.88 million of this may be recoverable. The report also highlights the transfer to Te Tua from Presbyterian Support Services SC Inc at face value of $2.7 million debentures held in finance companies after these companies ceased paying interest or were placed in moratorium.

Hubbard Management Funds

The quality of the reporting by Mr Hubbard in the statements issued to investors is of serious concern to us. One of our principal tasks has been to understand precisely what assets HMF owned, and to assess the market value of those assets. We achieved this by meticulously verifying the shares and their market values. We have consulted with Mr Hubbard's advisors on this matter.

The documentation we received reported HMF's 31 March 2010 total value at $82 million. However, our review of the assets owned by HMF and allocated to investors confirmed a shortfall of some $13 million of investments and almost $6 million of cash when compared with a summary of all investors' statements as at 31 March 2010. There were also excess shares valued at $8 million. On average, investors will receive approximately 60% of what was on their March 2010 statement, but this will depend on the distribution method, which may need to be approved by the Court.

In the mean time we will manage HMF to preserve and enhance value for investors.

Other matters

Grant Thornton will shortly establish a Question and Answer section on its website for investors. The statutory managers are also beginning to work with a liaison group of six investors. This group will report back to other investors on their regular meetings.

Aorangi Securities Limited

Investors' loans

Aorangi borrowers and investments paid only a quarter of the $3.25 million income expected by 30 September 2010. This shortfall has been a trend for sometime and while many investors have been of the belief that the Aorangi portfolio has been performing well, its true position has been masked by Mr Hubbard contributing his own assets and cash. The income received included:

- $600,000 from Te Tua on its $24 million security.
- Interest of $156,000 from loans with mortgage securities of $47 million. The expected sum was $1.15 million. Two of the biggest loans in this category, with a combined total of $20 million, failed to pay any interest on time. One has not done so for two years. During October a further $210,000 of interest has been received from borrowers as a result of our follow up work.
- The $59 million invested in various farm investments returned $47,000 compared with the projected $1.5 million. Our analysis shows that a number of these farms will be using their cash to pay suppliers rather than distributing cash to shareholders. Banks are also requiring surplus cash be used to reduce loans. We are not optimistic about the likelihood of Aorangi receiving much cash from its farming investments for some time.

Borrowers payments to 30 September 2010

Borrowers Payments

	Asset Values $(000)	Borrowers Payments $
Mortgages	47,000	156,000
Farm Investments	59,000	47,000
Te Tua Charitable Trust	24,000	600,000
Total as at 30 September 2010	130,000	803,000
Received since 30 September 2010		210,000
Total to Mid October		**1,013,000**

The cash received for the September quarter is insufficient to meet the Aorangi interest obligations to investors on the pre statutory management interest payment regime. Total loan and investment arrears are now estimated at $3 million.

Full recovery of investor funds depends on the realisations of the investment portfolio. A number of the smaller borrowers have advised of their intention to repay their loans prior to Christmas. We continue to engage with borrowers who have not met their interest obligations as at 30 September 2010.

The face value of the assets in Aorangi totals $130 million. This suggests that there is significant headroom when compared to the balance owing to Aorangi investors of $96 million. As discussed below, however, we have serious concerns regarding the recoverability of some of these assets.

Later in this report there is a detailed analysis on the recovery prospects of the Te Tua Charitable Trust loan portfolio. This is relevant to Aorangi investors because Te Tua assets of approximately $24 million are included in Aorangi, and any repayments will be funded from Te Tua's loans. Currently the recovery expectation from Te Tua is just under $7 million which will mean Aorangi could suffer a write down of $28 million when a loss on the Southbury loan of $10 million is included. A number of investors have expressed surprise and concern that the Aorangi investors have a $10 million loan to Southbury, a company associated with Mr Hubbard and the principal shareholder in South Canterbury Finance Limited.

Post statutory management transfers of almost $12.5 million has been proposed by Mr Hubbard. These adjustments, if allowed by us, would raise the level of investor funds in Aorangi to $109 million, reducing the potential of recovery for all Aorangi investors.

Protecting investors

In the past Mr Hubbard has been able to use his own assets to make up the shortfall in the income of Aorangi. However, there is in our opinion, uncertainty whether investors can rely on this support in the future (and if so, to what extent) because of uncertainty over Mr Hubbard's position. Whilst the assets of Mr Hubbard are known, the liabilities are less certain and we are working through, and being made aware of, the full extent of his liabilities.

Transfer to charitable trusts

In March 2010 Mr Hubbard chose to transfer a number of his equity interests to charitable trusts. We have investigated this arrangement and have concluded that these transfers are of doubtful validity. A number of shareholders in these companies have taken action to reverse these transfers, as they required the consent of all shareholders. A formal annulment process is under way and all shareholders of each company will be contacted with regard to the annulment.

There are a number of associated tax issues that need to be addressed because of these unauthorised transfers, as we previously reported.

Aorangi assets

We are working with Mr Hubbard on the disposal of some assets while also working with borrowers who are not meeting their obligations. From the approximately 50 loans and farm investments, we hope to realise $20 million by the middle of 2011. This will include refinancing a number of loans and selling properties where Mr and Mrs Hubbard are the sole owners. We will also be working with farmers who have been unable to meet their interest obligations to Aorangi and who may, in fact, never be able to do so.

Good dairy prospects, but at a fair price

There is a portfolio of dairy farm assets that, over time, are likely to have good prospects. Currently, the economic conditions for farm sales are challenging but there are partners on these farms who may wish to purchase Aorangi's interest. It is important for these farmers to recognise the support that Mr Hubbard has given them over time and that they pay a fair price. There is an expectation from some who Mr Hubbard has supported, that they may be able to get these assets for a low value. We will not allow this to happen as it will reduce the potential returns to Aorangi investors. We repeat from our earlier report that it is not our intention to "fire sale" these assets. We again repeat our earlier position that investors need to understand that a substantial portion of the assets in Aorangi are long-term assets and it may take a number of years to realise the fair value.

Capital repayment

A capital payment of 3 cents in the dollar is being made to all investors who have provided their bank account details to us in time. If sufficient funds are available when all capital has been repaid, interest will be calculated and paid. Systems are in place to calculate interest owing. Consideration as to whether the interest rate should be reduced in line with current call account interest rates is taking place. The reason for paying capital first rather than interest is to ensure no adverse tax consequences arise for investors if there is a shortfall in the investor's return.

Costs

Investors have been seeking information on the costs of statutory management required to determine the value of their investment in Aorangi along with the realisation and management of these assets. By now investors will understand that there is a complex intermingling of the affairs of Aorangi, Mr Hubbard and the charitable trusts and the issues associated with realising the assets to get the best return over time is challenging. This is one of the most complex cases we have ever seen and as a consequence it has taken an enormous effort to protect the interests of investors. We have had to reconstruct much of the documentation to bring it up to a standard to enable us to manage the loans and investments. From 20 June 2010 through to 24 September 2010 our costs, our legal advisers and our independent advisers' costs total $769,189 including GST.

Te Tua Charitable Trust

We detail below the current status of the Te Tua Charitable Trust ("Te Tua") loan book and other assets as at 30 September 2010.

Te Tua Charitable Trust - Assets as at 30 September 2010

$	Recorded value
Loans with regular repayments	6,074,853
Loan due to settle	260,513
Loan payable on death of spouse	101,912
Loan repayments made annually	315,000
Loan repayments ceased due to investment in ASL	260,000
Loans with regular monthly repayments, but balance under review	4,978,278
Loans not being repaid	8,686,207
Gone no address or no contact details	1,702,078
Loans likely to be written off	2,270,246
Gross Loan book	**24,649,087**
Loan credit balances	(164,632)
Total Loans	**24,484,455**
Properties	**483,807**
Other Investments	**2,727,938**
Cash on hand	**171,505**
Total Assets	**27,867,705**

We have separated the Te Tua loan book into nine broad categories as at 30 September 2010 comprising 104 loans.

We now comment on each category of loans as follows:

Loans with regular repayments

Currently thirty loans are being repaid on a regular basis.

Regular monthly repayments from these loans are currently providing a cash flow of about $109,000 per month.

We have been able to negotiate repayment terms with some borrowers that have not previously been repaying their loans and we are in the process of documenting the terms and conditions of these loans.

Loans due to settle

There was a loan of $260,513 which was repaid in full in October.

Loans payable on the death of spouse

Te Tua has security over this loan, however a variation of the mortgage is currently being prepared to provide full coverage for further advances made by Te Tua since the original loan advance. The matter is currently being finalised by our legal advisers.

Loan repayments made annually

This relates to one loan agreement that does not require another annual loan repayment until June 2011. The annual loan repayment is recorded as $105,000 per annum and has been agreed between Te Tua and the borrowers.

Loan repayments ceased due to investment in Aorangi Securities Limited

Two borrowers have funds invested in Aorangi and have ceased repayments until they have access to their funds in Aorangi.

Loans with regular monthly payments but balance subject to review

This category consists of four borrowers, with two loans being for comparatively minor amounts. Because there are discrepancies between Te Tua's accounting records and the borrowers' own records, we are in discussions with these borrowers to determine the exact balance owing. We are currently in discussions with these borrowers. However, one of the borrowers is facing financial difficulties and is looking to sell assets to reduce the loan due to Te Tua. Te Tua is an unsecured party and other lenders have priority on these other assets ahead of Te Tua.

Loans not being paid

Twenty-five loans are in this category. We have contacted all of these borrowers and we are reviewing the issues that are preventing payments from being made.

For some of these loans we are seeking to negotiate a new repayment plan and others will be paid from the money received by the borrowers from the sale of assets.

However, for some of these loans, it is probable there will be losses to Te Tua due the borrowers' financial situation. We are meeting with many of these borrowers to address these issues.

Borrowers - gone no address or no contact details

There are currently ten loans in this category. Since 30 September 2010, we have been successful in locating the borrowers for one account and are now in discussion with those borrowers regarding a loan repayment programme. Four borrowers have been located overseas and we will request local Grant Thornton offices to assist us with the recovery of these loans. We are attempting to locate the remaining borrowers.

Loans likely to be written off

This category contains eleven loans, two of which are for small amounts. Two loans relate to a company that has ceased trading and is subject to a demand by another lender that has priority ahead of Te Tua. Te Tua has no security for its loans. The company's financial reports indicate that it is insolvent.

Borrowers for five other loans have advised that they are unable to make repayments and we have requested financial information from these borrowers to understand their situations.

Te Tua does have a third registered mortgage against one of these loans, but it appears unlikely at this stage that there will be sufficient funds available following the sale of the property.

The other two remaining loans are currently being investigated, as there is no documentation available and the loans appear to be related to Aorangi Securities Limited and South Canterbury Finance Limited.

Properties owned by Te Tua

Te Tua owns three properties with a book value of $500,000. We consider the market value may be $1 million. As we noted in our previous reports, Te Tua owns a property that has not been receiving rent for twelve years. We are currently negotiating with the tenant over the arrears and the future lease of the property. We have been advised that the roof on this property may now need a full replacement.

We are receiving rental income from the other properties and we are considering the future of these.

Investments

The investments of $2.7 million relate to debentures held in finance companies that are either in receivership or liquidation. We understand these investments were transferred to Te Tua from Presbyterian Support Services SC Inc at face value of $2.7 million after these companies ceased paying interest or were placed in moratorium. Whilst we are hopeful that some further recoveries will be achieved, any recovery is expected to be minimal.

Donations

A number of accounts that were donations totalling $145,000 have been written off.

Paid

Five loans totalling about $215,000 have settled in the period 20 June 2010 to 30 September 2010, and as noted earlier, a further loan settled in mid October.

Loans written off as uncollectible

We have written off loans totalling $1.962 million. One loan written off relates to a company which is in liquidation and whose director has been bankrupted. A further loan written off is to a company which appears to be grossly insolvent. We are however investigating this loan as additional funds were advanced by Te Tua to the company, or paid to others on its behalf, following the sale of the company's major asset.

Loan book provisioning

In preparing this report we have adopted a conservative approach to assessing the provisions to be made for doubtful loans. For example, we have provided for a percentage of loans which currently are being serviced because we have received an indication that payments may not be continued in some cases. The provisions we have made are worst-case estimates and we are hopeful that we will achieve a better result with diligent follow up work.

Recovery for Aorangi Securities Limited

Our current assessment of the Te Tua's assets is set out in the following table.

$	Ledger 30/09/10	Fair value adj. / (Provison)	Est. realisible value
Total loans	**24,484,455**	**(18,600,443)**	**5,884,012**
Total Properties	**483,807**	**491,193**	**975,000**
Other Investments	**2,727,938**	**(2,558,888)**	**27,050**
Total assets	**27,696,200**	**(20,668,138)**	**6,886,062**

Currently, the financial records of Aorangi show an investment of $24 million in Te Tua. As we say, we have adopted a very conservative approach to assessing the provisions for losses on Te Tua's loans. However, our current assessment is that Aorangi may only receive $6.88 million of its investment in Te Tua.

Hubbard Management Funds ("HMF")

HMF is an investment management business operated by Mr Hubbard. We have previously reported that there are significant issues arising from the reconciliation of the assets of HMF (shares, bonds, investments and cash) as reported in Mr Hubbard's 31 March 2010 statements to investors and the actual assets which have been identified by us.

We have received a number of questions from investors over the last month. This report will attempt to answer these questions.

Sale of some HMF shares

We have sold a small number shares owned by HMF comprising about 5% of the value of the portfolio. This has been necessary because:

- HMF has investments in several private equity and venture capital funds. As is typical for investments of this nature, some of these funds have made calls on investors. HMF required cash to fulfil these investment commitments. If we default on these payments, HMF is likely to suffer a significant loss in value.

- The shares which were sold in the first half of October 2010 were restricted to relatively small parcels of non-strategic assets, with limited sales of other shares that were not central to HMF's overall performance.

- We are not selling any investment unless there is a good reason, backed by independent professional advice.

Management of HMF

We wish to assure HMF investors that our foremost objective is to preserve the value of HMF on behalf of all investors through active fund management, backed by good management practice. Every decision, including that to sell any HMF assets, is taken to safeguard investors' interests and to maximise their eventual financial returns.

The assets of HMF are classified as higher risk and are, therefore, subject to significant fluctuations in price over relatively short periods. We are committed to avoiding any action which will negatively impact HMF. We will not be selling assets at discounted prices. Our strategy is to maintain HMF and preserve value for the investors.

At 30 September 2010 the HMF assets totalled about $50 million.

Investor statements at 31 March 2010

Many statements include shares and investments which do not exist, so it is not possible to hand over the investments to investors.

Following our appointment as statutory managers, we received all of HMF's documentation, and one of our principal tasks was to understand precisely what assets HMF owned, and to assess the market value of those assets. We achieved this by meticulously verifying the shares and their market values. We have consulted with Mr Hubbard's advisors on this matter.

The documentation we received reported HMF's 31 March 2010 total value at $82 million. However our review of the assets owned by HMF indicates a significant shortfall of some $13 million of investments and almost $6 million of cash when compared with a summary of all investors' statements as at 31 March 2010. There were also excess shares valued at $8 million.

The situation was complicated by the extensive related party exposures and the pledging of assets to other parties as discussed in our last report.

The quality of the reporting by Mr Hubbard in the statements issued to investors is of serious concern to us. It is our responsibility to preserve and protect the interests of investors. What is clear is that investors will not receive the value shown on the March 2010 statements issued by Mr Hubbard. On average it appears likely that investors will receive approximately 60% of this amount. The final outcome will depend on the allocation method which may need to be approved by the Court.

Our management of HMF will be conducted in such a way that each and every investor receives the best and fairest outcome from the management of HMF. We considered several options to effectively manage HMF while preserving its value and maximising investor returns.

HMF has the characteristics of a pool

There are several reasons for our conclusion that HMF has the characteristics of a pool.

- The individual portfolios as represented by the annual investor statements do not match the assets actually held, including over-allocated and unallocated shares and shares and investments which do not exist;
- The investor statements contain prior period adjustments totalling over $4 million (which are corrections for errors in the previous year's statements) which have been made on a proportionate basis, which is inconsistent with individual portfolios;
- In almost all cases, assets were held by Hubbard Churcher Trust Management Limited or other entities on behalf of HMF, rather than on behalf of individual investors;
- There appears to be no correlation between deposits by investors, asset purchases and allocation of those assets, in terms of timing of transactions;
- Assets purchased being allocated retrospectively to investors rather than at the time of the acquisition by HMF;

- There are examples of assets being recorded as purchased and sold on the statements where the assets did not exist.

We demonstrate the issues in Appendix 1 as to why HMF may be a pool as individual investors with the same investment would, on a direct basis, be substantially different in their entitlements.

Repayment to investors

In answering this question we have two key questions to address:

1. How do we fairly allocate HMF's assets and value between investors?

2. How do we get the allocated value to investors?

How do we fairly allocate HMF's assets between investors?

There are not sufficient assets to give each investor the investments detailed on their 31 March 2010 statement prepared by Mr Hubbard. There is likely to be an overall shortfall of $30 million based on the current state of HMF. How should the shortfall be allocated fairly between the investors? There are a number of options and each has issues.

Option 1 - Treat all investors as a pool

Under this approach all investors would get the same percentage return based on the total value noted on the latest statement issued by Mr Hubbard as at 31 March 2010, adjusted for any new contributions and withdrawals. This may not be fair to investors that have only recently joined HMF and who have not had the time in HMF to achieve returns. We also know the statements did not represent the assets owned by HMF.

Option 2 - Allocate each share proportionally based on the assets owned

Where HMF holds enough shares or cash to cover the allocations on statements, the investors would get the full value of those shares or cash. Where there is a shortfall, the investors would receive a proportionate allocation of the available shares and cash. Our calculations show some investors could lose just 2% of the amount shown on their 31 March 2010 statement balance whereas other investors could lose 97%. Some illustrations are attached as Appendix 1 that clearly shows the impact of different asset allocations. . The outcome does not appear to be fair as the allocations made by Mr Hubbard appear to have been arbitrary at times and certainly were not made at the time of the transactions. The illustrations help to demonstrate that investors with the same investments would be treated differently if HMF was not pooled.

Option 3 - Tracing of cash investments and withdrawals

This would involve extensive work to trace the dates that each investor contributed and withdrew money over the years. HMF would then be allocated so each investor received the same percentage return on an annual basis. Those who have been in HMF longest would get the biggest return. We are yet to establish if adequate records exist to make this calculation possible as HMF has been going for many years.

Option 4 - Unanimous agreement by investors

We have had a number of suggestions to try to get the agreement of all investors as to how to divide HMF assets. We think there is very little chance that we can get 300 investors to agree to any solution, as every option that has been proposed appears to have winners and losers. Just one dissenting view would cause a lengthy delay to resolving the dispute. We are advised that a matter such as this cannot legally be decided by a simple vote.

Option 5 – Transfer assets to a new entity
Establish a new entity that is legally compliant and transfer all the assets of HMF into the new entity. Further work is needed to establish if this option is feasible. It would have the advantage of not requiring the assets to the realised, arguably minimising any realisation losses to investors.

Deciding on which method is to be used
Our legal advice is that the court must rule on which method is the fairest in the circumstances. We are in discussions with our legal team and other legal experts, and further actions will depend on the decisions by the Court. It is our desire to find a solution that is fair and as cost effective as possible.

We will keep investors fully informed on progress on this matter. Over the next month we will be researching the options and implications, and getting further legal advice. We will provide an update in our next report.

Long-term outlook

As previously stated, our main objective is to preserve the value of HMF so that all investors are able to maximise their returns. For example, HMF, by its nature and type of investments, will be volatile with significant value movements from month to month.

Our eventual course of action on distribution may well be determined by a Court ruling. Pending that ruling we will manage HMF to preserve and enhance value.

Costs

The reconstruction, reconciliation and verification of HMF assets have been a significant exercise due to the condition of the records. On going investigations continue where assets attributed to HMF are held by other entities associated with Mr Hubbard or have been pledged as security to third parties. Our costs, our legal advisers and our independent advisers' costs for the period to 24 September 2010 amounted to $603,471 including GST. No charge for these costs has yet been made against HMF. It is our intention to ask the Court to determine what, if any, charge will be made against HMF.

Management charges

We note that normally Mr Hubbard would make a management charge to all investors about now based on the statement balance of each investor as at the previous 31 March. It is our estimate that this charge, based on his past practice, would have been in the range of $1.0 million to $1.2 million annually. This charge will not be made while HMF is under statutory management.

Concluding comments on HMF

We previously reported that the return to investors will be at least 25% less than the value in the statements prepared by Mr Hubbard as at 31 March 2010. The recent events related to South Canterbury Finance Limited have had a further adverse effect on the HMF value. Offsetting this, the remainder of the portfolio has seen a positive performance. On average, investors will receive approximately 60% of what was on their March 2010 statement, but this will depend on the distribution method, which may need to be approved by the Court.

We are managing HMF to preserve and enhance value and are maintaining the asset base pending an interim court order on management. We cannot make any repayments until we obtain Court directions.

Other matters

Investor liaison

A group of six investors is being established to meet with us to discuss issues facing investors. It has become apparent many investors are having difficulty understanding the many complex issues in Aorangi and HMF and how these impact on their investments. The liaison group will disseminate information to other investors from our meetings. The liaison group can be contacted via Jan and Noel Macpherson. Their email address is janandnoelmac@hotmail.com and contact phone number is 03 685 8095.

A web page will be provided on the Grant Thornton website www.grantthornton.co.nz to answer frequently asked questions. It will be updated from time to time as new questions and information come to hand. It is recognised that not all investors will have computer access so copies of these questions will be available to be mailed to investors on request.

Statutory Managers reports by email

We have been in the practice of releasing our reports to the media and placing a copy on our website shortly after most investors should have received a copy by mail. Some investors have told us that their copies of the report are taking several days to reach them. Please be assured that we remain committed to ensuring that investors get the report first. Postal delays outside our control and the remote locations of some investors have caused us difficulty in meeting our goal.

An alternative is for investors to notify us that they wish to receive their report by email. The emailed report will be sent about the time investors should, in normal circumstances, receive their report by post and before the report is released publicly to the media and on our website. If you wish to receive your report by email please send your full names, postal and email addresses to: service.christchurch@nz.gt.com Please put "Statutory managers' report" in the subject line.

Serious Fraud Office Enquiry

As you know, the SFO is enquiring into the affairs of Aorangi Securities Limited and other related entities. We have provided information sought by the SFO as required by law. The SFO enquiry is completely independent of our statutory management duties. Our role is not to look for evidence of fraud, but to manage the ongoing affairs of the entities under statutory management.

The aim of the SFO enquiry is to review matters from the past, whereas we are focused on what we need to do in the immediate future to preserve investor value.

Next report on Aorangi and HMF

We expect to provide you with a further report at the end of November 2010.

Disclaimer

The statements and opinions expressed in this report have been made in good faith, and on the basis that all information that we have relied upon is true and accurate in all material respects. In preparing this report we have relied upon, and have not necessarily independently verified, the information and explanations provided to us and we express no opinion as to the accuracy or completeness of that information, other than to note that our investigations are ongoing.

The contents of this report are based on the information available to us at the date of this report. If we become aware of any additional information not known to us at the date of this report, we reserve the right, but shall not be obliged to, review or update this report.

Appendix 1 – Illustrations of the impact of shareholding shortfalls on HMF investors

Investor A

Statement as at 31 March 2010

Number of shares held	Company	Share price	Statement value ($)	% of shares allocated to investors that HMF actually owns	Restated value ($)
300	AMP	8.20	2,460	100%	2,460
1,000	AXA	8.15	8,150	100%	8,150
8,500	Ebos	6.61	56,185	100%	56,185
50,000	L & M Energy	0.17	8,500	100%	8,500
10,000	Methven	1.58	15,800	100%	15,800
8,905	Uninvested funds	1.00	8,905	6%	518
			100,000		**91,613**
	Restated value as a percentage of the statement value				92%

Investor B

Statement as at 31 March 2010

Number of shares held	Company	Share price	Statement value ($)	% of shares allocated to investors that HMF actually owns	Restated value ($)
300	ANZ Bank	32.74	9,822	33%	3,274
37,500	Barramundi	0.74	27,750	74%	20,507
7,500	Contact	6.40	48,000	100%	48,000
20,000	Diligent	0.51	10,200	96%	9,819
1,000	GPG	0.85	850	90%	768
3,378	Uninvested funds	1.00	3,378	6%	197
			100,000		**82,565**
	Restated value as a percentage of the statement value				83%

Investor C

Statement as at 31 March 2010

Number of shares held	Company	Share price	Statement value ($)	% of shares allocated to investors that HMF actually owns	Restated value ($)
15,000	Aorangi Securities	1.00	15,000	11%	1,651
3,000	Fletcher Building	8.25	24,750	9%	2,283
2,000	Contact	6.40	12,800	100%	12,800
20,000	Marac Bonds	1.00	20,000	0%	-
1,000	Freightways	3.16	3,160	50%	1,580
24,290	Uninvested funds	1.00	24,290	6%	1,413
			100,000		**19,727**
	Restated value as a percentage of the statement value				20%