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30 June 2008

Dear Investor

Capital+Merchant Business Investments Limited (In Receivership) - "CMBI"

1. Introduction

As you are aware Colin Thomas McCloy and John Anthony Waller were appointed joint and several receivers of CMBI on 27 February 2008. We take this opportunity to provide you with an update on the progress of the receivership since our last letter to you dated 12 May 2008.

2. CMBI Assets on Receivership

As shown in our last update the table below summarises CMBI's assets at the date of receivership:

<u>Asset Description</u>	<u>Note</u>	<u>Book Value (\$)</u>
Cash at Bank	2.1	760
Parent Company Loan	2.2	131,000
Loan Debtors under our control	2.3	873,987
Loans transferred to Third Party	2.4	1,097,581
Total	\$	2,103,328

In relation to the realisations of the assets stated above we advise the following:

2.1 Cash at Bank

The cash at bank has been transferred into the receivers' bank account.

2.2 Parent Company Loan

The Parent Company Loan is owed by Capital+Merchant Group Limited ("CMG"). CMG has advised that its only assets are investments in companies in receivership and is therefore unable to repay this loan. We have served a statutory demand on CMG for repayment of the debt. If the debt remains unpaid at the expiration of the statutory demand we will apply to the Court to have CMG placed into liquidation.

2.3 Loan Debtors under our control

There are 12 loans in this category. To date we have collected \$155k. 5 of the lower value loans have been settled in full. The remaining 7 loans are all in arrears and are either subject to payment arrangements, subject to recovery action or have had their payment terms extended in an effort to maximise recovery. Please be assured that we are pursuing all recovery avenues in an effort to maximise returns from these loans. Despite this, due to the impairment of some of the loans we believe there will be a significant shortfall on the book value of these loans.

2.4 Loans transferred to Third Party

As previously advised prior to receivership all CMBI's loans were managed by Capital+Merchant Business Finance Limited. A number of these loans were transferred to a third party prior to the receivership. As a result of this transaction we have applied to the High Court to have Capital+Merchant Business Finance Limited placed into liquidation.

We continue to pursue various other avenues in an attempt to recover funds from a number of different parties in relation to the transfer of the loans. We are unable to provide you with any further information in this regard as it may prejudice any recovery actions we are/or may be taking.

3. Tax deductions Certificates

We have been attempting to obtain tax deduction certificates for CMBI investors for the year ended 31 March 2008. CMBI investor information was held on the same system as Capital+Merchant Finance Limited ("CMF"). When CMF was placed into receivership the investor system was no longer utilised. This has made it very difficult to have the year end tax deduction certificates prepared for investors. We have recently engaged the former IT manager for CMF to extract the information required to prepare the tax deduction certificates off a back up tape of the investor system. We will forward these certificates to investors as soon as they have been prepared.

4. Investigation

An investigation is being undertaken to determine if there have been any breaches of legislation or CMBI's Trust Deed by CMBI directors or officers. Where any breaches are discovered, they will be referred to the appropriate Government authorities. Those authorities may take such actions as they deem appropriate.

5. Estimated Return for Secured Debenture Investors

Due to the issues raised in the report we are unable at this stage to provide an estimate on the quantum and timing of a possible return to secured debenture investors.

6. Other Matters

We will endeavour to keep investors updated on a regular basis. Our next formal update to investors will be issued by the end of September 2008. In the meantime, should investors or other stakeholders have any queries arising from this update, please contact us via our website, telephone, facsimile, email, or private bag address, as follows:

Capital+Merchant Business Investments Limited (In Receivership)
c/- PricewaterhouseCoopers
Private Bag 92-162, AUCKLAND
Facsimile: +64 9 355 8013
Telephone: (09) 355 8808
Website: www.pwc.com/nz/cmbi
Email: nicholas.r.innes-jones@nz.pwc.com

Yours faithfully
Capital+Merchant Business Investments Limited (In Receivership)



Colin McCloy
Receiver