

15 December 2008

Dear Investor

Lombard Finance & Investments Limited (In Receivership) – (“LF&I”)
Lombard Asset Finance Limited (In Receivership)
Lombard Asset Finance NO. 2 Limited (In Receivership)
Lombard Property Holdings Limited (In Receivership) – (“LPH”)
(Collectively, "the Companies")

1. Introduction

Our last report to secured debenture investors was dated 3 September 2008. We take this opportunity to provide you with a further update on the progress of the receiverships and our investigations into events leading up to the receiverships of the Companies.

Since our last report, we have also prepared our second report on the receiverships in accordance with Section 24 of the Receiverships Act 1993.

If you would like a copy of that report, it can be downloaded from our website, www.pwc.com/nz/lombard, or from the Companies Office website www.companies.govt.nz. Alternatively, a hard copy of the report can be posted to you on request.

2. Returns to Secured Debenture Investors

In our September letter we estimated a range of recoveries to secured debenture investors of 19% to 40% of their original investment. The wide range of this provisional estimate reflected the considerable risks and uncertainties relating to the recoverability of significant loans and in particular lending on bare land coastal subdivisions.

At this time our assessment of the estimated range of recoveries to secured debenture investors remains unchanged at 19% to 40% of their original investment. We are mindful, however, that the general economic conditions, both in New Zealand and on a global basis, have continued to worsen. The ongoing deterioration in the economic environment has and will continue to impact negatively upon the options available and the potential level of realisations from LF&I's loan book.

We will continue to monitor closely the status of, and recoveries from, each of the property loans made by LF&I.

Property Loan Book

LF&I's major asset is the property loan book which consists of 27 loans with a total book value of \$136.7M as at 31 March 2008.

We have assessed in detail potential realisation strategies in respect of each of the loans. Based on discussions with the borrowers, legal advisers and specialist property advisers we are implementing individual loan strategies, which we consider will maximise the recoveries to investors.

As part of this strategy we have placed three of the borrower entities into receivership being; Brooklyn Developments No. 1 Limited, Brooklyn Views Limited and Liardet Apartments Limited. The purpose of these receiverships is to take control of each of these developments and manage either the future development or sell down process.

As at 5 December 2008, the following assets in the property loan book have been realised:

- A bare land coastal subdivision has been sold with a shortfall on the amount owed to LF&I. Summary judgment has been obtained against the guarantors of the loan for the balance outstanding;
- Six apartments have been sold in a completed development in Auckland, which has reduced the loan balance outstanding;
- Sell down of units in a completed residential development located in the South Island is ongoing and has significantly reduced the amount owing to the prior ranking security holders;
- Sell down of sections in two bare-land subdivisions in the lower North Island is ongoing;
- Sell down of units in a completed town-house development in Auckland is ongoing and all prior ranking securities have been satisfied; and
- A residential property which formed part of a loan's collateral security has been realised, with funds available to LF&I after repayment of the prior ranking security holders.

Gross assets of \$17.7M have been realised from the property loan book as at 5 December 2008. Of these realisations, LF&I has received \$2.4M, with the balance being paid to prior ranking security holders and to cover direct sale costs. We note that the extent of prior ranking securities combined with the longer time period that is required to realise some properties will, in most cases, reduce the funds available to LF&I.

Commercial loan book

As at 10 April 2008, the commercial loan book comprised 171 loans totalling \$2.9M. The types of loans include hire purchase, consumer and business loans. The finance provided is secured either over specific assets or as a general security over the assets of the borrower.

Gross recoveries for the period from 10 April 2008 to 5 December 2008 total approximately \$948k. We continue to monitor the collections process closely.

Property owned by LPH

As previously reported, LPH owned a residential property in Auckland, which has now been sold resulting in net realisations of \$1.8M.

Other

Potential estimates of recoveries have excluded potential returns in respect of actions that may be taken against directors and other third parties. The likelihood and quantum of such returns cannot be estimated at this time.

3. Timing of Returns to Secured Debenture Investors

As advised previously, cash in-flows are dependent upon the refinance or sale of properties. This combined with the current status of the property and finance markets makes it extremely difficult to assess the timing of realisations.

Further, the Inland Revenue Department ("IRD") is currently undertaking an audit into the affairs of the Companies and this may result in the identification of preferential claims against the Companies. Any preferential claims are required to be paid in full prior to any distribution to secured debenture investors.

We are hopeful that we will be in a position to make an interim distribution to secured debenture investors by the end of March 2009. Our forecast for the period to 31 March 2009 indicates that any interim distribution is likely to be less than 5 cents in the dollar. This distribution will be dependent upon loan recoveries occurring as forecast and confirmation of the IRD's final claims in the receivership.

4. Investigations

The receivers continue to provide extensive assistance and information to various Government authorities in respect of their investigations. The receivers have engaged an internal auditor on a full time basis to thoroughly investigate specific transactions and the activities and conduct of the Companies, the officers of the Companies, and third parties leading up to the appointment of receivers.

5. Correspondence with Investors

In our last correspondence to secured debenture investors, we requested confirmation of bank account details to ensure that any future distributions are made efficiently. We thank you for the prompt response to this request.

If you have yet to forward your bank account details, please be advised that you need to provide either:

- (a) a signed pre-printed deposit slip for your New Zealand bank account with your LF&I investor number hand written on it; or
- (b) a signed copy of your bank account statement showing the relevant account name and account number with your LF&I investor number hand written on it.

Unfortunately, we are unable to accept hand written bank account details due to the risk of false details being provided by other parties. Please note that if your investment is held jointly, all joint investors must sign the pre-printed deposit slip or the bank account statement.

5. Concluding Remarks

We regret that we are unable to provide more certainty regarding the timing of returns to secured debenture investors. We can assure investors that we continue to make every attempt to maximise recoveries in an efficient manner, whilst actively investigating those who may be held accountable for the losses.

Please note that the Companies' operations will be closed over the Christmas period, from Wednesday 24 December 2008, reopening on Monday 12 January 2009. Accordingly, enquiries submitted during this period may not be responded to until after 12 January 2009.

We will endeavour to keep investors updated on a regular basis and expect to issue a further report by 31 March 2009. In the meantime, should investors or other stakeholders have any queries arising from this report, please contact us in writing via our website, facsimile, or postal address, as follows:

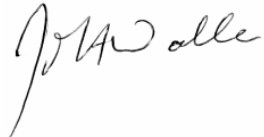
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We thank you for your ongoing support and patience through this difficult process and wish you and your families a happy and safe holiday season.

Yours faithfully



John Fisk
Receiver



John Waller
Receiver