

27 July 2010

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)
(Collectively, "the Companies")

1. Introduction

Our last report to secured debenture investors was dated 25 February 2010. 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.

2. Interim Distribution to Secured Debenture Investors

We are pleased to advise that an interim distribution of **3 cents** in the dollar (calculated on your secured debenture investment as at 10 April 2008) will be made on or around 5 August 2010. This will bring the total distribution to date to 9.5 cents in the dollar. Attached to this report is a letter from Perpetual Trust confirming the amount and timing of the interim distribution.

As noted in our previous reports, the Inland Revenue Department (“IRD”) has yet to finalise its claims in the receiverships. Whilst the IRD has not concluded its GST audit of LF&I, it has been agreed they will waive any preferential claim over the amount being paid as an interim distribution (estimated at \$3.4m), thus enabling the distribution to occur sooner than would otherwise be the case.

The GST audit may still result in the identification of preferential claims against LF&I. It is expected that any preferential payments will be required to be paid in full prior to any further distribution to secured debenture investors. We are working with the IRD to progress the audit as quickly as possible.

3. Returns to Secured Debenture Investors

In our February 2010 letter we revised our estimated range of total recoveries to secured debenture investors to between **15%** and **24%** of their original investment. At this time our assessment of the estimated range of recoveries to secured debenture investors remains unchanged.

It should be noted that the estimated range of recoveries above does not take into account any new preferential claims by the IRD that may arise as a result of their audit.

4. Property Loan Book

LF&I's major asset is the property loan book which consisted of 27 loans with a total book value of \$136.7M as at 31 March 2008. Gross realisations of circa \$53.9M have been recovered from the property loan book as at 16 July 2010. Of these realisations, LF&I have received \$14.1M, with the balance being paid to prior ranking security holders and to cover direct sale costs.

The status of the loan realisations as at 16 July 2010 is summarised below:

Status	Number of loans
All property assets now realised	13
Loan repayment plan in place	1
Sell down process currently being undertaken	9
Enforcement action being taken to recover loans	4
Total	27

Where possible we are seeking to realise collateral property and enforce personal guarantees.

As noted in our previous reports, receivers were appointed to several borrower entities in order to take control of developments and manage either the future development or sell down process. We outline below the status of these receiverships.

Liardet Apartments Limited (In Receivership) ("Liardet") – (loan balance as at 10 April 2008 totalled \$3.9M)

- Liardet owned a completed luxury apartment development in New Plymouth. LF&I appointed receivers to Liardet on 10 October 2008 to manage the sales process of the 11 remaining unsold apartments.
- All 11 apartments have now been sold, with the sale of the last apartment completed in mid June 2010.

Der Rohe Holdings Limited (In Receivership and In Liquidation) ("Der Rohe") – (loan balance as at 10 April 2008 totalled \$7.2M)

- Der Rohe developed a 42 unit apartment building in Eden Terrace, Auckland.
- LF&I appointed receivers to Der Rohe on 15 December 2008 to manage the sales process of the 5 remaining apartments.
- All 5 apartments have now been sold, with the sale of the last apartment completed in early July 2010.

Brooklyn Developments No.1 Limited (In Receivership) ("BD1") and Brooklyn Views Limited (In Receivership) ("BVL") - (combined loan balance as at 10 April 2008 totalled \$42.6M)

- On 10 July 2008, LF&I appointed receivers to BD1, the owner of a partially complete residential development in Brooklyn Wellington. The development comprises 38 completed houses (of which 36 had been sold), 12 partially completed houses and the balance as bare land.
- The receivers of BD1 have taken the following steps:
 - sold the remaining two completed houses
 - completed construction and sold 4 of the 12 partially completed houses
 - arranged for the demolition of two partially completed houses that had been exposed to the elements for some time prior to receivership. The receivers of BD1 initially thought that one of the dwellings could be salvaged; however, they were unable to obtain sign off from the contractors for the work carried out pre-receivership.
 - engaged Colliers International to undertake a marketing process for the sale of the partially completed houses and balance of the land. The deadline for expressions of interest was 10 December 2009.
- As noted in our February report, whilst a number of developers expressed interest in the asset, no acceptable tenders were received.
- Subsequent to the tender process and following extensive negotiations, the receivers of BD1 entered into a sales contract with a third party for the property owned by BD1. Settlement has not yet occurred.

Monaco Village Limited (In Receivership and Liquidation) ("MVL") - (loan balance as at 10 April 2008 totalled \$3.8M)

- On 17 February 2010, LF&I appointed receivers to MVL, which is the owner of 13 units in a resort complex in Nelson and two bare land sections in the Marlborough Sounds.
- The receivers engaged Jones Lang Lasalle and Niche marketing to undertake a marketing process for the sale of the units by tender. We are currently in discussions with various parties regarding the tender process; however, at the date of this report, no sales have been concluded.

5. Commercial Loan Book

As at 10 April 2008, the commercial loan book comprised 171 loans totalling \$2.9M. Gross recoveries from the commercial loan book for the period 10 April 2008 to 16 July 2010 totalled approximately \$2.0M. We continue to monitor and manage the collections process.

6. Other Recoveries

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

7. Investigations

The receivers continue to provide extensive assistance and information to various Government authorities in respect of their investigations.

Significant time and effort has been spent on reviewing the activities of the Companies leading up to the appointment of receivers and assessing potential claims against parties associated with the Companies. Our findings are currently being reviewed by an independent third party. We expect to report back to investors, to the extent possible, in our next report to investors.

8. Concluding Remarks

We continue to make progress in realising the loan book, including pursuing and reaching settlements with guarantors. This progress has enabled us to make a further distribution to secured debenture investors. Achieving loan recoveries remains difficult particularly where the underlying property asset comprises undeveloped land or bare land coastal subdivisions. In addition to loan recoveries, we continue to focus on other remedies that are available to us to recover further funds for investors.

We will keep investors updated on a regular basis, and expect to issue a further report by 29 October 2010. 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.

Yours faithfully



John Fisk
Receiver



Colin McCloy
Receiver