

Receivers' Fifth Report on the State of Affairs of
Lombard Finance & Investments Limited (In Receivership)
Lombard Asset Finance Limited (In Receivership)
Lombard Asset Finance NO. 2 Limited (In Receivership)
Lombard Property Holdings Limited (In Receivership)

For the six month period 10 October 2009 to 9 April 2010

Pursuant to Section 24 of the Receiverships Act 1993

Company Numbers: 1242396
1488956
1680468
1409499

Registrar of Companies
Companies Office
Private Bag 92061
Auckland Mail Centre
Auckland

8 June 2010

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")

Please find attached our fifth report in relation to the Companies pursuant to Section 24 of the Receiverships Act 1993. A copy of this report has been sent to the Trustee, Perpetual Trust Limited. Secured debenture holders in the Companies were provided with a separate report on the status of the receiverships on 25 February 2010.

Yours faithfully
For the Companies



John Fisk
Receiver

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1 Introduction

- LF&I is a Wellington based finance company which had a registered prospectus and issued secured debenture stock, capital and subordinated notes to the general public.
- On 3 April 2008, LF&I announced to its investors that it would be seeking a moratorium in respect of its repayment obligations to secured debenture and note holders. After reviewing the position of LF&I, Perpetual Trust Limited ("the Trustee") determined that the interests of investors would be better served by the appointment of receivers.
- John Howard Ross Fisk and John Anthony Waller, Chartered Accountants, were appointed receivers to each of the Companies on 10 April 2008 by the Trustee. We were appointed under the terms of a debenture trust deed giving the holder a security interest over all the assets and undertakings of the Companies.
- Mr Waller has subsequently retired from his position at PricewaterhouseCoopers and has accordingly resigned as receiver of the Companies. Colin McCloy of PricewaterhouseCoopers was appointed as replacement receiver on 22 December 2008.
- This report has been prepared by us in accordance with and for the purpose of Section 24 of the Receiverships Act 1993 ("the Act"). It is prepared for the sole purpose of reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership for the six month period from 10 October 2009 to 9 April 2010.

- This report is subject to the restrictions set out at Appendix I. In particular, all information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.

2 Particulars of assets and disposals of receivership property

- Our previous report for the six month period to 9 October 2009 contained a provisional estimate of return to secured debenture investors of 17% to 29% of their original investment.
- In that report we advised that marketing campaigns were underway in respect of certain significant assets. As a result of the outcome of these marketing campaigns, we consider it prudent to reduce the estimated range of total recoveries to secured debenture investors to between **15% and 24%** of their original investment. The decision to reduce the estimated range was largely as a result of a reassessment of recoveries from two loan exposures, addressed later in this letter.
- The revised estimate of return was communicated to secured debenture investors in our report to investors dated 25 February 2010.
- Please note that we have omitted certain details concerning the realisation of receivership assets, as we believe that their inclusion would materially prejudice the exercise of our functions and in particular, our duty to obtain the best price reasonably obtainable.

2.1. 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.
- The status of the loan realisations as at 9 April 2010 is summarised below:

Status	Number of loans
All property assets now realised	9
Property assets where there is only one remaining unit to be realised	2
Property asset under contract	1
Loan repayment plan in place	1
Sell down process currently being undertaken	8
Enforcement action being taken to recover loans	4
Other	2
Total	27

- Where possible we are seeking to realise collateral property and enforce personal guarantees. In respect of the guarantors:
 - Four guarantors are now bankrupt;
 - Six guarantors are in negotiations with LF&I regarding their personal guarantees;
 - Four guarantors have reached settlement arrangements with LF&I; and
 - Three guarantors are subject to legal action by LF&I.
- We comment below on two significant loan exposures that LF&I holds and which have been subject to revised expectations since our last report

Brooklyn Developments No.1 Limited and Brooklyn Views Limited (both in receivership) – (the "Brooklyn Development")

- The Brooklyn Development is LF&I's largest loan totalling \$42.6M as at 10 April 2008. Issues in respect of the Brooklyn

Development include difficult terrain (increasing the cost of construction), planning and logistical issues.

- A tender process in respect of the partially completed Brooklyn Development closed in December 2009. Whilst a number of developers expressed interest in the asset, no acceptable tenders were received.
- As a result of the unsuccessful tender process, we are now considering other options to realise the value of the assets.
- Given that the Brooklyn Development loan makes up 31% of LF&I's loan book, the level of loan recovery will have a significant impact upon the overall level of return to secured debenture investors. For reasons of commercial sensitivity, we do not propose to disclose the estimated recovery from this exposure at this stage.

Monaco Village Limited (In Receivership and Liquidation) ("MVL") (Debt including related loans totalled \$3.8M as at 10 April 2008)

- 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. Following the failure of a proposal to enter into a Compromise with all its creditors, MVL had been placed in liquidation by the High Court on the application of an unsecured creditor. As a result, it became necessary for LF&I to appoint receivers to manage the sell down process of the remaining units. We note that MVL does not own or manage the operation of the resort.
- The receivers of MVL have instructed real estate agents in respect of the sale of the remaining units.

Realisations from the Property Loan Book

- As at 9 April 2010, net proceeds to LF&I (after settlement of prior ranking security holders and sale costs) from the property loan book totalled \$12.3M.

2.2. 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 to 9 April 2010 total approximately \$1.9M. We continue to monitor the collections process closely.

2.3. Property

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

2.4 Other Assets

- Other asset potential realisations primarily comprise accounts receivable. To date recoveries from other assets total \$167k (excluding GST).

3 Particulars of debts and liabilities outstanding and requiring to be satisfied from the property in receivership

3.1 Secured Debenture Investors

- The Secured Debenture Investors balance of \$111.0M represents approximately 6,400 investments held by approximately 3,900 secured debenture investors.
- We last wrote to secured debenture investors on 25 February 2010 to update them on the receivership.
- We continue to monitor queries lodged by investors through our website www.pwc.com/lombard, by mail and via our dedicated phone line.

Timing of Returns to Secured Debenture Investors

- An interim distribution of 6.5 cents in the dollar (calculated on the secured debenture investment as at 10 April 2008) was made to secured debenture investors in December 2009.
- We will be reporting to secured debenture investors on the timing of a further interim distribution in our next letter due to be issued prior to 30 June 2010.

3.2 Preferential Creditors

Employee entitlements

- Based on the information available from the Companies' records, employee preferential entitlements relating to salaries and wages, accrued holiday entitlements and redundancy entitlements as at the date of receivership were calculated at approximately \$30k and have now been settled in full.

Inland Revenue Department

- The preferential entitlements of the IRD in relation to PAYE, Goods and Services Tax and Resident Withholding Tax unpaid at the date of receivership are yet to be finalised.
- IRD is currently undertaking an audit into the pre-receivership affairs of LF&I and this may result in the identification of preferential claims against LF&I, principally in regard to Goods and Services Tax. It is expected that any preferential payments will be required to be paid in full prior to any distribution to secured debenture investors. IRD has now indicated that this audit is unlikely to be completed prior to December 2010.
- As with the interim distribution paid in December 2009, IRD has indicated that if funds become available to pay a further distribution to secured debenture investors, then IRD may agree to waive any preferential claim over any further amount being paid as a distribution, pending the outcome of their investigation.
- We are working with IRD to progress the audit as quickly as possible.

3.3 Amounts likely to be available to other creditors

- Given the estimated returns to secured debenture investors, we regret to advise that there are unlikely to be any amounts available from the receivership for payment to unsecured creditors, including Capital and Subordinated Note holders.

4 Receipts and Payments

- The table opposite sets out the receipts and payments for the Companies from 10 October 2009 to 9 April 2010.
- We note the following in respect of the receipts and payments summarised in the table:
 - As noted earlier in this report, as at 9 April 2010, net proceeds to LF&I (after settlement of prior ranking security holders and sale costs) from the property loan book totalled \$12.3M. Of the \$12.3M received by LF&I, approximately \$2.1M was received in the six month period 10 October 2009 to 9 April 2010.
 - Loan expenses includes, where required, payment of interest on prior ranking serviced debt, body corporate fees, local authority levies, insurance, marketing, maintenance, valuation, professional and completion costs in preparation for realisation. Recoveries from the assets for which these costs were incurred are yet to occur in a number of instances.
 - Operational costs include, but are not limited to, staffing, premises, communications, electricity and administration costs.
 - Legal services to date include general receivership advice, loan specific legal requirements, litigation as required, property administration and transfer, and loan documentation.
 - Other professional fees include advice obtained from specialist property, accounting and tax consultants.

Lombard Finance and Investments Limited and subsidiaries (In Receivership)
Receipts and Payments Summary
For the sixth month period from 10th October 2009 to 09 April 2010

	NZ\$ 000's
Receipts	
Brought Forward	9,341
Receipts from property loan book	2,086
Receipts from commercial loan book	223
Other receipts	106
GST received	120
GST on receipts	10
Total receipts	11,885
Payments	
Distribution to investors	7,301
Loan expenses (net of interest received on loans)	176
Insurance	2
Operational costs	264
Legal fees and associated costs	201
Other professional fees and associated costs	98
Receivers' fees	211
Disbursements	15
GST Paid	11
GST on payments	66
Total payments	8,346
Net funds on hand	3,539

5 Other matters

- The receivers continue to provide extensive assistance and information to various Government authorities in respect of their investigations.
- Our investigations into the affairs of the Companies have primarily focussed on the most significant loans, including the Brooklyn Development exposure. Documentation has been sought and received from a number of third parties who were associated with the Companies prior to our appointment. The documents are now being assessed by our lawyers to determine what causes of action the companies may have against certain parties where such action could result in recovery for investors.
- We expect to provide a further update on these potential actions in our next report to secured debenture investors to be issued by 30 June 2010.
- As noted above, a further formal update to the secured debenture investors will be issued by the end of June 2010. In the interim, 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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PricewaterhouseCoopers
PO Box 243
Wellington
Facsimile: +64 4 462 7492
Website: www.pwc.com/nz/lombard

Appendix I

Restrictions

- All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993.
- The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Companies. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- The statements and opinions expressed in this report are based on information available as at the date of the report.
- We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.
- We have relied on forecasts and assumptions prepared by the Companies about future events which, by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.
- In addition the following should be noted:
 - Certain numbers included in tables throughout this report have been rounded and therefore do not add exactly.
 - Unless otherwise stated all amounts are stated in New Zealand dollars.