



6 September 2013

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

Dear Investor

### **Introduction**

We refer to our last report to secured debenture investors dated 21 December 2012 (the “December Report”), our recent statutory report and our website update dated 2 July 2013. We take this opportunity to provide you with an update on the progress of the receiverships.

This report is subject to the restrictions set out at Appendix I.

### **Returns to Secured Debenture Investors**

In our December Report, our estimated range of recoveries to secured debenture investors was 15% to 20% of the principal amount outstanding as at the date of receivership.

At this time our assessment of the estimated range of recoveries to secured debenture investors remains unchanged.

Distributions to secured debenture investors in the receivership to date total 13 cents in the dollar.

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.

### **Investigations**

#### ***Claims against Directors***

As previously reported, we have identified a claim against Lombard's Directors for breach of directors' duties under the Companies Act 1993. Without prejudice discussions are continuing in relation to that claim to determine whether it is possible to reach a negotiated settlement, thereby avoiding the costs and delays associated with pursuing the claim through to a trial in the High Court.

Good progress has been made, particularly in the last two months in terms of these negotiations.

Although we are unable to specify a clear timeframe for the completion of the without prejudice discussions at this stage, we are progressing the discussions as quickly as possible. However, if those discussions do not result in a satisfactory conclusion, we expect to advance the claim in the High Court without delay.



### ***Claims against Third Parties***

We have also previously reported that we were investigating potential claims against third parties involved with Lombard.

We have determined there is a claim against a third party and we are in without prejudice discussions with that third party. Any further details in respect of that claim cannot be disclosed while those discussions continue. As with the claim against the Directors, if a satisfactory conclusion cannot be reached in respect of that claim, then it is likely to be pursued in the High Court.

Whilst we are unable to provide further details of the claims to investors, we have kept the Trustee fully informed of progress and they support the approach we are taking in regard to both the claims referred to above.

### **Property Loan Book**

The majority of the property assets securing Lombard's loan book have been realised; and the remaining property assets are as follows:

- One bare land development site, which has been subject to several marketing campaigns. No acceptable offers have been received to date.
- One further property is a completed coastal sub-division, which has proven difficult to realise due to a number of issues. We are currently working with the relevant local Council to resolve some of those issues.

We are also seeking to maximise the value of any collateral securities (including personal guarantees) that LF&I holds.

### **Concluding Remarks**

We are conscious it is taking some time to deal with potential claims against Directors and third parties. This is primarily due to the complexities of the claims and the volume of documents involved. We acknowledge that investors wish to see these claims resolved as quickly as possible so that funds can be distributed.

The claims may have a material effect on the assets of Lombard available for distribution to secured debenture holders. We remain of the view that progressing discussions with the Directors and the third party with a view to reaching a determination as quickly as possible provides the best opportunity to maximise recoveries for investors rather than entering into a Court process.

We will provide a further update to investors on progress as soon as we are able to.



**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:**

**Lombard Finance & Investments Limited (In Receivership)  
PricewaterhouseCoopers  
PO Box 243  
Wellington  
Facsimile: +64 4 462 7492  
Website: [www.pwc.com/nz/lombard](http://www.pwc.com/nz/lombard)**

Yours faithfully

A handwritten signature in black ink, appearing to be 'John Fisk', written over a horizontal line.

John Fisk  
Receiver



**Restrictions**

- 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.